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FOREIGN OPERATIONS APPROPRIATIONS FOR 1964

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

OTTO E. PASSMAN, Louisiana, *Chairman*

J. VAUGHAN GARY, Virginia
JOHN J. ROONEY, New York
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GEORGE W. ANDREWS, Alabama
JOSEPH M. MONTOYA, New Mexico
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JOHN J. RHODES, Arizona
GERALD R. FORD, Jr., Michigan
SILVIO O. CONTE, Massachusetts
WILLIAM E. MINSHALL, Ohio

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

[1] Temporarily assigned.

PART 1

EXPORT-IMPORT BANK
INTER-AMERICAN DEVELOPMENT BANK
INTERNATIONAL DEVELOPMENT ASSOCIATION
PEACE CORPS
RYUKYU ISLANDS, ARMY

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FOREIGN OPERATIONS APPROPRIATIONS FOR 1964

MONDAY, APRIL 29, 1963.

NEW MEMBER OF THE COMMITTEE

Mr. PASSMAN. The committee will come to order.

We should like to welcome at this time one of the new members of this subcommittee, Mr. William Minshall, one of the ablest Members of Congress and of the Committee on Appropriations. Our other new member, Mr. John Flynt, is not with us at this time, but is expected to join us shortly.

We were delighted when we learned that Bill Minshall and John Flynt would be assigned to the Foreign Operations Appropriations Subcommittee. I might say, Bill, you are in for some long and hard hours of hearings.

Mr. MINSHALL. I have had good training in the Defense Subcommittee, Mr. Chairman.

Mr. PASSMAN. Welcome to the committee.

Mr. MINSHALL. It is a pleasure to be here, sir.

GOLD HOLDINGS OF THE UNITED STATES AND THE PUBLIC DEBT

Mr. PASSMAN. I have with me a recapitulation sheet which I have prepared on the gold holdings of the United States for a 10-year period, our balance-of-payments position from 1950 through 1962, and a statement on our public debt and the debt of the other nations.

(The matter referred to follows:)

Gold holdings (free world countries)

U.S. gold holdings on Dec. 31, 1952	$23,252,000,000
U.S. gold outflow to foreign countries, 1952 through 1962	−7,195,000,000
U.S. gold holdings on Dec. 31, 1962, reduced to	16,057,000,000
Gold holdings, other countries [1] Dec. 31, 1952	13,028,000,000
Gold holdings increase, other countries, 1952 through 1962	+11,630,000,000
Gold holdings, other countries, Dec. 31, 1962, increased to	24,658,000,000

[1] Does not include Sino-Soviet bloc.

U.S. dollars owned by foreign countries (free world)

Foreign dollar holdings on Dec. 31, 1952	$10,546,100,000
Increase in foreign dollar holdings, 1952 through 1962	+14,437,900,000
Foreign dollar holdings on Dec. 31, 1962, increased to	24,984,000,000

U.S. balance-of-payments position

1950 net deficit	—$1,912,000,000
1951 net deficit	—578,000,000
1952 net deficit	—1,100,000,000
1953 net deficit	—2,100,000,000
1954 net deficit	—1,500,000,000
1955 net deficit	—1,100,000,000
1956 net deficit	—1,000,000,000
1957 (only credit in 13 years)	+500,000,000
1958 net deficit	—3,400,000,000
1959 net deficit	—3,700,000,000
1960 net deficit	—3,800,000,000
1961 net deficit	—2,400,000,000
1962 net deficit	—2,200,000,000
U.S. deficit, 1950 through 1962 inclusive	—24,290,000,000

Gross public debts

U.S. public debt on Dec. 31, 1962	$303,470,080,489
Other free world countries (latest available figures)	201,500,000,000
U.S. debt exceeds debts of other free world countries by	101,970,080,489
U.S. debt exceeds all other countries of world by	24,000,500,000

FUNDS AVAILABLE FOR EXPENDITURE AND ACTUAL EXPENDITURES

Mr. PASSMAN. I should also like to insert in the record a recapitulation sheet showing funds available for foreign aid for fiscal year 1963, as well as the total available for expenditure, actual expenditures, and unexpended funds at the end of the 3 fiscal years.

(The statement referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., April 1, 1963.

MY DEAR COLLEAGUE: This is the ninth year it has been my privilege to provide you with a recapitulation of foreign aid funds available to the mutual security program. This report covers funds available for fiscal 1963 and covers only the amount of the aid program handled by the Foreign Operations Subcommittee on Appropriations. Others types of foreign assistance are available under eight other statutes.

The amounts listed on the attached sheet have been verified. These funds are available for obligation and expenditure in the present fiscal year. Funds not disbursed during fiscal 1963 will remain available in either an obligated or reserved status, or, as we often say, in the pipeline.

Is it really the desire of Congress to permit AID to continue pyramiding funds and fund programs years in advance of the actual expenditure? This practice accounts for the annual increase in unexpended funds. The certified information presented below indicates there is something wrong with the present system of pyramiding AID funds. Certainly the actual annual expenditures do not justify this practice.

The three brackets of figures cover (*a*) funds available covering 4 fiscal years—observe the annual increase, (*b*) actual expenditures for 3 years—fiscal 1963 not yet available, and (*c*) unexpended funds on hand at the end of the last 3 fiscal years—1963 not yet available:

(*a*) Total available for expenditure:.	
1. Fiscal year 1960	$8,111,521,750
2. Fiscal year 1961	8,551,215,000
3. Fiscal year 1962	10,078,319,114
4. Fiscal year 1963	11,141,987,000
(*b*) Actual expenditures:	
1. Fiscal year 1960	3,265,400,000
2. Fiscal year 1961	3,276,600,000
3. Fiscal year 1962	3,198,100,000
(*c*) Unexpended funds:	
1. Unexpended funds, June 30, 1960	4,830,549,000
2. Unexpended funds, June 30, 1961	5,975,397,000
3. Unexpended funds, June 30, 1962	6,889,186,000

I hope the information contained in this letter and the attached sheet will be of some service to you. It is a pleasure to furnish you the information developed by the subcommittee of which I have the privelege to be chairman. Personally, I am concerned about the ever-increasing cost of this program.

Sincerely yours,

OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations.

Foreign aid funds by program and amount (available for expenditure in fiscal 1963)

1. Military assistance:		
Unexpended: June 30, 1962	$2,784,637,000	
New funds:		
Fiscal 1963	1,325,000,000	
Other	39,985,000	
		$4,149,622,000
2. Development loans:		
Unexpended: June 30, 1962	2,127,005,000	
New funds:		
Fiscal 1963	975,000,000	
Other	920,000	
		3,102,925,000
3. Development grants:		
Unexpended: June 30, 1962	430,252,000	
New funds: Fiscal 1963	225,000,000	
		655,252,000
4. Development grants, special program: New funds: Fiscal 1963		2,800,000
5. Surveys of investment operation: Unexpended: June 30, 1962		1,500,000
6. Investment guarantees:		
Unexpended: June 30, 1962	235,659,000	
New funds: Fiscal 1963	30,000,000	
		265,659,000
7. International organizations and programs:		
Unexpended: June 30, 1962	79,009,000	
New funds: Fiscal 1963	148,900,000	
		227,909,000
8. Supporting assistance:		
Unexpended: June 30, 1962	452,374,000	
New funds: Fiscal 1963	395,000,000	
		847,374,000
9. Contingency fund:		
Unexpended: June 30, 1962	223,438,000	
New funds: Fiscal 1963	250,000,000	
		473,438,000
10. Alliance for Progress:		
Unexpended: June 30, 1962	519,445,000	
New funds: Fiscal 1963	525,000,000	
		1,044,445,000
11. Administrative expenses, AID:		
Unexpended: June 30, 1962	11,233,000	
New funds:		
Fiscal 1963	49,500,000	
Other	8,383,000	
		69,116,000
12. Administrative expenses, State:		
Unexpended: June 30, 1962	87,000	
New funds: Fiscal 1963	2,700,000	
		2,787,000
13. Other: Unexpended: June 30, 1962		5,500,000
Subtotal, funds available for expenditure for foreign assistance program		10,848,327,000

Foreign aid funds by program and amount (available for expenditure in fiscal 1963)—Continued

14. Peace Corps:		
Unexpended: June 30, 1962	10,815,000	
New funds: Fiscal 1963	59,000,000	
		69,815,000
15. Ryukyu Islands:		
Unexpended: June 30, 1962	3,044,000	
New funds: Fiscal 1963	8,900,000	
		11,944,000
16. Cuban refugee program:		
Unexpended: June 30, 1962	2,687,000	
New funds: Fiscal 1963	70,110,000	
		72,797,000
17. Migrants and refugees:		
Unexpended: June 30, 1962	2,501,000	
New funds: Fiscal 1963	14,947,000	
		17,448,000
18. Inter-American Development Bank:		
Unexpended: June 30, 1962	(1)	
New funds: Fiscal 1963		60,000,000
19. International Development Association:		
Unexpended: June 30, 1962	(1)	
New funds: Fiscal 1963		61,656,000
Subtotal, funds available for expenditure for other foreign assistance		293,660,000
Grand total, funds available for expenditures in fiscal year 1963		11,141,987,000

RECAPITULATION

1. Unexpended funds (from prior fiscal years), June 30, 1962	6,889,186,000
2. New funds (appropriated), fiscal 1963	4,203,513,000
3. New funds (reimburements, sales receipts, etc.), fiscal 1963	49,288,000
Total funds available for expenditure	11,141,987,000

[1] $513,500,000 unexpended funds for IDB and IDA not included in above totals.

CONGRESSIONAL ACTION ON 1963 BUDGET

I should like also to indicate at this points, the uncertainties of the program with which we are dealing. Last year, using round figures, the President requested for Mutual Security alone, section 1 of Foreign Aid, $4,900 million. The Congress, in its wisdom, reduced that amount to $3,900 million and almost at every echelon in the executive branch they yelled "bloody murder." "You are wrecking the program," they complained. "We cannot meet our commitments with this reduction." However, in the President's message to the Congress, a few days ago, he stated, at page 10, that upward of $200 million will be on hand unneeded at the end of this fiscal year. At a subsequent date, Mr. Bell, on "Meet the Press," indicated it would be upward of $300 million on hand unobligated. That has nothing to do with the obligated carryover, which will exceed $7 billion. So, using the President's figures, had the Congress recommended $3.7 billion, there would have been adequate funds on hand to meet all the obligations that they are going to make this year. If we use Mr. Bell's figures, then $3.6

billion would have been adequate to meet all the obligations that the administration will make for fiscal year 1963.

Mr. RHODES. Will the chairman yield?

Mr. PASSMAN. Yes.

Mr. RHODES. Does my memory serve me correctly? Wasn't that the amount of the bill that we actually passed in the House?

Mr. PASSMAN. Yes; the House figure was $3.6 billion. They requested $4.9 billion. The Congress reduced this by $1,030,400,000, appropriating, in round figures, $3.9 billion. Only recently the President indicated there would be upward of $200 million on hand unused, which means that, under the President's figures, $3.7 billion would have been an adequate appropriation.

Mr. RHODES. That is what we passed.

Mr. PASSMAN. Using Mr. Bell's figures, had we appropriated $3,600 million, that amount would have been adequate. This indicates the uncertainties that exist downtown as to what the needs are. Again, as in previous years, this committee has been vindicated. The needs are invariably better established by this committee than by the Executive, and I think all members of the committee are proud of this record.

REDUCTIONS PROPOSED IN 1964 BUDGET

May I add, before we proceed with the hearings this afternoon, that there is even more confusion in the executive branch about the foreign aid program this year than in previous years. This year the President requested, in round figures, $4.9 billion. Then, the President himself amended his original request by asking that it be reduced to $4.5 billion, a reduction of $400 million. General Clay has recommended additional reduction, and I shall use the lower figure, of $200 million, which means that $4.3 billion would be adequate according to his understanding. They have been rather dogmatic in previous years that no cut could reasonably be made. This year, however, they have been cutting rapidly even before the committee started its hearings. But, to indicate further confusion about this situation, General Clay, in his committee's report, and I shall correct this if I am in error, stated that the AID people indicated, if they were following the criteria as recommended by the Clay committee, the present programs could be reduced by $500 million.

There are 5 different levels at which that $500 million might be applied. The President requested $4.9 billion. You could apply it to $4.9 billion. Last year we appropriated $3.9 billion. You could accept that as the level and apply it there. The President indicated the need this year would be $3.7 billion. You could apply it at that level. Mr. Bell indicated it could be $3.6 billion this year. You could apply it at that level. The fact is they will withdraw from the pipeline this year to meet the commitments, if it runs about the same as it has in the past 3 years, approximately $3.2 billion; so, thinking in terms of the spending level, I am taking the optimistic view that the Clay report would recommend $2.7 billion. However, somewhere along the way we shall doubtless find out at which one of the confused five levels the gentleman had in mind when he said the funds could be reduced by $500 million.

NEWSPAPER ARTICLE ON KING SAUD

Based upon many reports in the press, we are not giving our friends across the world the credit they are entitled to. They have a position on foreign aid.

So, without objection, we shall put a brief UPI report in the record at this point.

(The article follows:)

SAUD ENTOURAGE HEADS HOME

PARIS, April 27 (UPI).—King Saud, of Saudi Arabia, left for home with his wives, concubines, eunuch guards, aides, and a cageful of chirping canaries.

The entourage took off by special plane from Orly Airport bound for Riyadh, the Saudi capital.

The king came to France for medical treatment and rest last month. Two incidents marred his visit.

The day after he arrived in Nice, one of his private planes disappeared over the French-Italian Alps with 18 persons aboard. It still has not been found. On April 16, one of his cousins was shot and killed in a Paris hotel by a disgruntled male secretary.

U.N. AGRICULTURAL PROJECT IN CUBA

Mr. PASSMAN. I think we should also note this item by AP:

U.N.'s Cuba Aid Defended. Citizens of the United States should not "see red" because a U.N. agency sets up a special agricultural project in Cuba, an American representative in the United Nations said last night.

PRESIDENT SUKARNO'S COMMENTS ON INDONESIA AND RED CHINA

And this article is of interest:

(The article follows:)

SUKARNO CALLS INDONESIA AND CHINA PILLARS

JAKARTA, Indonesia, April 19 (AP).—President Sukarno today called Communist China and Indonesia the pillars of the new emerging forces and predicted the two nations will see the day when the old established forces will collapse.

Mr. Sukarno spoke at a state banquet given for him by Communist Chinese President Liu Shao-chi, who ends a 9-day State visit to this country tomorrow. In turn Mr. Liu referred to Indonesia and Red China as comrades in arms.

Mr. Sukarno generally refers to nations in Asia and Africa and the Communist bloc as new emerging forces. He lumps most of the West under the "old established forces" description.

"We have shown to the world that China and Indonesia cannot be ignored," Mr. Sukarno said. "These two countries are the pillars of the new emerging forces. The peoples of Afro-Asian and Latin American countries and the peoples of Socialist countries are becoming stronger and stronger. The day will come that we will win and the old established forces will fall."

Mr. Sukarno asserted that "colonialists and neocolonialists are trying to undermine these two countries."

Mr. Liu said his visit has shown the two countries are comrades in arms and their friendship is unbreakable.

"Both our countries persevere in opposing imperialism and colonialism and safeguarding national independence and state unity; actively support the struggle of the oppressed nations for liberation, and resolutely defend Asian and world peace," Mr. Liu said. "In the struggle against our common enemies our two countries have consistently encouraged and supported each other."

SHOPPING TRIP OF KING HASSAN

Mr. PASSMAN. Another one: "Hassan Buys 5 Cadillacs, 5,000 Bed and Bath Items."

(The article follows:)

[From the Des Moines Register, Apr. 6, 1963]

HASSAN BUYS 5 CADILLACS, 5,000 BED AND BATH ITEMS

NEW YORK.—King Hassan II of Morocco showed New Yorkers what it means to go first class this week, making shopping trips seem like something out of "Arabian Nights."

The King, who was ending a 10-day visit to this country Friday, included a little shopping for the royal household on his agenda.

So, with one sweep of his arm, he bought more cars than the average American will purchase during a lifetime.

With another wave of his hand, he ordered more blankets, towels, sheets, mats, robes, pillowcases, and bedspreads than any housewife could ever dream of buying.

The whole thing took less than 3 hours.

GENERAL MOTORS ON PARADE

On Monday night, he made his additions to the royal livery. He headed for an auto showroom where 18 cars in the General Motors line were on display, especially for him. They ran the gamut from the most luxurious Cadillac to the simplest compact.

The King and his party looked at all of them within a half hour. He placed an order for at least five Cadillacs, and an unspecified number of other cars, through the firm's oversea division.

"There's never been anything like it," commented George B. Brown, a representative of the agency. "The cars were placed so the King and his entourage—about 20 in all—could circulate freely without any congestion."

Friday, the King and his party went to a textile house.

ONE HUNDRED AND FIFTY BLANKETS

The exact figures on what he bought still haven't been tallied. Estimates range as high as 5,000 of the bedroom-bathroom items, including 150 blankets that will be packed to leave with the royal party. This trip lasted about 1 hour and 45 minutes.

But the problems didn't end there.

The King wanted the royal crest, coat of arms, and monograms put on every item, some of which had to be finished for his departure.

NOTE: Morocco received $353 million in economic aid from the United States from 1945 through 1962. It also has received military aid but the amount is classified.

Mr. PASSMAN. It would appear that the King wanted to return to the American free enterprise system some of the dollars his country had received through our generosity. It was not too bad. He spent only about $788,000 a week.

EMBASSY PARTIES

Here is another article, from the Washington Daily News, entitled "To Give a Party."

(The article follows:)

TO GIVE A PARTY

There are 107 embassies and legations here in Washington.

Most of their countries, one way or another, are on Uncle Sam's aid list.

Most of them, in some fashion, feel they have to give parties. A few entertain only modestly. Some scrumptiously.

All, according to a lady reporter in Washington who specializes in such things, are concerned about the rising price of parties. For example, she cites the recent standup, munch-and-sip whingding in Washington thrown by the Government of Morocco for its King Hassan.

Some 2,000 diplomats, etc., were invited. The bill, our social reporter says, was $30,000. The King didn't even stay around—he went back to his lodgings to get a phone call.

It now is costing about $2 million a year for diplomatic parties, our lady writer estimates. This obviously is helpful to a lot of waiters, caterers, cooks, and bartenders. But if party throwing is beginning to pinch, the embassies could give it up—the people who get invited mostly eat well otherwise.

LETTER CONCERNING AID PROGRAM IN KARACHI, PAKISTAN

Mr. PASSMAN. I should like to insert a letter in the record at this point. It is from a retired U.S. Navy captain, and was written from Karachi, Pakistan. The original letter, with the envelope in which it was mailed, will be retained in my files.

(The letter follows:)

APRIL 22, 1963.

Congressman OTTO PASSMAN,
Washington, D.C.

DEAR CONGRESSMAN PASSMAN: I have long admired and appreciated your patriotic efforts to reduce, and eliminate the waste of taxpayers' money on the U.S. foreign aid giveaway.

See clippings enclosed from the Karachi morning paper, Dawn, which explains in their own words (Pakistanian) the situation in Pakistan.

I saw in the docks a U.S. ship pumping aid wheat onto the ground where it is shoveled into bags, then piled in the open, at the dockyard, for rats, insects, birds, and weather to contaminate and waste.

The Afghanistanian situation is preposterous. Our aid group allow no obstacle to interfere or overcome their job of giving away our money regardless of its accomplishment or any other difficulty. The money must go out.

This will all go down in history as the greatest international folly since the Tower of Babel.

The whole thing is an affront and an injustice to the intelligent people of the United States.

We are regarded throughout the world as a bunch of damn fools and suckers to spill our resources and integrity of our position, and that of our future generations on a fantastic, unnatural giving to all the world without regard or consideration of merits or qualifications among the receivers.

Don't reduce the money, sir; just stop it toto and put the United States back on a sensible basis wherein we mind our own business and quit butting into the affairs of others and sticking our big mouth into everything that happens in the world.

If the Congress does not have the money, then they cannot give it to AID organizations, and without the money, they will have to quit all this nonsense.

——— ———.

MONDAY, APRIL 29, 1963.

EXPORT-IMPORT BANK OF WASHINGTON

WITNESSES

HAROLD F. LINDER, PRESIDENT AND CHAIRMAN OF THE BOARD
WALTER C. SAUER, FIRST VICE PRESIDENT AND VICE CHAIRMAN
R. H. ROWNTREE, EXECUTIVE VICE PRESIDENT
CLARK L. SIMPSON, TREASURER-CONTROLLER
GLENN E. McLAUGHLIN, VICE PRESIDENT FOR PROGRAM PLANNING AND INFORMATION

Mr. PASSMAN. This afternoon we have with us Mr. Harold F. Linder, President and Chairman of the Board of the Export-Import

Bank. Mr. President, do you have a statement to make to the committee before we proceed with the questioning?

Mr. LINDER. If you will permit me, Mr. Chairman.

Mr. CHAIRMAN. We shall be pleased to hear from you, sir.

GENERAL STATEMENT

Mr. LINDER. Thank you.

Mr. Chairman, and members of the committee: The Export-Import Bank of Washington is an independent agency of the U.S. Government. Its function is to aid in financing and to facilitate the foreign trade of the United States. The life of the Bank expires June 30, 1963. Legislation has been introduced for extending its life through June 30, 1968, for increasing its lending and borrowing authority by $2 billion, and for increasing the limitation on outstanding guarantees and insurance (issued under a fractional reserve) by $1 billion.

That billion is included in the total lending authority and is not in addition to it.

As of the end of March 1963 $920 million of our $1 billion limitation for insurance and guarantees had been exhausted. The President's budget for the fiscal year 1964 reflects these increases.

The requested limitation of $3,500,000 for administrative expenses, as shown in the budget for fiscal year 1964, is $500,000 more than the amount approved for fiscal year 1963. However, the original estimate for 1963 of $3 million was increased by $129,000 because of the pay increase enacted by the Congress. A further increase of approximately $165,000 is necessitated by 1964 salary adjustments resulting from the same congressional legislation. Thus the 1964 increase of $500,000 proposed by the Bank amounts to $206,000 after consideration is given to the salary adjustment legislation.

The entire amount of the operating expenses of the Bank comes out of our gross earnings which are estimated at $192 million for 1964. From gross earnings it is anticipated that payments of $54.7 million will be made to the U.S. Treasury for interest on borrowings and in addition a payment not less than $35 million as the annual dividend on the Bank's capital stock. The $98.6 million of earnings remaining after operating expenses, interest, and the previous year's dividend to the U.S. Treasury will be carried to the Bank's retained earnings reserve, which it is estimated will total $966.9 million as of June 30, 1964.

During its existence through December 31, 1962, the Bank has authorized some $13.5 billion in loans and disbursed against them approximately $9 billion. The difference between these two figures represents participations by others, cancellations, and undisbursed commitments. Repayments of principal on these $9 billion of disbursed loans have amounted to some $5.2 billion. Collections of interest and fees have amounted to some $1,574 million. Out of this income, the Bank has paid the U.S. Treasury $432.5 million in interest on borrowed funds; it has paid the U.S. Treasury $306 million in dividends on the Bank's capital stock of $1 billion; and it has built up a reserve against contingency of $804.5 million. Last year, fiscal year 1962, after payment of administrative expense of about $3 million, remitting $57 million in interest, and providing for a $35 million dividend to the Treasury, we added $70.7 million to reserves.

These figures are impressive. They become more significant, however, when we think of the thousands of American exporters, both large and small, who receive the proceeds of the Bank's loans in payment for the sales of their products and services abroad—ranging from jet aircraft to small tools and agricultural equipment, from cotton to breeding cattle. Our loans make possible the sale of all manner of American capital equipment, and under our insurance programs, particularly the short term, substantial amounts of consumer goods are sold abroad. These figures are significant also to the U.S. Government itself, not merely because the activities of the Bank have been conducted without cost to the Government but because its loans, guarantees, and insurance have made and are making a real contribution to improvement of our adverse balance-of-payments position. When credits authorized by the Bank are disbursed the effect on the U.S. balance of payments is neutral—except, of course, for the buyer's down payment, which becomes a credit. But the receipt by the Bank of interest and principal repayments on its loans becomes an important favorable item in the U.S. balance of payments. In calendar 1962 such receipts by the Bank exceeded $700 million. It is here that the operations of the Bank have assumed even greater significance and importance recently than in the years past. Our balance-of-payments problem has underlined the necessity for increasing our exports. It is through the medium of the Export-Import Bank that the Government is furnishing the credit assistance that is needed to give stimulus to this export drive.

Following the enactment by the Congress in 1961 of legislation expanding the guarantee and insurance authority of the Bank and in accordance with the directive of the President, the Bank instituted a program of insurance designed to provide U.S. exporters with export credit insurance comparable to that which had been in effect for some years in many European countries. In accord with the admonition of Congress not to compete with private capital and to furnish more convenient facilities to U.S. exporters, the private insurance industry was called upon to participate in the program. An association, called the Foreign Credit Insurance Association, was formed by the leading U.S. marine, casualty, and property insurance companies. Its headquarters is in New York City with insurance agents throughout the country who serve the various member companies and who also act as brokers for insurance written under this program. The association is unincorporated with membership open to all responsible insurance companies. It today has over 70 members.

As I have indicated, export credit insurance serves to fill a need that was heretofore not met. The need was particularly great, I might say, in short-term transactions. Export credit insurance permits the exporter to extend credit to his overseas customers with assurance that unforeseen adverse developments abroad will not expose him to large losses or seriously impair his working capital. Of equal importance, from the Bank's viewpoint, exporters who have insurance should find it easier to obtain financing for their transactions from commercial banks, to which the policies or their proceeds may be assigned. From its inception in February 1962 through February 28, 1963, FCIA issued 1,269 comprehensive policies in the amount of $500.6 million.

In addition to instituting the insurance programs, Export-Import Bank last year enlarged and improved its commercial bank guarantee program. Nonrecourse financing of medium-term transactions is provided by commercial banks under guarantees from the Export-Import Bank on a case-by-case basis. We provide the commercial bank with a political-risk guarantee on the early maturities of medium-term transactions for which the commercial bank assumes the credit risks and obtains a guarantee covering both political and credit risks on the remainder of the term of the transaction—all provided the commercial bank furnishes the funds to finance the transactions without recourse on the exporter. In almost all cases, there must also be a cash payment by the buyer (10–20 percent) and a 15-percent nonguaranteed participation by the exporter. During the first 15 months of this program ending December 31, 1962, the Bank has issued guarantees in the face amount of $350 million. We believe as time goes on, this procedure will stimulate commercial banks throughout the country to take an increasingly active role in financing our export trade without recourse on the exporters.

Every effort is being made by the Bank to make these programs widely known. Seminars with State Bankers Associations have been held, groups of exporters and bankers have been brought together under the auspices of Federal Reserve Banks, field officers of the Department of Commerce have been indoctrinated, and associations of small businessmen as well as bankers have cooperated by holding meetings, workshops, and in distributing informative booklets to their membership.

The Bank is, of course, continuing its important project lending—which, in dollars, has traditionally constituted the great bulk of the Bank's activities. Essentially, a project loan achieves the same purpose from the U.S. standpoint as the relatively more simple exporter credit transaction; that is, it results in the sale of U.S. goods and services. One difference between project loans and exporter type of credits is that a project loan involves the many items of equipment and services that go into the creation or the major expansion of an industrial, mining, public utility, or other enterprise, while the exporter type of transaction generally involves one or more "shelf" items of standard equipment going to the end user or to a distributor for resale. Consequently there is a greater amount of money involved in a project loan and the need for a direct and intimate relationship between Eximbank and the borrower.

Before making a project loan, the Export-Import Bank endeavors to satisfy itself not only that there is reasonable assurance of repayment of the loan but also (1) that adequate resources are available to complete the project; (2) that the project will benefit the overall economy of the borrowing country and when possible add to the country's foreign exchange earning ability; and (3) that the project is sound from a technical and engineering point of view. Evidence that these criteria will be met is developed through the studies and analyses of the project made by the staff of the Bank and, when appropriate, by outside consultants.

The impact of Export-Import Bank project lending, from the point of view of U.S. business, is upon the thousands of U.S. manufacturers and suppliers who are enabled by these loans to sell equip-

ment, materials, and services abroad, and to receive prompt payment. Although the number of prime or major suppliers associated with a particular project loan may be small, the number of individual orders to U.S. industry through subcontractors can frequently be counted in the thousands. These loans made by the Export-Import Bank are for specific purchases of U.S. equipment, materials, or services connected with the project, and except in rare instances and for small amounts do not cover local costs in the borrower's country nor purchases made in another country. Moreover, our project loans are disbursed only on clear evidence that our funds are being used to buy the required equipment and materials in the United States. Through these loans we have financed sound projects and in so doing have contributed much in making known throughout the world U.S. equipment and skills, and have insured a flow of repeat orders.

There are occasions when the Bank best fulfills its purpose "to aid in financing and to facilitate exports and imports * * * between the United States * * * and any foreign country" by extending a so-called emergency foreign trade credit. The Bank makes this type of credit available when temporary foreign exchange difficulties of a foreign country, which is a good customer of the United States, threaten to impede or curtail the country's normal level of imports from the United States. As in all of its loans, the dollars loaned by the Bank under these credits are tied to U.S. purchases. Often, the mere authorization of such a credit is all that is necessary, evidencing, as it does, that the country involved has financial support at hand. Thus, the difficulties of a foreign country may be resolved without its having to draw all or even any part of our credit. Our recent experience with Canada is in point. Last June, in cooperation with other financial institutions, the Bank established a short-term $400 million line of credit for that country. Canada, however, was able to protect its currency and reestablish its balance of payments position without any drawings on our line of credit. Accordingly, Canada requested that the line be canceled before it expired. In September $250 million was terminated and the remainder in December.

The projected level of lending operations for fiscal year 1964 is reflected in the estimated new credits, consisting of exporter credits of $60.3 million, project development credits of $963.5 million, commodity credits of $65 million, and emergency foreign trade credits of $104 million, total $1,192.8 million, with anticipated participations and cancellations reducing this by $65 million to $1,127.8 million. In addition it is estimated that short- and medium-term guarantees and insurance totaling $830 million will be issued covering political and comprehensive risks. This last item will result in a charge to our lending authority of $207.5 million based upon a 25-percent reserve authorized under our 1961 legislation. This charge, however, will be reduced by expired contracts and cancellations by $75.8 million, making the net charge to program activity and lending authority for guarantees and insurance $131.6 million. This activity is reflected on page 829 of the President's Budget, under new program activity, showing net loan authorizations of $1,127.8 million, guarantees and insurance of $131.6 million, interest and nonadministrative expenses of $54.8 million, making the total exclusive of administrative expenses, $1.314 million

As indicated to this committee last year, the Bank has engaged in a vigorous recruitment program with a reasonable degree of success. In order to be of proper service to U.S. exporters, their applications must be handled efficiently and expeditiously. Our small investment in additional staff requested in this budget is considered essential in order to continue our service on export guarantees covering hundreds of millions of dollars of shipments. I sincerely feel that our request for administrative expense of $3,500,000 is vital in order for us to administer properly all of the facets of our operations.

Incidentally, with the permission of the Bureau of the Budget we are asking for a revision of page 7 of our presentation representing the language establishing our administrative expense limitation. The revision changes the $75 per diem to $100 which is the current rate. It also includes language to permit purchase of a medium sedan to replace our 7-year-old car. Two years ago the Congress gave us authorization for a new car but we elected to use the old one for a further period.

The operating results for the 8 months of fiscal year 1963 ending February 28, 1963, showed net income of $75.2 million after providing for interest to Treasury of $35.6 million. We anticipate that operations for the balance of the year will increase our retained earnings by $11.4 million (after deducting additional interest payable of $17.4 million and a $35 million dividend), making the net increase in the reserve for fiscal year 1963, $86.6 million.

DIVIDENDS

The committee may be interested to know that the Bank, which for 8 years prior to 1961 declared an annual dividend to the Treasury of $22.5 million, increased this amount to $30 million at the end of fiscal year 1961 and to $35 million at the end of 1962. We have budgeted a $35 million dividend for each of the years 1963 and 1964 and are giving consideration to the possibility of an increase in this amount.

NEED FOR COMPETENT STAFF

May I revert now, Mr. Chairman, to the administrative budget before you and say in conclusion that the Bank needs a great deal of competent staff work—loan officers who know financial pitfalls and can analyze proposals, economists who can understand and follow conditions in the many countries in which we lend, engineers who know the problems of power, transportation, and the many other types of industrial projects, commercial credit men to judge our insurance and guarantee commitments, lawyers to write tight loan agreements and play an important part in their negotiation, and accounting personnel to see that only proper disbursements are made and interest and principal repayments are received on time. Were we able to recruit additional well-trained and experienced people, I sincerely believe that it would be distinctly to the advantage of the Government for us to increase our administrative expenses by a very substantial amount. It is a rule of thumb in the private financial community that an appropriate expenditure for the supervision of in-

vestment portfolios is between one-eighth and one-fourth of 1 percent of the principal amounts involved.

I would assure you gentlemen that supervision of our portfolio is considerably more complicated than the supervision of an investment portfolio which I have done in private life for many years. If that criterion were used, our total administrative budget of $3.5 million would be, taking the mean, some $10 million based upon our loans outstanding or committed. It would, of course, be appropriate to discount this figure since a portion of our lending is to strong governments where the amount of servicing and analysis is minimal. But even with this compensatory factor, our own proposed expenditure of but $3.5 million would appear, and I believe it to be a very modest one, indeed.

EXPENDITURES FOR SUPERVISION OF INVESTMENTS

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

Reading from your closing comment:

> It is a rule of thumb in the private community that appropriate expenditure for supervision of investment portfolios is between one-eighth and one-fourth of 1 percent of the principal amounts involved. * * * If that criterion were used, our total administrative budget of $3.5 million would be, taking the mean, some $10 million based on loans outstanding or committed.

There is a better explanation of that, I believe, which should be made. You make large loans to strong governments. That would be equally true of large loans to industry, would it not?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Explanation is necessary. It is the type of lending you are doing, the amount and type of credit, is it not?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. It may be that, by close analysis, this could look unfavorable, rather than favorable, if we had the time to go into it, just head and head across the table, about who is right and wrong. When you go from $3.5 to $10 million, that is quite a recommendation for the Export-Import Bank; but I would like to take the other side of the table and say that there is a reason for it being that way, more than you have given here. You do not quarrel completely with that statement, do you?

Mr. LINDER. Not completely, sir, but may I say in extenuation that if this rule of thumb is related to investment companies, which have portfolios of $50 million to $1 billion in private life, the normal charge is a half of 1 percent. A bank will frequently do it for a quarter of 1 percent. That quarter of 1 percent would be very high for us. That is why I cut the figure down substantially. I do not want to make comparisons with other institutions that are comparable or not comparable, but if you will look at an ordinary commercial bank statement, you will find, sir, that ours is by a vast margin the smallest of any, percentagewise, in relation to the business done.

Mr. PASSMAN. Congratulations. You will be the first Government agency I ever heard of, of doing a job better than free enterprise. But, I repeat, I thought I would indicate that there is another side to this matter. You do not quarrel with the fact that it should be brought up?

Mr. LINDER. I do not quarrel.

U.S. TREASURY RECEIVES INTEREST ON BORROWED FUNDS

Mr. PASSMAN. Now, Mr. President, you mention that you returned to the U.S. Treasury $432,500,000 in interest on borrowed funds. Does that mean from the inception of the Export-Import Bank?

Mr. LINDER. That is correct—$432.5 million in interest on borrowed funds.

Mr. PASSMAN. Am I making a statement of fact?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. You have returned to the U.S. Treasury $432,500,000 in interest on borrowed funds from the inception of the Export-Import Bank?

Mr. LINDER. That is correct, sir.

Mr. PASSMAN. Does that mean net, after paying interest on funds that the Treasury may have paid to borrow before they could lend the money to you?

Mr. LINDER. No.

Mr. PASSMAN. Let's pin it down, if we may, the net profit that goes into the taxpayers' till. How much did the Government pay for the money which was used by you to make $432 million profit?

Mr. LINDER. I will endeavor to explain, Mr. Chairman. The $432 million which we paid to the Treasury represented the average cost of the money to the Treasury. Now the $306 million, which is the next figure I mentioned, is a net profit over and above interest which we paid to the Treasury and in addition to that, sir, the Treasury owns our reserves. Our reserves are about $800 million, so in a sense that represents a profit to the Government.

Mr. PASSMAN. Could we pin it down in such a way that the taxpayers who read the hearings can understand what the net profit has been? You have turned in $432,500,000 and you indicate there is a net profit of $306 million. Would we not have to ascertain the total amount of money that the Government paid in order to borrow the money originally?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. Could you get that information for us? Could it be this would wind up a red figure so far as the Government is concerned?

Mr. LINDER. No, it could not, sir.

Mr. PASSMAN. But you do not have the information with you today?

Mr. LINDER. I do not have it. Let me try to explain, if I may. It is merely this: The Treasury borrows some of its money at 3 months, some at 6 months, some at a year, some at 20 years. When they lend this money, it is pretty hard to know from which basket they took that money. What they do with us now, and I do not know that they did this in the very beginning, is to charge us the average cost of money to them over a 7½-year period. Some of that money we repay in 6 months or in a year. Other moneys we may have out for 15 years so I am afraid it would be difficult to calculate that absolutely. This much I think you can say, sir. They have never lost any money on the money they have loaned us. They have made no money on the $432 million, but surely they have made the $306 million we have paid them in dividends and they have made the $800 million that we are holding in reserves.

Mr. PASSMAN. You would still, though, have to ascertain the amount of money paid to the lenders and subtract that figure, in order to get the real net; would you not?

Mr. LINDER. That would only relate to the $432 million. That I am leaving out.

Mr. PASSMAN. Is it accurate to let the record show that this is only a profit if we read it rapidly and do not go back for an explanation?

Mr. LINDER. No; Mr. Chairman, if I may disagree.

The $306 million is a profit and the $800 million is a profit.

Mr. PASSMAN. Will you find out how much the Government has paid for the money and give us a table?

Mr. LINDER. We will do our best.

Mr. PASSMAN. It seems to me that you ought to be able to do so.

Mr. MCLAUGHLIN. Is it clear to the committee that the advantage to the Government is a least $1,110 million?

Mr. PASSMAN. You can argue that if you will. We will find that out after we go out of business and ascertain how much we lost on the total operation.

Mr. LINDER. That is right.

Mr. PASSMAN. I used to run a grocery store. A man would come in with a $50 account. He was a good man. He paid the first month. Next it was $60, so he paid $40, then ran it to $75. In all probability I charged off in the end more than the net profit. As the President says, you will have to wait until it is over to find out whether you have a loss or profit.

Mr. LINDER. That is correct.

Mr. PASSMAN. Let us work together and hope it is a profit.

(The information follows:)

The Treasury charges us interest on borrowings at the market yield rate for 7½-year money. In effect, therefore the amount we pay them as interest is the amount they would pay for a new loan for the same period. They actually charge to the nearest one-eighth of 1 percent, up or down, which averages out. The $432.5 million in interest is, therefore, purely reimbursement but the dividend of $306 million and the reserve of $800 million constitutes profit.

"BUY AMERICAN" PROVISION

Mr. PASSMAN. You are having more and more competition along the way from other agencies of the Federal Government engaged in lending in the foreign aid field. Do I understand the law correctly when I say that under the AID program, and I am sure under your program, we are pushing "Buy American"?

Mr. LINDER. We are, as far as this Bank is concerned.

Mr. PASSMAN. I will keep on saying "Buy American." But is it true that in the contract with the recipient governments, it says, "Buy American unless you can buy at 30 percent less elsewhere"?

Mr. LINDER. Not in respect of any loans made by the Bank.

Mr. PASSMAN. I believe it is true in the aid programs; that is, we credit to them and they spend it in America unless the purchases can be made 30 percent cheaper in some other nation.

Mr. LINDER. There is no provision of that kind in our legislation.

Mr. PASSMAN. Is it not true that we have contracts with recipient nations to the effect that they must spend this money in America for something produced in America unless the purchase can be made for 30 percent less in some other nation?

Mr. MONTOYA. I never knew that, but Secretary Dillon testified that, on these loans, that was usually the practice.

Mr. PASSMAN. I think that is the agreement we have.

Mr. LINDER. Not here.

Mr. MONTOYA. Not here, but with respect to the development loan funds.

Mr. PASSMAN. That is right. I am speaking of the AID program, the development credit phase of it, as Mr. Dillon defines it in his testimony.

Mr. ANDREWS. There are some items in the military, Mr. Chairman.

EFFECT OF LOSS OF COMPETITION ON AMERICAN PRODUCTIONS

Mr. PASSMAN. Yes, but I am speaking of our economic aid through development credits. We are selling "Buy American" and that is enforced unless it can be bought 30 percent cheaper in some other nation. My point is simply this: Granting that the statement is correct, it is at least an indirect admission that in many fields we are no longer competitive in world markets. Would it have any effect on your operation if we are no longer competitive?

Mr. LINDER. It would, except to this extent: I think I indicated in my statement we make sure that every disbursement of ours is related to an American sale. That is point No. 1. In respect to cotton, we have lent $92 million so far in this fiscal year for the purchase of U.S. cotton for cash to be repaid within 12 months but that does not represent more than a relatively small proportion of the amount of cotton exported by the United States and it is true, Mr. Chairman, that Mexican and other kinds of cotton are competing severely with U.S. cotton.

Mr. PASSMAN. Of course our generosity has something to do with the price being high, does it not?

Mr. LINDER. I am not following you, sir.

Mr. PASSMAN. I mean money we have spent through Government, both in America and abroad. For example, almost one out of every two adults in America gets a Government check on a regular basis. I call that generosity, some of it, at least. And, of course, we have an AID program, either going, stopping, or starting, in 101 of the nations of the world. If we are going to be that generous both abroad and at home, it has to be worked somewhere into this $554 billion GNP that we had last year. You have to get it in there somewhere or you cannot take it out in the way of taxes or to borrow the money. If the point has not already been reached, if we should get to the point that we are not competitive in world markets, what kind of a position would you find yourself in if you had an applicant for money who was willing to pay a 30-percent bonus in order to get your money? If we get out of the world market by 30 percent—I am using the word "if"—and he is still willing to borrow American money and buy his imports in America, that means he would be paying a bonus of 30 percent.

Mr. LINDER. If that were true.

Mr. PASSMAN. If it were true. I qualified it. You are on the AID board, are you not?

Mr. LINDER. I am on the Development Loan Committee.

Mr. PASSMAN. Development credit, as Secretary Dillon calls it. He would not dignify it as a loan. He has said it is a credit. You would not want to take the remainder of your authority and buy up those development credits, would you?

Mr. LINDER. I would think not.

Mr. PASSMAN. Thank you.

Mr. LINDER. May I say, Mr. Chairman, during the past 2 years I am happy to be able to report that there has been an improvement in the U.S. competitive position in prices. The fact is that prices and wages have gone up in Europe in industrialized countries. I do not mean that America is by any means the lowest in the world, but I do mean that we are in a better competitive position than we were 2 years ago.

Mr. PASSMAN. I hope so. But, we are now borrowing money from some foreign nations that have built up dollar credits through our generosity and profits off of America. And, what you say is not necessarily reflected in our balance-of-payments position, because after bringing home money that normally would be paid years from now, some of it 18 years from now, we still had a balance-of-payments deficit of $2,200 million last year.

Mr. LINDER. I do not know the figure.

Mr. PASSMAN. If you wish I will send you a copy of my tabulation of the figures.

Mr. LINDER. That is why I said the Bank got $700 million back last calendar year, which we think——

BORROWING AUTHORITY

Mr. PASSMAN. You still have $3.9 billion outstanding?

Mr. LINDER. Yes, sir, at June 30, 1962.

Mr. PASSMAN. You have $6 billion borrowing authority at the present time?

Mr. LINDER. That is right.

Mr. PASSMAN. You have borrowed $3.9 billion against that authority?

Mr. LINDER. We have loans receivable of $3.9 billion. We have undisbursed commitments of an additional amount.

Mr. PASSMAN. I have never quarreled with you. I do not question your figures.

You are getting into some long-range industrial loans?

Mr. LINDER. We are. I think the Bank always has.

Mr. PASSMAN. You have, then, remaining authority to be used, if the law is extended, amounting to $2.2 billion?

Mr. LINDER. No, sir.

Mr. PASSMAN. That would be the total less the outstanding commitments?

Mr. LINDER. No, sir.

Mr. PASSMAN. Kindly explain, Mr. President.

Mr. LINDER. The difference is we are committed to lend certain amounts which have not yet been disbursed.

Mr. PASSMAN. I thought that is what I said. Maybe I didn't.

Mr. LINDER. The net amount of lending authority unused is about $1.400 million at this time. That is still uncommitted.

Mr. PASSMAN. You are asking for an increase in the authority?

Mr. LINDER. We are, sir.

Mr. PASSMAN. You must expect business to pick up.

Mr. LINDER. We expect, sir, not that it will pick up dramatically over the present level of lending, but in the past as you know the Bank has come to the Congress every 5 years or so. We last came in 1958. Now, calculating what our repayments will be over a period of years and what our expected disbursements and commitments will be, we estimate that the repayments will take care of all of our requirements except about $400 million a year.

Therefore, if you multiply $400 million by 5 years you get $2 billion, which is the amount we are requesting. In 1958 we asked for an additional $2 billion and this was granted by the Congress.

Mr. PASSMAN. What disposition do you make of the money that is paid back in? Can you relend it?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. So actually, you may be able to operate rather satisfactorily on your $1.4-billion-plus repayments.

Mr. LINDER. Well, Mr. Chairman, I would like to say two things: First, we do have extraordinary emergencies at times.

Mr. PASSMAN. For instance?

Mr. LINDER. A loan to Canada last year of $400 million which fortunately was never drawn. It is impossible to say in any period precisely what we would need for emergencies. I would think, however, that with our repayment picture, we might be able to operate for a matter of a year with this amount of money.

UNUTILIZED LENDING AUTHORITY

Mr. PASSMAN. What has been the average increase in your outstanding accounts per year, covering the past 10 years?

Mr. LINDER. I do not know that I can give you the precise amount.

Mr. PASSMAN. I do not see how you could request an increase of $2 billion unless you had that information.

Mr. LINDER. In 1958, the Bank got an increase in its lending authority from $5 to $7 billion, and in 1957, just before then, we had uncommitted lending authority of $800 million. The new authority brought the total to $2.8 billion. On June 30, 1958, it dropped to $2.485 billion, then at mid-1959 to $2.186 billion, at mid-1960 to $2.1 billion, at mid-1961 to $1.3 billion, then at mid-1962 to $846 million. Thus in 5 years we just about absorbed the increase of $2 billion. It has recovered now to about $1.447 billion.

Mr. PASSMAN. Mr. President, I want to ask my question again: What has been the net increase by year, for 10 years, of your outstandings? If you do not have the information then you can have one of your statisticians get it up for us.

Mr. LINDER. I can do it easily, Mr. Chairman. I could probably do it in 5 minutes if I could look at my own figures.

Mr. PASSMAN. Take as much time as you need, please.

Mr. LINDER. Thank you.

The outstandings have gone from $3.2 to $6.1 billion between 1954 and 1962 at the end of each fiscal year. That amounts to $2,900 million in 8 years.

Roughly $350 million.

Mr. PASSMAN. $350 million is the increase?

Mr. SAUER. I would have said $500.

Mr. LINDER. That is the net amount over and above repayments.

Mr. PASSMAN. So you would have, if business remained the same and in keeping with this average, sufficient authority to run for about the next 4 years, would you not?

Mr. LINDER. May I comment on that, Mr. Chairman? Mr. Chairman, we are running——

Mr. PASSMAN. I am speaking of your normal operations.

Mr. LINDER. I understand. We run a bank, Mr. Chairman. We are trying among other things to reduce the amount which we draw on the Treasury whenever we can. Of the total amount, we are actually borrowing from the Treasury today much less than the figure you mentioned. We are actually borrowing much less than our authority. The reason we are able to do that is by bringing commercial banks into our business, by selling them participations in our loans, which we in turn guarantee. We are only borrowing from the Treasury today, $1,650 million. The rest of our money comes from our capital, our reserves, and the amount of money that we have been getting from the commercial banking system.

Mr. PASSMAN. You have unused a net of about $1.4 billion outstanding?

Mr. LINDER. I am coming to that, if I may, Mr. Chairman.

Mr. PASSMAN. Please do.

Mr. LINDER. The only reason that we are able to do that, sir, is by having a position as an impregnable bank. The other day we offered $250 million of our certificates of participation to commercial banks in this country. They were sold immediately. They were sold immediately because the Export-Import Bank continued to have a very substantial margin between its limits and what it was using. Now, if we deplete that margin, sir, as might be suggested if we were not to get additional borrowing authority—and that does not mean we will use it; I think the record will show we have used much less at all times than we were able to use—if we give an impression of less strength, our ability to get money outside of the Treasury of the United States will be substantially reduced.

The record of the Bank shows that irrespective of what our borrowing authority is we have always been careful in using it. When I say we only owe $1,650 million to the Treasury today when we have authority to borrow $6 billion, this is some indication of the fact that our moneys are not spent because they burn holes in our pockets.

Mr. PASSMAN. Mr. President, I do not believe you should be given more authority than you need, and I do not think you should be restricted with less authority than you need. This committee has some function in this matter other than just discussing your administrative expense. I was thinking in terms of your net increase in funds out-

standing, $350 million, and also considering the fact that you have $1.4 billion in unencumbered authority that could be used. That would take you out over about 4½ years, barring an emergency. Of course it does not take too much to create an emergency today in spending Uncle Sam's money.

Mr. LINDER. I think we have run the Bank prudently.

Mr. PASSMAN. This may explain why I am just a little bit concerned: Since our Government first set up a bookkeeping system in 1789 to record receipts and expenditures, for the next 173 years through calendar year 1962, we collected $1.35 trillion in revenues from the American people. But, for each $1 we collected we created an obligation of $1.80. Some people are all alarmed over a $305 billion public debt, but it is really $1.052 trillion. We have a payout of money for services previously rendered; that is, we have actually encumbered unborn generations for services previously rendered in the amount of $1.051 trillion.

CHANGE FROM BACK-DOOR TO REGULAR APPROPRIATION

Now, our Constitution reads:

> No money shall be drawn from the Treasury but in consequence from an appropriation made by law.

You have read this, of course. It is very plain.

Mr. LINDER. I am sure you quoted it correctly.

Mr. PASSMAN. That is the constitutional provision, and how we have permitted it to be circumvented as we have I do not know.

Secretary Dillon, at the recent Treasury-Post Office hearings, testified concerning the change from back-door financing to the regular appropriation procedure for the $2 billion International Monetary Fund last year, and I quote:

> We figured it would be just as easy to do it the other way and we did it. We got the appropriation and it went just as well. As to the suggestion to provide the $2 billion Export-Import Bank by regular appropriation—

Mr. LINDER. When was this?

Mr. PASSMAN. Very recently, and I will be happy to provide you with a copy of the hearings. Quoting Mr. Dillon again—

> I think they can convince an Appropriations Committee as well as the authorizing committee.

He is speaking of the Export-Import Bank, and I repeat:

> I think they can convince an Appropriations Committee as well as the authorizing committee.

I think all of us would be on sounder ground if we would get back a little closer to the Constitution, and especially since we are going so far afield with our spending.

With an agency such as yours, which has such a good record, where you know what your commitments are, you have your averages here, you have been in business long enough, and you have operated with a profit, you might find this committee quite reasonable.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. Yes, I yield.

Mr. GARY. It has been my understanding that the committee has already agreed that back-door spending will be taken out of the authorization for this $2 billion; is that correct?

Mr. LINDER. Mr. Gary, I returned from Venezuela on Saturday night and when I arrived in New York I learned that this had been published in the newspapers. I have talked to the chairman of the House Banking and Currency Committee, Mr. Patman, and I understand that the Rules Committee will give them a rule with that provision, but this is all I am able to do to confirm it.

Mr. GARY. I talked to Judge Smith, the chairman of the Rules Committee, about 10 minutes before coming to the committee and he told me that Mr. Patman, chairman of the Banking and Currency Committee, had notified him that they would not ask for the back-door spending but would ask for an appropriation.

Mr. PASSMAN. That is good news.

BORROWING AMERICAN DOLLARS FROM OTHER NATIONS

What will be the Export-Import Bank's position on making loans to countries from which we are now borrowing American dollars? Will there be any conflict of interest there?

Mr. LINDER. I don't think so, sir. May I try to explain why? We don't have a law but we do have a clear understanding with the AID agency that every proposal that comes to them is examined by a liaison committee and those which we think are appropriate for an Export-Import Bank loan are ceded to us.

Mr. PASSMAN. As of December 31, 1962, foreign governments had short-term dollar credits amounting to $24,984 million. We are now borrowing dollars from some of those nations and incidentally, I think it is in the record that the dollars are repayable in their own currency—but what would be our position if we should go out to country A and borrow $1 billion? Would they be eligible to come in and borrow some money from the Export-Import Bank? Would that not be a rather unusual predicament in which to be placed?

Mr. LINDER. I should think so.

Mr. PASSMAN. From time immemorial this yellow metal—gold—has been the ultimate in security, to all tongues and in all civilizations. Stainless steel may serve the same purpose if you could get them to accept it, but they think of gold as being the ultimate in value and stability and security, do they not?

Mr. LINDER. They do sir.

Mr. PASSMAN. In many countries a person can take his earnings, whether it is Thailand, Burma, South Vietnam, and go down to the market and exchange currency for 24-carat gold bars.

Some of them have so much gold around their ankles that they can hardly walk along the street.

But, here in this country, in a brief 10 years, our gold reserves have dropped from $23,252 million in 1952 to $16,057 million as of December 31, 1962.

During the same time, foreign "free world" nations pushed their gold holdings from $13 billion to $24.6 billion.

Now, we do know that some of these nations—with the "free world" group holding short-term dollar assets of $24.9 billion—own dollars far in excess of their needs to deal in commerce. So we are borrowing some of the dollars back from some of these nations.

Where these countries actually have American dollars to their credit, and we borrow dollars from them, then turn around and make them another loan out of the Export-Import Bank, are we not going to get ourselves in a position that will be pretty hard to understand? Will you give us a statement on it?

Mr. LINDER. Yes, sir.

(The information requested follows:)

The Bank makes loans to countries in strong financial condition which have an excess of dollars for the following reasons: (1) Extension of credit to buyers in these countries requesting such facilities as a condition of their purchase of U.S. equipment is consistent with the basic purpose of the Bank to facilitate U.S. exports, (2) the Bank cannot turn down requests from U.S. suppliers to extend credit to customers in countries when the countries become financially strong, without jeopardizing the American exporters' sales in established markets, for such action would make it difficult for these exporters to maintain sales in these countries in competition with foreign suppliers, and (3) the Bank welcomes the opportunity to make loans in strong countries in order to diversify and strengthen its portfolio.

OPERATING EXPENSES, FISCAL YEAR 1964

Mr. PASSMAN. No limitation is requested for operating expenses; is that correct?

Mr. LINDER. That's correct, sir.

Mr. PASSMAN. You had an operating expense limitation last year of $1,295 million. This year you do not want any limitation; is that right?

Mr. LINDER. Well, sir——

Mr. PASSMAN. I am just asking the question.

Mr. LINDER. We have consistently, sir, taken that position.

Mr. PASSMAN. Thank you, Mr. President.

Mr. LINDER. But I would say we have been able to live within the limitation which you have proposed.

Mr. PASSMAN. It makes us all a little bit more careful, doesn't it?

Mr. LINDER. I really believe, sir, when you look at our year's operations, you may find, in this case, that we have done less business than your limitation and by a substantial amount rather than by a small amount, but that means we have tried to be prudent and careful.

Mr. PASSMAN. It indicates what the joint effort will accomplish, doesn't it?

We shall insert the appropriate pages of the justification at this point.

(The justifications follow:)

EXPORT-IMPORT BANK OF WASHINGTON

Comparative statement of administrative expense budgets

[In thousands of dollars]

	1962 actual	1963			1964 estimate
		Actual, July to December 1962	Estimate, January to June 1963	Total estimate	
Personnel compensation	2,093	1,120	1,266	2,386	2,693
Personnel benefits	146	77	99	176	193
Travel and transportation of persons	75	30	67	97	111
Transportation of things			2	2	3
Rent, communications, and utilities	224	128	153	281	305
Printing and reproduction	26	13	16	29	33
Other services	41	17	31	48	37
Services of other agencies	59	25	47	72	82
Supplies and materials	31	17	21	38	43
Savings	315				
Budget limitation	3,010	1,427	1,702	3,129	3,500
Personnel summary:					
Total number of permanent positions	295			295	321
Full-time equivalent of all other positions	3			4	4
Average number of all employees	260			276	306
Average salary	$7,833			$8,326	$8,305
Average grade	8.6			8.6	8.6
Number of employees at end of year	273			284	321

Loan authorizations, guarantees, and insurance

[In thousands of dollars]

	1962 actual	1963			1964 estimate
		Actual, July to December 1962	Estimate, January to June 1963	Total estimate	
Loan authorizations:					
By areas:					
Africa	125.8	0.4	63.6	64.0	219.5
Asia	189.1	159.6	258.4	418.0	295.8
Canada	400.0				
Europe	92.1	83.2	21.8	105.0	209.0
Latin America	284.7	28.1	444.9	473.0	442.5
Oceania	1.3		11.0	11.0	26.0
Other					
Total	1,093.0	271.3	799.7	1,071.0	1,192.8
By program:					
Development project loans	555.0	206.2	543.2	750.0	963.5
Exporter loans	34.5	35.1	39.9	75.0	60.3
Commodity loans	3.5	30.0	36.0	66.0	65.0
Emergency foreign trade loans	500.0		180.0	180.0	104.0
Subtotal, loans	1,093.0	271.3	799.7	1,071.0	1,192.8
Guarantees and insurance:					
FCIA exporter insurance:					
Short-term	330.7	139.8	360.2	500.0	600.0
Medium-term		11.4	93.4	104.8	150.0
Exporter guarantees	296.2	66.7	9.8	76.5	60.0
Commodity export guarantees	127.0	62.0	−62.0		
Consignment insurance	14.3	3.9	12.3	16.2	20.0
Subtotal, guarantees and insurance	768.2	[1] 283.8	[1] 413.7	[1] 697.5	[1] 830.0
Total, loans, guarantees, and insurance	1,861.2	555.1	1,213.4	1,768.5	2,022.8

[1] Guarantee and insurance authorizations (less cancellations, expirations, and repayments shown on pp. 18 and 19) are charged to program activity and lending authority at 25 percent; viz, net change in outstanding balances are charged at 25 percent. (For 1964, authorizations are estimated at $830,000,000, less reductions of $297,000,000, or net of $533,000,000; fractional reserve required, $133,200,000.)

Export insurance activity reported by the Foreign Credit Insurance Association

[In thousands of dollars]

	1963 fiscal year to Dec. 31, 1962		Beginning of program to Dec. 31, 1962	
	Number	Amount	Number	Amount
Short term:				
Total applications received	513	331,296	1,762	1,371,330
Signed policies	357	139,798	1,043	471,224
Canceled policies	−16	−7,780	−17	−8,530
Expired policies				
Outstanding policies	341	132,018	1,026	462,694
Outstanding quotations as of Dec. 31, 1962			27	3,480
Charge to lending authority (25 percent)		33,004		115,674
Additional lending authority reserved for FCIA insurance (25 percent)				9,326
Total amount authorized (25 percent of $500,000)				125,000
Gross shipments declared		85,488		107,587
Shipments expired		45,814		45,932
Outstanding shipments				61,655
Eximbank's liability (95 percent)				58,572
Medium term:				
Policies issued by FCIA	97	8,645	97	8,645
Insurance approved by EIB, policies not yet issued by FCIA	48	2,790	48	2,790
Canceled policies	−2	−61	−2	−61
Expired risk				
Authorizations, net of cancellations and expirations	143	11,374	143	11,374
Charge to lending authority (25 percent)		2,844		2,844
Gross shipments reported		1,287		1,287
Eximbank's income: Eximbank's portion of premiums (net of expenses)		311		330

Source and application of funds—budget expenditure

[In millions of dollars]

	1962 actual	1963 fiscal year		1964 fiscal year estimate
		Actual, Dec. 31, 1962	Fiscal year estimate	
Funds applied, disbursements:				
Loans	$903.0	$238.4	$490.0	$670.0
Interest paid to U.S. Treasury	56.8	27.5	53.0	54.7
Operating expenses	2.8	1.4	3.4	3.7
Increase or decrease (−), accounts receivable and current liabilities	7.4	3.4	−.3	−10.4
Total funds applied	970.0	270.7	546.1	718.0
Funds provided, collections:				
Principal on loans	364.7	333.8	531.0	633.0
Loans sold, without recourse	38.8	35.7	60.0	40.0
Participation certificates sold	300.0			500.0
Interest on loans	164.50	85.5	176.0	183.0
Guarantee fees and deposits	.9	1.3	2.1	9.0
Total funds provided	868.9	456.3	769.1	1,365.0
Budget expenditure	101.1	−185.6	−223.0	−647.0

Effect of fiscal year operations on lending authority and limitation on guarantees and insurance, fiscal year 1963

[In millions of dollars]

		Actual, July to December 1962	Estimate, January to June 1963	Total, 1963 fiscal year	Lending authority	Actual, July to December 1962	Estimate, January to June 1963	Total, 1963 fiscal year	Limitation, guarantees, and insurance
Uncommitted lending authority, June 30, 1962					$845.7				
1963 FISCAL YEAR OPERATIONS									
Loans:									
New authorizations	$271.1								
Transferred to guarantees	−10.0	−$261.1	−$809.9	−$1,071.0					
Repayments:									
Regular operations		333.8							
Refunds on portfolio certificates		15.0							
Agent bank loans		14.9							
Total, repayments		363.7	197.3	561.0					
Cancellations		453.1	26.9	480.0					
Participations in authorizations		36.3	65.7	102.0					
Net activity		592.0	−520.0	72.0	72.0				
Guarantees:									
Uncommitted authority for guarantees and insurance, June 30, 1962									$273.7
Proposed increase in authority					2,000.0				1,000.0
		(Activity at 25 percent)				(Activity at 100 percent)			
New guarantees and insurance authorized		−71.0	−103.4	−174.4		−283.8	−413.7	−697.5	
Repayments, cancellations, and expirations [1]		46.0	−41.1	4.9		36.4	−31.5	4.9	
Adjustment							−6.9	−6.9	
Net activity		−25.0	−144.5	−169.5	−169.5	−247.4	−452.1	−699.5	−699.5
Uncommitted lending authority, June 30, 1963, estimated					2,748.2				
Uncommitted authority for guarantees and insurance, June 30, 1963, estimated									574.2

[1] Repayments, cancellations and expirations for guarantees and insurance prior to Oct. 4, 1961, are charged to lending authority and limitation on guarantees and insurance at 100 percent.

Effect of fiscal year operations on lending authority and limitation on guarantees and insurance, fiscal year 1964

[In millions of dollars]

	Lending authority	Limitation, guarantees and insurance
Estimated uncommitted lending authority brought forward, June 30, 1963	$2,748.2	
1964 FISCAL YEAR OPERATIONS		
Loans:		
New authorizations	−1,192.8	
Repayments:		
Regular operations	633.0	
Refunds on portfolio certificates	30.0	
Agent bank loans	43.3	
Total	706.3	
Cancellations	40.0	
Participations in authorizations	80.0	
Guarantees and insurance:		
Estimated uncommitted authority for guarantees and insurance brought forward, June 30, 1963		$574.2
	Activity at 25 percent	Activity at 100 percent
New guarantees and insurance authorized	−207.5	−830.0
Repayments, cancellations, and expirations [1]	75.8	296.9
Uncommitted lending authority, June 30, 1964, estimated	2,250.0	
Uncommitted authority for guarantees and insurance, June 30, 1964, estimated		41.1

[1] Repayments cancellations and expirations for guarantees and insurance prior to Oct. 4, 1961, are charged to lending authority and limitation on guarantees and insurance at 100 percent.

Mr. PASSMAN. Mr. President, what is the current charge against the limitation this year, so far?

Mr. LINDER. The current charge against the limitation so far this year is relatively low, Mr. Chairman. I believe it is $400 million as of March 31, 1963.

Mr. PASSMAN. That is on operating expenses?

Mr. LINDER. Yes, sir.

Mr. PASSMAN. What has been obligated as of some recent date for administrative expenses?

Mr. LINDER. Mr. Chairman, it is $2 million, as of April 16.

DEVELOPMENT PROJECT LOANS

Mr. PASSMAN. Last year you estimated you would have 100 development project loans totaling $750 million. What is the current status of this limitation and what is your best estimate for the year now, Mr. President?

Mr. LINDER. We have had thus far this year through March, 28 development project loans and we have committed $254 million. I do think in the light of what I know is about to be approved by the Board that these will go up considerably between now and the end of the fiscal year, but I am not at all sure that they will run up to the $750 million which we estimated.

Mr. PASSMAN. Would you supply the committee with a list of the development projects, Mr. President, to date?

Mr. LINDER. Yes, sir, we shall.

(The information requested follows:)

Development project loans July 1, 1962, through Mar. 31, 1963

Credit No.	Country	Purpose	Amount
2051	Congo (Brazzaville)	Machinery, equipment for fish cold storage facility	$250,000
2034	Japan	Steel production	26,000,000
2055	do	do	18,500,000
2071	do	Thermal power	37,100,000
2072	do	do	37,889,750
2064	Philippines	Power generating plant	5,000,000
2050	Thailand	Tire and tube plant	5,000,000
2069	Greece	Cotton yarn mill	3,000,000
2062	Italy	Chemical plant	3,896,000
2081	do	Stainless steel plant	5,000,000
2068	do	Steel plant	25,000,000
2056	Spain	Powerplant	3,560,000
2073	do	do	9,556,000
2074	do	Iron and steel facilities	6,600,000
2060	Argentina	Livestock and poultry feed mill	310,000
2061	do	Alfalfa dehydrating plant	200,000
2065	do	Generating plant, electric	4,332,200
2066	Chile	Steel mill	8,300,000
2070	Colombia	Cement plant	3,360,000
2057	Ecuador	Cattle breeding stock	500,000
2084	Jamaica	Private enterprises	5,000,000
2059	Mexico	Dairy pasteurization plant	2,900,000
2079	Ivory Coast	Electric generating plant	5,000,000
2076	India	Chemical plant	7,650,000
2085	do	Locomotive manufacturing plant	19,000,000
2086	do	Aluminum plant	5,000,000
2082	Peru	Iron ore program	1,250,000
2083	do	Diesel locomotives	4,750,000
	Total		253,903,950

LOANS TO LATIN AMERICA

Mr. PASSMAN. How many loans did you make to Latin America?

Mr. LINDER. The major loans to Latin America amounted to five; five major loans.

Mr. PASSMAN. To governments or companies?

Mr. LINDER. In the Argentine, one was to a private electric powerplant, I believe. The Uruguayan one was for machinery and equipment and that was private. The Peruvian one was for locomotives and that was private. The Chilean ones were $8.3 million to a private steel mill and $15 million to the Government. The only Government loan is that one loan to Chile. The actual amounts in Latin America were relatively small, about $36 million.

Mr. PASSMAN. Mr. President, we are all hoping that the Alliance for Progress program will eventually be successful in Latin America. I am receiving many letters now indicating it would be much more successful if we could get free enterprise to go in with the know-how and actually develop these projects, rather than putting it into a government without the techniques or the know-how to utilize the funds. Inasmuch as you have applications pending and will have more for Latin America, if you feel you could make an estimate or a statement for us as to your thinking on this matter we will appreciate it. What is your opinion as to the best system, the free enterprise

system going in, with capital being guaranteed, or through the governments?

Mr. LINDER. I have not prepared such a statement, but I would be glad to give you my opinion.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. In Latin America, a good part of the AID funds is going to governments and the governments themselves are initiating the projects and programs. Much of my correspondence indicates that it would be a much more successful program if we could encourage American free enterprise to go in with capital and actually take the techniques with them. As I previously asked, do you have any ideas on which would be the best?

Mr. LINDER. Yes, Mr. Chairman. I am happy to tell you the attitude of the Bank, its Directors, and its staff is entirely consonant with the point of view that you express. I would say that wherever possible the Bank leans strongly in the direction of trying to finance enterprises with foreign private equity capital, or with American equity capital operating abroad, or combinations of the two. Now, there are, of course, certain kinds of operations of such magnitude that it is not feasible in underdeveloped countries to handle them privately. I refer particularly to such things as railroads and some of the large public utility properties where enough capital cannot be mobilized privately in underdeveloped countries. There I think we must consider what is essential to the country and do our best to see that there is a mixture of American technical advice or competent European technical advice so that these institutions are run in a manner which we think is as close as possible to the way they would be run if they were being run for a profit.

Mr. PASSMAN. I am thinking, of course, of American free enterprise moving in, with capital and know-how, to actually get this program moving. It is moving very slowly now.

Mr. LINDER. This would be highly desirable and the Bank is doing everything it can to encourage it. Where we can make a sound loan to help finance an American entrepreneur who is prepared to go into Venezuela, Chile, Pakistan, or the Argentine, for example, providing the country is in such condition that we are prepared to risk our dollars in that country—by our dollars I mean the Bank's dollars—we lean very strongly in that direction and we would much prefer to do it than to make a loan to a government.

Mr. PASSMAN. I am thinking primarily now of the Alliance for Progress. I want it to succeed. If these governments would pass laws and give us positive assurance that they would not expropriate the properties of the businessman who takes his capital in, I believe capital would flow to Latin America in substantial sums and accomplish some really worthwhile results.

Mr. LINDER. I just returned from Caracas where a whole afternoon was spent on this subject. There were some very strong and frank statements in the direction you indicated, made both by Americans and by certain Europeans. A Dutchman came all the way from Holland to speak on free enterprise. Mr. Eugene Black, Jr., spoke on free enterprise. I also made a comment or two. This is something that the U.S. mission certainly pushes as hard as it can.

Mr. PASSMAN. Our Government preaches one doctrine and practices another one, though.

LOANS IN DEFAULT

Would you, Mr. President, submit for the record a table similar to the one on page 90 of last year's hearings, revised to include the dates of the loans?

Mr. LINDER. The situation remains substantially unchanged. We are beginning to get some payments from Taiwan.

(The information follows:)

Loans in Bolivia, Cuba, Haiti, and China in protracted default as of Mar. 31, 1963

[Amounts in millions of dollars]

Obligor	Outstanding principal balance	Delinquent installments		
		Principal	Interest	Total
Bolivia:				
Corp. Boliviana de Fomento	9.0	2.3	1.4	3.7
Republic of Bolivia	25.0	8.3	4.3	12.6
Subtotal	34.0	10.6	5.7	16.3
Cuba:				
Cuban Electric Co	19.5	3.1	2.4	5.5
Cia. Cubana Primadera	1.5	1.0	.4	1.4
Cuban Telephone Co	17.5	2.6	3.1	5.7
Subtotal	38.5	6.7	5.9	12.6
Haiti: [1] Republic of Haiti	27.1	.1	.2	.3
Total	99.6	17.4	11.8	29.2

[1] The Haiti loans are regularly brought up to date and alternate on and off our delinquency reports.

NOTE.—In addition to the above, portions of 4 loans made to the Republic of China, when the seat of government was on the mainland of China, were unpaid. The amounts shown below exclude $2.1 million of principal and $0.9 million of unpaid interest on which the Republic of China (Taiwan) has agreed to resume payments. The resumption of payments is on portions of the loans which directly benefited the present Chinese Government. The Bank and the Chinese Government agreed that negotiations for resumption of payment on the $26.4 million will be held at a future mutually agreeable date. Eximbank records show that other loans to China, amounting to $168.8 million, were paid in full and that interest of $21.5 million was collectrd.

[Amounts in millions of dollars]

Obligor	Outstanding principal balance	Delinquent installments		
		Principal	Interest	Total
China, Republic of	26.4	12.7	10.7	23.4

LOANS TO BOLIVIA

Mr. PASSMAN. What has been the total amount of your loans to Bolivia, Mr. President?

Mr. LINDER. We have not made a public sector loan to Bolivia in some years.

Mr. PASSMAN. I think their payment record would not justify new loans. How about old loans?

Mr. LINDER. They are in default to us.

We have an outstanding balance with Bolivia of $33.9 million. They are not in default for the entire amount because a good deal of that is not due. They have not made payments to us and we have not made a public sector loan to Bolivia since 1955.

Mr. PASSMAN. Based on their record you would not consider them a very good credit risk?

Mr. LINDER. No; we would not, unfortunately.

Mr. PASSMAN. AID, however, considers this differently. I think they are in there with a substantial program, are they not? I ask you this question because you are on the AID board.

Mr. LINDER. I am only on the board to the extent that specific loans coming before them are reviewed if they are in large enough amount.

I believe there is a feeling within the Government that the Bolivian situation is correcting itself. I think that some of the international agencies have begun to go in there again and I think some assistance is being given to Bolivia by the AID.

Mr. PASSMAN. I believe the record will certainly show we are giving assistance. I am not going to recommend, and I do not believe you would want me to, even if my recommendation might be followed, that they let you pick it up and relieve them of that commitment. You would not want me to recommend that, would you?

Mr. LINDER. I do not think so, sir. We wouldn't do that.

REPAYMENT OF LOANS IN ARGENTINA

Mr. PASSMAN. Thank you.

I read recently in the press that you agreed to defer the repayment of $72 million of loans in Argentina; is that correct?

Mr. LINDER. That is correct, sir, but let me explain if I may at the same time European creditors agreed to defer loans of $135 million. What we did was entirely proportionate to what they did.

Mr. PASSMAN. What is the total amount outstanding for Argentina, Mr. President?

Mr. LINDER. $305.9 million in loans and guarantees as of February 28, 1963.

Mr. PASSMAN. You are extending only $72 million?

Mr. LINDER. That is correct.

REFUNDING OF LOANS

Mr. PASSMAN. Mr. President, in the past the Export-Import Bank's record for collecting accounts has been excellent. I hope it will be equally as good in the future, and under your able leadership I am sure that it will be. But are you now extending more loans, considering the extension of more loans, than has been the case in the past?

Mr. LINDER. I don't think so, sir.

Mr. PASSMAN. What is the aggregate of all loans that you have extended or deferred in the past 2 years; the number of nations and the aggregate?

Mr. LINDER. A $2.6 million loan in Costa Rica and the loan which you just referred to in the Argentine are the only ones within 2 years of this date. I do not wish to be too technical, Mr. Chairman, and I want to say that in just a little over 2 years we did do a large refunding operation in Brazil.

Mr. PASSMAN. Make the statement on extensions by year for 5 years, please, and submit it for the record.

Mr. LINDER. We will be glad to.

(The information requested follows:)

Credits for refunding authorized by the Bank during fiscal years 1959–63

Credit No.	Country	Fiscal years—				
		1959	1960	1961	1962	1963 [1]
1571	Brazil			$92,100,000		
	Argentina [1]					$72,000,000
	Costa Rica [1]					2,640,000
	Brazil [1]					44,500,000
Total		none	none	92,100,000	none	119,140,000

[1] Refund pending

Mr. PASSMAN. You could keep all your accounts current by just renewing them, could you not, and deferring them? I do not suggest that you would do so, but you could do that?

COLLECTIONS, 1962

Mr. LINDER. That is correct. I just submit however that we got back $599 million in cash last fiscal year. In that connection, Mr. Chairman, may I mention just one thing: Our actual collections last year on principal account alone was a $404 million and we received $156 million in interest. So that we received $560 million in interest and principal and we sold loans in addition to that of $39 million.

Mr. PASSMAN. We have already agreed, though, that the day of reckoning will be when finally everybody gets rich and we check and find out how much we charged off.

Mr. LINDER. That is correct, sir.

LOANS TO INDIA

Mr. PASSMAN. Now, I think that we have a little business dealing with India. Under the AID agency that came up, an amount of about $4,265 million. Last year we inquired into the status of the Export-Import Bank loans in India.

Mr. LINDER. Yes, sir.

Mr. PASSMAN. What has your experience been with India?

Mr. LINDER. They have been absolutely prompt with us.

Mr. PASSMAN. What do they owe you?

Mr. LINDER. $185.6 million.

Mr. PASSMAN. That is pocket change, however, compared with the $4,265 million that we have given them.

Mr. LINDER. We regard it seriously.

Mr. PASSMAN. And so do we, and I am glad they are current. How much have they repaid on their loans?

Mr. LINDER. Let me say, sir, our loans have not been outstanding very long so repayments are thus far relatively small. All of their interest is up to date. Our earliest loan was made in 1958, and all of their interest has been paid promptly.

Mr. PASSMAN. How much of that was repaid last year? Get the information for the record, please.

(The information requested follows:)

Payments on India loans

	Fiscal year 1962	Fiscal year 1963, through Mar. 31
Principal	$1,184,113.20	$591,352.82
Interest	4,717,035.77	7,702,083.04
Total	5,901,148.97	8,293,435.86

Mr. PASSMAN. We have pending in commitments for fiscal year 1963 a so-called loan under AID of over $400 million, so they should be able to pay that much back.

Mr. LINDER. They have repaid us about $1,775,000.

Mr. PASSMAN. We gave them that much in 2 days.

Mr. LINDER. We received interest from them of $14.5 million.

Mr. PASSMAN. Then you received a 30-day supply of AID money to them. That is not bad. We are getting a little of it back.

Is the AID requesting you to defer payments of any additional loans to India?

Mr. LINDER. No, sir.

Mr. PASSMAN. That is good news.

Mr. LINDER. There is due the Bank this year about $2,175,000 and next year about $10.6 million.

Mr. PASSMAN. Plus interest?

Mr. LINDER. Plus interest.

Mr. PASSMAN. What rate of interest?

Mr. LINDER. Five and three-quarters percent.

Mr. PASSMAN. That is a reasonable rate, is it not?

Mr. LINDER. We think so.

Mr. PASSMAN. You are going to have a hard time getting India's business with AID making them gifts without interest.

Mr. LINDER. No, we are not.

Mr. PASSMAN. You are still getting their business?

Mr. LINDER. We get as much business as we think is appropriate.

Mr. PASSMAN. I see what you mean. With all the spigots open I guess the cup will get under all of them, but you are familiar with the AID——

Mr. LINDER. There is a nice example, Mr. Chairman, of our interest in private enterprise.

Mr. PASSMAN. I am for you, sir. It just burns me up to think of

how we are misleading the American people by calling these confounded things loans, when it is actually a credit for 40 years, with no interest, and only three-quarters of 1 percent service charge. Secretary Dillon would not even dignify them as loans. He said they were development credits. The Director of the AID said last year, I believe, that half of it is grant to begin with, if you figure in the cost of the money.

Mr. LINDER. May I say our Board this morning considered three deals, in all of which American private companies were interested in India. They are going in with large equity interests on their part, there are some from Indian stockholders, and we will make senior loans.

Mr. PASSMAN. But, even if they were buying Passman refrigerators you would not want to make the loan unless you thought they were going to pay it back?

Mr. LINDER. That is correct.

Mr. PASSMAN. AID feels differently about it, of course.

PROGRAMING OF LOANS IN ADVANCE OF APPLICATIONS

Do you program loans to a particular country in advance of a loan application, Mr. Linder?

Mr. LINDER. We don't program them. We do, as you pointed out, Mr. Chairman, make a contribution to the Alliance for Progress, and any lending we do in Latin America is counted in that total.

Mr. PASSMAN. But do you not actually program and charge them prior to the receiving of an application.

Mr. LINDER. No, we do not, but we do give an indication of what we think in a given year it is likely we will be able to do based on sound applications. For example, $50 million in India. But if we only get $30 million of sound applications, that is all we will do.

Mr. PASSMAN. Would you go ahead and make a commitment to country X without receiving an application?

Mr. LINDER. Definitely not, sir.

Mr. PASSMAN. It would not be good business to do so, would it?

Mr. LINDER. I don't think it would be for us.

Mr. PASSMAN. I think you are very fair about that. Moreover, I should note that if there has been any inaccuracy in the facts about the loan applications, I feel sure it was unintentional.

BILATERAL AND INTERNATIONAL LENDING ORGANIZATION LOANS

What is your opinion as to which is more valuable, loans to developing countries made through international lending organizations or loans made on a bilateral basis?

Mr. LINDER. May I go off the record, Mr. Chairman?

Mr. PASSMAN. I think I know what your answer would be. Can you afford to put it on the record?

Mr. LINDER. I will put it on the record.

When I was a very young man, one of the things I studied were the Roger deCoverley papers which, if I recall correctly, Addison and

Steele wrote. In any event, Sir Roger deCoverley was asked to comment on a great many things, and he frequently remarked, "There is much to be said on both sides." I feel there is much to be said on both sides of this. I think there are advantages at times to international lending and advantages to bilateral lending. It is perfectly clear that such political value as you can get out of lending can ony come from bilateral lending. It is also true that there are times when an international agency is not subjected to the kind of political pressure to which a bilateral agency might be subjected. International agencies can make loans on a purely economic basis.

But there is another advantage to bilateralism from the point of view of the United States which is that our bilateral lending can be tied to U.S. goods and services. Whereas, if you have international lending, the borrowers can go into the market, any place in the world, and spend the money, part of which we contribute, for purchases anywhere else in the world.

Mr. PASSMAN. Thank you.

I believe Mr. Black advocates an international system, does he not?

Mr. LINDER. I think he has been committed to it.

Mr. PASSMAN. He was committed to soft currency repayments of loans at one time, and there was never a private who took an about face as quickly as Mr. Black to get away from that.

Through the U.N.—an international organization—a former Director of the AID, Mr. Hoffman, approved, I believe, of a grant to Castro's Cuba. About 40 percent of that special U.N. account is U.S. dollars. If we get our aid too involved through international organizations, we may find out, overnight, we are financing Castro. Those people preach that kind of doctrine up there; not only preach it, they practice it.

Last year you had $3 million for administrative expenses. This year you are asking that be increased to $3,500,000.

Mr. LINDER. Yes, sir.

NEW POSITIONS

Mr. PASSMAN. You are requesting only 26 new positions, but you are requesting an increase in average employment of 30 additional employees. What is the explanation of that?

Mr. SIMPSON. We anticipate faster recruitment than we were able to do last year. We do not expect to have the vacancies over the period that we have had. There is every reason to believe that because we have been faring much better in our recruitment.

Mr. PASSMAN. Because of that vigorous effort that you are putting forth?

Mr. SIMPSON. That is correct.

PURCHASE OF AUTOMOBILE

Mr. PASSMAN. I note that the Bureau of the Budget has allowed you to request language to purchase a new car.

Mr. LINDER. It has, sir. As I pointed out in my statement ours is 7 years old. You authorized one 2 years ago and we did not use the money.

USE OF CONSULTANTS

Mr. PASSMAN. Mr. President, why do you need an increase of $25, which would increase it to $100 per diem for consultants?

Mr. LINDER. Mr. Chairman, you know we occasionally use consultants from various fields, top engineers or high caliber executives who are really outstanding people in their areas. This represents their trips to Washington to consult with us or in some cases to project sites abroad. It does represent a certain amount of sacrifice. I would like to say that men of that caliber ought to receive whatever maximum the Government permits. It will amount to a small amount of money and generally is less than their normal earnings. The $100 rate is the one currently used in budget estimates.

Mr. PASSMAN. Are you having trouble recruiting consultants at the old rate?

Mr. LINDER. In some cases, yes.

Mr. PASSMAN. You do have a representation allowance?

REPRESENTATION ALLOWANCE

Mr. LINDER. Yes, sir.

Mr. PASSMAN. You either get it out of one fund or another and I think it should be identified for what it is.

Mr. LINDER. You can be sure, sir, we have gotten it out of no fund.

Mr. PASSMAN. What is your representation allowance?

Mr. LINDER. $9,000 a year.

Mr. PASSMAN. How many people are involved?

Mr. LINDER. Well, we have five members of the board and we have three vice presidents. A number of our men have occasion to go abroad, are entertained, have to give a luncheon, dinner, et cetera. I would say about 15 is the total number specifically involved. Then the Bank has to do a certain amount of entertaining, for example, the Governor of the Bank of Japan and the new Japanese Ambassador have just arrived. Abroad we are often entertained royally as you know, so from time to time the Bank must be able to reciprocate.

Mr. PASSMAN. You operate in how many foreign countries?

Mr. LINDER. We have loans in 80-odd countries, but we do not operate in that many now.

Mr. PASSMAN. By that, you mean you have a loan there, but you may not go there?

Mr. LINDER. That is correct.

Mr. PASSMAN. Some of those people come here, do they not?

Mr. LINDER. That is right.

REPAIRS AND ALTERATIONS

Mr. PASSMAN. It states here that you need $30,000 for building and repairs and alterations. What are you repairing?

Mr. LINDER. Does this relate to that space upstairs?

Mr. SIMPSON. Yes, sir, and other alterations during the year.

Mr. PASSMAN. Do you own the building?
Mr. SIMPSON. No.
Mr. PASSMAN. Who owns it?
Mr. LINDER. The Government.
Mr. PASSMAN. The GSA?
Mr. LINDER. Yes, sir.
Mr. PASSMAN. You have to reimburse the GSA?
Mr. LINDER. That is right.
Mr. PASSMAN. Are you going to paint it?
Mr. LINDER. No. This is an idea of getting more space. There was air-conditioning equipment up on the roof. One of us walked up a flight of stairs and realized there was half a floor unused and we asked GSA to look at it. They agreed that for a certain amount of money this could be made usable office space and would enable us to save some rent but they insist that we have to put up the money necessary to rehabilitate it.
Mr. PASSMAN. It is 300 or 400 feet long?
Mr. LINDER. I cannot tell you the precise dimensions; but I think it will give us about 4,000 additional usable feet.
Mr. PASSMAN. 4,000?
Are you going to goldplate it?
Mr. LINDER. No; 4,000 square feet.
You have to pay $5 a square foot rental which is $20,000 a year. This will cost us about $2 a square foot, plus the necessary alterations.
Mr. PASSMAN. As far as I am concerned $30,000 for renovating, unless you are going to put in possibly a concrete floor, structural changes, is a lot of money for 4,000 feet.
Mr. LINDER. This is nothing but a barn. It has brick walls, a cement floor and another level will have to be put in. It will have to be plastered.
Mr. PASSMAN. Then you are building a floor?
Mr. LINDER. In effect.
Mr. PASSMAN. You said, of course, repairs and alterations.
Mr. LINDER. The roof is there and the walls are there.
Mr. PASSMAN. How much is that per square foot?
Mr. LINDER. $7.
Mr. PASSMAN. I want to see it when you get through.
Thank you, Mr. President.
Mr. Gary?

DATE OF ESTABLISHMENT OF BANK

Mr. GARY. Mr. President, when was the Export-Import Bank organized?
Mr. LINDER. In 1934, sir; as a very small institution the purpose of which was to facilitate trade with Russia.
Mr. GARY. Practically 30 years ago.
Mr. LINDER. That is correct, sir.

AMOUNT LOANED AND LOANS OUTSTANDING

Mr. GARY. What have been your total loans over that period?
Mr. LINDER. We have loaned $13,500 million and disbursed $9 billion and we have been repaid $5.2 billion.

Mr. GARY. So that you have outstanding——

Mr. LINDER. We have outstanding now, sir, about $5,600 million including loans and undisbursed commitments. This does not mean all of this is now owed to us. Every time we guarantee a loan, we carry that on our books as a deduction from lending authority. Each time we make a commitment and sign a contract to make a loan for, let us say, $5 million, if at this moment only $2 million was borrowed and $3 million is still to be disbursed by us during the course of construction of a project, we carry $5 million as committed so that our outstanding loans and commitments and guarantees and insurance are roughly $5,600 million at the present time.

We have disbursed, however, $9 billion over the period of our life.

Mr. GARY. You do not mean disbursed?

Mr. LINDER. Actually, paid out $9 billion in loans and have received back $5.2 billion.

Mr. GARY. How does that compare with your $13 billion figure?

Mr. LINDER. The difference is represented by loans that we made which we were able to sell to others without commitment by us, and also loans that were canceled for one reason or another. A company came in and said, "We estimate it is going to cost $5 million to do this project." We looked it over and we agreed to make the loan of $5 million and only $4½ million was required. A half million is canceled.

LOANS IN DEFAULT

Mr. GARY. Of this $5½ billion outstanding, how much——

Mr. LINDER. Excuse me, sir, of the $5.6 billion outstanding, you asked how much of that is——

Mr. GARY. In default.

Mr. LINDER. Well, sir, in default there is about $100 million, which comprises loans to three countries. One was Bolivia, which we discussed a little earlier. The second is the tail end of the loans to mainland China, before it went Communist. The Bank loaned some $202 million of which we got $173 million back. Of about $29 million left, the Government of Taiwan has agreed to assume a relatively small amount, $2 to $3 million, on the ground that they became the beneficiary of that much. The balance is still on our books subject to negotiation. The third group comprises loans that we made in Cuba, one to the power company down there and the other to the telephone company. They are in default because Castro has not been willing to pay.

Those three groups, taking the total of the loans rather than the amount that is due as of this date—because some of them are payable over a period of years to come—amounts to just about $100 million. Against that we have a reserve now of over $800 million. To be correct, $831 million as of March 31. We have not charged these defaulted loans off.

Mr. GARY. I think that is an excellent record and I certainly want to commend you for it.

Mr. LINDER. My predecessors should be commended, sir.

Mr. GARY. I want to commend the Bank for it. I think this is one institution that has been well operated since its inception. That is

the reason I wanted to get those figures into the record, to show the record that it has established, because I think it is a good one.

Mr. LINDER. Thank you, sir.

PRESENT CAPITAL AND AUTHORITY TO BORROW

Mr. GARY. What is your capital at the present time?

Mr. LINDER. $1 billion.

Mr. GARY. And as I understand you want to increase this capital by $2 billion.

Mr. LINDER. Not precisely, sir. Our capital at the present time is $1 billion and we have the authority to borrow an additional $6 billion. Legislation has been introduced which would permit us to borrow $8 billion instead of $6 billion, or a $2 billion increase in our authority to borrow.

Mr. GARY. As I understand it you testified that you have only borrowed now $1,650 million.

Mr. LINDER. We only owe the Treasury that much but we owe other items.

The rest represents obligations which we have by reason of having guaranteed commercial banks; also borrowers from us have not called for the full amount of their loans as yet. In other words, those undisbursed commitments to which we have referred; also, we have sold certain loans receivable with recourse on us and therefore while we have received proceeds and have repaid the Treasury those amounts, if there should be a default on any of those loans we would have to make good on them.

Mr. GARY. How much leeway do you have now under your $6 billion authorization? What outstanding obligations do you have against that?

Mr. LINDER. We have at the present time about $1,400 million of unutilized lending authority and we had at the end of last year about $800 million of unutilized lending authority.

Mr. GARY. So that your position today is better than it was a year ago?

Mr. LINDER. It is. When I say last year, I meant June 30. It is better and the reason it is better is largely because we extended a $400 million loan to Canada to which I referred which was never used. You see, when we extend a credit of that kind, for which incidentally we got a standby fee, we count that as a liability because they may call on us at any moment. When it is canceled, it goes back into our available funds. This was canceled at the end of 6 months and so our lending authority was replenished.

The reason we think we need a larger margin is that we calculate over the next 5 years that we will need approximately $400 million a year more than we expect in repayments on our loans in order to maintain roughly the same volume of business as we are presently doing and we have traditionally gone to the Congress only once every 5 years.

Our Bank's life is extended every 5 years and we go to the Congress at about the same time and say what we think our requirements will be. We would hope, for example, that we will be able to increase our business but we did not think that it was reasonable to ask the Congress for a larger amount than that which was based upon our record over the past 5 years.

Mr. GARY. Why did you ask for this $2 billion as capital rather than just ask for an increase in your borrowing authority?

Mr. LINDER. That is precisely what we did do. We merely asked for an increase in our borrowing and lending authority. We have not asked for an increase in capital. The proposed bill, approved by the House Banking and Currency Committee, was drawn on the assumption that the Congress would continue to permit us to borrow money in the same way as we have in the past for 29 years or thereabouts. All we asked for was the right to have additional outstanding commitments of $2 billion and in turn to have the right to call on the Treasury for $2 billion more. We did not ask for any change in our capital whatever, and none of the lending or borrowing authority is used except, when needed. As I indicated, we owe the Treasury at the present time only $1,650 million and during the past 2 years, it may interest you to know, the Bank has repaid the Treasury more money than we have drawn from the Treasury, but that is because we have been able to bring commercial banks into our business under our guarantee system.

CHANGE FROM BORROWING AUTHORITY TO DIRECT APPROPRIATION

Mr. GARY. If this legislation which is now pending is changed to make this an appropriation rather than an extension of your borrowing authority, then what would be the mechanics of handling that?

Mr. LINDER. If the Congress makes a no-year appropriation and one which would not require us to get new appropriations either annually or even every 2 or 3 years, then I cannot conscientiously say that the Bank would be handicapped. It would not be handicapped but I would merely point out, gentlemen, that this Bank is an extraordinary institution, and I say that, I hope you will understand, not because I happen to be the President. This Bank has a reputation throughout the world. It is able to sell its loans. It is able to get commercial private banks to participate. It is able or was able to get 73 of the largest private insurance companies to come into the business of guaranteeing the credits extended by private exporters in the United States. All of these things have been possible because this Bank's reputation and financial probity and resources have been beyond question and have not been dependent on a consideration of the Bank by the Congress each year.

Of course, this committee has looked over our administrative expenses each year and during the past 2 years they have put a limitation on our operations, within which we have managed to live, and I won't say, with any pain to us.

LIFE OF EXPORT-IMPORT BANK

Mr. GARY. When does the life of the Bank expire?

Mr. LINDER. June 30 of this year.

Mr. GARY. Automatically?

Mr. LINDER. Yes, sir. It is extended only for 5 years at a time. We are very anxious to get action if we can before that date. In fact, it is imperative that we should.

Mr. GARY. This legislation extends the life of the Bank, as well as authorizes the additional amount?

Mr. LINDER. It does, sir. A leading U.S. banker was concerned about our general financial standing because when he buys our participation certificates he is not buying the full faith and credit of the United States. He is buying only the Export-Import Bank's guarantee and therefore its position as a bank is in some respects, I do not say in all, as if it were standing entirely on its own feet.

OBLIGATION OF THE UNITED STATES VERSUS OBLIGATION OF AN AGENCY

Mr. PASSMAN. Would the gentleman yield for clarification?

The Export-Import Bank has the backing of the United States as a whole, and when we provide the authority and the capital to the Export-Import Bank they in turn transfer that authority to a commercial bank. It is just as good as the United States directly as long as you are making it under that authorization, is it not?

Mr. LINDER. Not quite, Mr. Chairman.

Mr. PASSMAN. If they authorize you to guarantee?

Mr. LINDER. Not quite, sir. May I point out the difference? In one case an obligation of the Treasury of the United States is backed by the full faith and credit of the United States. Our obligation is backed by our own assets, which include whatever you authorize us to do but if you should limit our authorization and we should be very imprudent in our activity, there might be practically no margin of safety. While I do not for a moment believe that the Congress of the United States would allow us to default, no matter how imprudent we were, it is still true that the Congress is not under an obligation to do more than they have already said they would do.

Mr. PASSMAN. As long as you operate within that legal authority, that is just as good as the credit of the United States?

Mr. LINDER. I happen to think so.

Mr. PASSMAN. What is the difference, if we give you the legal right by law to obligate the United States up to $6 billion? That is just as good as a Government bond within that limitation, is it not?

Mr. LINDER. Well, Mr. Chairman, I am going to defer to my vice chairman, who is a lawyer, and say to you that I understand that the securities market differentiates between an obligation of the United States and an obligation of an agency.

Mr. PASSMAN. You are getting into legal technicalities, and I shall not belabor this point. The distinguished gentleman from Virginia is questioning. But I would not want the record, so far as I am concerned, to indicate it is anything but the guarantee of the United States because if we give you the authority to go out and guarantee by law now up to $6 billion, then as long as you operate within that authorization you have the full backing of the U.S. Treasury, or the United States, up that amount, do you not?

Mr. SAUER. I think that is a fair statement.

Mr. PASSMAN. Thank you. I just wanted the record to show that. You would not want to leave it there that it is not just as good.

Mr. LINDER. Financial markets differentiate.

Mr. PASSMAN. You are getting into something else. I am talking about so far as the individual who is participating against that authorization, his loan is just as good as that Government bond, if you are still within that limitation, and I believe you agree.

Mr. GARY. Mr. Chairman, I know what the gentleman is talking about because I have had some experience in financing on this financial market that he is talking about and these bond companies and their attorneys are extremely technical. They will not approve a loan until every single technicality is cleared, so I can understand very readily.

Mr. PASSMAN. I am not unfamiliar with the fact of these technicalities, but my contention stands, I think, as a statement of fact.

Mr. GARY. Getting back to this subject, if the Congress authorizes this appropriation under this law, then you would have to come before the Congress and ask for an appropriation?

Mr. LINDER. That is correct.

Mr. GARY. The authorization would be no-year authorization and you could come in at any time.

Mr. LINDER. That is correct.

Mr. GARY. The point I am asking is, Would you come in immediately and ask for the immediate appropriation of $2 billion?

Mr. LINDER. We would, sir.

Mr. GARY. Would you actually withdraw that money from the Treasury?

Mr. LINDER. No, we would not, sir, any more than we have withdrawn any more than $1.6 billion with an authorization and authority to draw up to $6 billion. We would draw funds only when and if necessary, but our ability again to get partners in these transactions will be dependent upon the appropriation of that amount of money if the Congress does not choose to give us the borrowing authority.

Mr. GARY. As I understand it, one of the objections to making that change was that it would affect the outstanding debt of the Federal Government. If the appropriation was made and the money not withdrawn from the Treasury, would that affect the national debt in any way?

Mr. LINDER. I am afraid that I am not personally in a position to answer that. The nuances of budgetary accounting are not my specialty.

Mr. PASSMAN. Would the gentleman yield?

Mr. GARY. I will be happy to.

Mr. PASSMAN. It is my understanding that the appropriation has no effect on the public debt until the bill has been paid. Then, and then only, is it entered on the Treasury statement as a withdrawal. We have some $80 to $90 billion of appropriations outstanding now that were appropriated in previous years, but it reflects on the public debt only after you have drawn the check.

Mr. LINDER. I think, Mr. Gary there would be a difference in this respect, that if the money were appropriated it would become part of the President's budget; if it were borrowing authority, as we had requested, it would become obligational authority rather than appropriation. That is the difference, but beyond that I do not think I know enough to make any comment.

LOANS TO SOUTH AMERICA

Mr. GARY. I am very much interested in this South American situation. What is your status in South America today?

Mr. LINDER. At the moment we are lending relatively small amounts in Latin America because, from a banker's point of view, we feel we have pretty large commitments there now, and there are relatively few places where we are able to make what we regard as sound loans.

Mr. GARY. What are your commitments there now?

Mr. LINDER. Our commitments there now are very large. They are about 44 percent of our total commitments, which would be about $2,400 million.

Mr. GARY. That you have already disbursed?

Mr. LINDER. Not necessarily already disbursed. Those are disbursements plus undisbursed amounts on loans.

Mr. GARY. On committed loans?

Mr. LINDER. On committed loans.

Mr. MINSHALL. Will the gentleman yield?

Mr. LINDER. Yes.

Mr. MINSHALL. What is the nature of the loans to the South American countries? For what period?

Mr. LINDER. All kinds of periods.

Mr. MINSHALL. Brazil, for example.

Mr. LINDER. Some of them are quite long, some are quite short.

Mr. MINSHALL. What are the majority of them for?

Mr. LINDER. I would say if I had to guess, I would say that the average repayment, if all our loans to Brazil were to be repaid precisely on schedule now, all of our money would be back in 9 years, that is my guess, possibly a little less than 9 years.

Mr. MINSHALL. I thank the gentleman.

Mr. LINDER. Some of them are 6 months. Some of them are a year. Some of them are 15 and 18 years.

Mr. GARY. We were talking about enlisting in South America outside capital. I know that the chairman was speaking of American capital going into Brazil.

It would seem to me that what we need to do in South America is to enlist some local capital in these enterprises. I have heard that the great difficulty in South America today is that the people of South America have been completely exploited at times by the very rich and that you have in South America largely two classes of citizens; one, the very rich, the other the abject poor, and it has been said that these very rich people of Latin America have on deposit today approximately $10 billion in the banks of Switzerland, deposited outside of Latin America. If we are going in to help the people of Latin America, it seems to me that some of that money should be available in this program and it should be available in such a way that these already rich people cannot exploit the people whom we are intending to benefit in Latin America.

I am perfectly willing to go along with the Alliance for Progress if the South Americans are going to make it a real alliance and they go along also, but I am not willing to tax the taxpayers of the United States to put money into South America to bail them out and to improve the country while the rich people of South America send their money to Switzerland or other countries and not do anything toward contributing to the improvement or the progress of the country.

What have you done insofar as your loans are concerned to see to it that it is not used by certain people in South America to exploit the government so that the rich people will be made richer and the conditions of the poor not improved?

Mr. LINDER. Sir, in the first place, I think that we have done everything possible in that direction.

We do not make loans to any private business in Latin America, except where there is an adequate equity in risk capital underneath us. Sometimes that risk capital is private American capital, sometimes a combination of local and American capital, sometimes exclusively local capital.

The only other loans that we make in Latin America are loans made to governments there, so that I do not think that any of our loans could be construed as facilitating the flight of private Latin American capital.

Mr. GARY. Take a situation of this kind: A good deal of the Alliance for Progress money as I understand it is going into housing. Houses are greatly needed in South America. Are you putting money into housing?

Mr. LINDER. No, sir. The reason we are not is very simple, because our loans are all tied to U.S. exports. When you build a low-cost housing operation, what does it comprise? It comprises land, cement, labor, and the only thing that has to be bought externally might be plumbing fixtures and many of those countries have their own facilities for making plumbing equipment, so that the amount of the U.S. component in a house in Chile or the Argentine is so small that we do not feel that this is the kind of business into which we can go. We would make so small a contribution within our rules that our loan would be insignificant. It might be only 10 percent of the whole operation.

Mr. GARY. I am glad to know that you are not making any housing loans. The thing that I am most concerned with in these housing loans, for example, I am just afraid that we will go in there and build houses and if we turn it over to local contractors the contractors will get most of the money and the people very few houses. I want to know what is being done to see that the people are getting the full benefit of the money that we put in Latin America.

Mr. LINDER. Whenever I have sat in on a Development Loan Committee meeting where housing applications were being considered, there has been a substantial amount of equity underneath the loan to be made by the United States. For the most part those loans have been made by the United States to carefully controlled finance companies, or mortgage companies, and the houses are sold at predetermined prices to people in relatively modest circumstances.

Mr. GARY. I am thoroughly in sympathy with the Alliance for Progress but I want an alliance. I do not want it a U.S. program for progress. I want to see the South American countries and Latin American countries come into the Alliance and do their part in this enterprise.

Mr. LINDER. I am sure that your point of view is one to which we subscribe without any reservation. I would only make one comment, Mr. Gary. I am sure there are substantial amounts of Latin American capital held abroad, but if you will permit me to say so, I am sure the figure that you have heard is grossly exaggerated. If you said

that there might be as much as a billion dollars, or several hundred million dollars of Latin American capital held in Switzerland or Germany or even in New York, I would not be surprised because when countries have inflation the natural tendency of the capitalist is to run but I am sure there are no such amounts as $10 billion.

Mr. GARY. I think the figure of $8 to $10 billion has even been submitted to this committee.

I do not know whether it is right or wrong. That is what I want to find out. That is one of the things I want to find out. I want the facts. I do not think we can act intelligently here in the Congress unless we have the actual facts before us. I would like to know what those facts are.

Mr. LINDER. I would love to, also. This is a very hard thing to determine. I would say as far as policy is concerned, right from the beginning in the President's original Alliance speech and his message to the Congress, he indicated clearly that any amounts that the United States could contribute, publicly or privately, would have to represent a very small proportion of the total amount needed in the Alliance.

Mr. GARY. That is right.

Mr. LINDER. It is their Alliance as well as ours.

Mr. GARY. That is right. I know that has been said and that position has been taken by both administrations. The Alliance for Progress was started under the previous administration at the Conference of Bogotá. To what extent it has been adhered to, I do not know, but I am very insistent that it shall be adhered to. If that is not true, I think we ought to stop our assistance.

Mr. ANDREWS. Will the gentleman yield?

Mr. GARY. I will be glad to yield.

Mr. ANDREWS. I believe there were several conditions precedent imposed on those countries before they could get any loans or grants from this country and from all I can hear and read, very few, if any, of those requirements have been met, isn't that correct?

Mr. GARY. That is the thing that disturbs me.

Mr. ANDREWS. Land and tax reforms, et cetera.

Mr. MINSHALL. If the gentleman will yield, how wide a discrepancy is there? Mr. Gary has brought up a figure of 8 or 9 billion. You come up with a figure of 1 billion. There is a spread of 7 billion.

Mr. LINDER. An enormous spread.

Mr. MINSHALL. What kind of a crystal ball are you looking in? Where do you get your figure?

CAPITAL LEAVING LATIN AMERICA

Mr. LINDER. If you look at the total deposits of all the Swiss banks, which include not only Swiss but all manner of foreign deposits other than Latin America, that $10 billion from Latin America must be an exaggeration. Moreover, I do not believe there is anything like that amount of liquid capital that could have been transferred. Most of Latin American capitalists own huge amounts of land. They own mines or factories or real estate. They do not have cash in such amounts which they can transfer outside of the country.

Mr. MINSHALL. It is a fact in recent months they have been taking a lot of capital out of the countries.

Mr. LINDER. In recent months it has been returning.

Mr. MINSHALL. In Mexico, too?

Mr. LINDER. Mexico, definitely it has been.

Mr. PASSMAN. Will the gentleman yield?

Mr. GARY. Yes, Mr. Chairman.

Mr. PASSMAN. I think two of the dictators absconded with about a billion dollars. That was cash. I think one arrived in Geneva a few weeks ago and had to have a special plane with bags of money. I think $8 billion may be a very conservative figure for the flight of capital from Latin America, and in all probability the capital going out now exceeds the amount we are putting in. Let us go to the record, and I quote:

Mr. PASSMAN. We are told that the flight of capital from Latin America is far greater than the planned program that we have for Latin America. The minimum has been estimated at $8 billion and the maximum at $11 billion of capital moved out of Latin America during the past 5 years. We want to find out if this is true. We think we should have that information. It could be accurate, but we hope it is not that much, because we are interested in the program as long as it is not just a one-way street.

The insertion, put in, I think, by Secretary Rusk, is as follows:

CAPITAL FLIGHT FROM LATIN AMERICA

There are many estimates as to the extent and direction of capital flight in recent years, but there is little agreement even among the experts. At the recent hearings of the Subcommittee on Inter-American Economic Relationships of the Joint Economic Committee of the Congress, a variety of witnesses agreed that there were no reliable statistics on this subject beyond the fact that about $1.1 billion belonging to Latin American businesses and individuals is at present deposited in American banks. Two witnesses attempted guesses as to the amount of Latin American capital abroad, one placing it at $3 billion, the other at $5 billion; it is to be noted that these estimates of total capital abroad for the region are considerably below the $8 billion figure cited.

It is just about anybody's guess. It is impossible to accurately estimate.

Mr. MINSHALL. I was interested in where the President got his figures.

Mr. PASSMAN. I would rest my case on its being between $5 and $11 billion.

FREE ENTERPRISE SYSTEM IN LATIN AMERICA

Let me be sure the record is clear, when I mentioned outside capital, U.S. capital, American business people taking it in, the free enterprise system I had reference to, of course, I referred to a joint venture between the capital in Latin America and American capital.

Mr. GARY. Mr. Chairman, my remarks were not concerned with your statement but what I did want to make plain was that we are not going to turn this money over or give money to people who would exploit further the people we want to benefit.

Mr. PASSMAN. And my point, of course, is the same as yours.

FUNDING REQUIREMENTS IN 1964

Now, before we go on, could you, if necessary, anticipate, as other agencies do, what your needs would be for a given year, over and above that presently authorized?

Mr. LINDER. I don't think——

Mr. PASSMAN. You said you anticipated $400 million over and above repayment of loans.

Mr. LINDER. That is as close as I could get.

Mr. PASSMAN. So you have sufficient funds on hand then, with the $1.4 billion, to give you full funding for 3½ years over and above loans, if it works out that way?

Mr. LINDER. If you are asking me, Mr. Chairman, I want to say that I don't think this Bank can operate effectively unless it has a very large margin. That is we can't get down to $400 million and do our business.

Mr. PASSMAN. You have two types of obligations. One is contingent and one is real. Your contingent obligation is that part which you guarantee, is it not?

Mr. LINDER. That is right.

Mr. PASSMAN. Finally, if you had disbursed a loan to Canada you would still be in a better position than last year, would you not?

Mr. LINDER. That is correct.

Mr. PASSMAN. I yield to Mr. Natcher.

LOANS TO AFRICA

Mr. NATCHER. Generally, Mr. President, what type of loans have you made in Africa in 1963 and what do you anticipate for 1964?

Mr. LINDER. In 1963 as I go down the line, I see an electric power loan in the Ivory Coast and it is the only large loan we authorized in Africa in 1963 thus far. Is that correct, Mr. Sauer?

Mr. SAUER. That is correct.

Mr. LINDER. We have a number of applications in Africa at the present time. Among them are two for power and one for diesel locomotives. I don't think that our lending in Africa is likely to be a large amount unless some big project comes along like a dam for which we don't presently have an application.

LOANS IN EUROPE

Mr. NATCHER. Now, I want to direct your attention to Europe and I would appreciate it if you would inform me as to what you anticipate by way of loans for 1964.

Mr. LINDER. In Europe?

Mr. NATCHER. Yes.

Mr. LINDER. This is one of the hardest questions to answer. I hope that in 1964 the Bank will be able to do something which we haven't been able to do for many years, and that is, induce some of the richer, stronger countries in Europe to request important loans from us. Our principal European customers at the present time are Spain and Italy. How much more we will do in Italy in 1964 it is impossible to tell. We have a $50 million application now pending in Italy which probably will be acted on during this fiscal year. That will increase our exposure in Italy considerably. At the present time in Italy we have $4 million outstanding and $68.5 million undisbursed which will be disbursed in a few months. That would make $72.5 million and add $50 million, that is $122.5 million. Now, Italy is that

low because Italy anticipated their debt and repaid us about a year ago.

It may be possible to build up loans in the rest of Europe, and I think that would be about as desirable business as we could do. On the other hand, building up loans in Europe means we are selling American goods to highly industrialized countries, like carrying coals to Newcastle.

Mr. McLAUGHLIN. It also means we are selling highly industrialized equipment, including the very best kind of machine tools that we make.

Mr. NATCHER. What term loans are your European loans generally? Short term, medium term, long term?

Mr. LINDER. Well, the big loans on our books now are long-term loans. They were made years ago during the period between the end of Lend-Lease and before the Marshall plan began. The Bank stepped in and filled the gap while Europe was beginning to recover from the war. Recently most of our business outside of Spain, which is relatively less developed, has been connected with financing on medium terms. Jet aircraft was a principal item. The Bank has financed probably 60 or 70 percent of all the DC–8's and Boeing 707's that have gone out of the country. When you see Air France and Alitalia and so on flying those planes, please bear in mind that many of them were financed on 7-year terms by the Export-Import Bank or by commercial banks with our guarantee.

DEVELOPMENT LOAN PROGRAM

Mr. NATCHER. What effect, if any, has the development loan program of the present International Agency had upon the Export-Import Bank loans, Mr. President?

Mr. LINDER. Do you mean the Agency for International Development?

Mr. NATCHER. Yes.

Mr. LINDER. There has not been a substantial effect because as I explained to the committee—and you may not have been here at that time—there is an arrangement between us and them which gives us the opportunity to look at every proposal that comes to them and make our own decision as to whether we think it is appropriate for the Export-Import Bank. Now, this is obviously in the best interest of the United States because the loans we make are the so-called hard loans. They are loans made at a good rate of interest, they are loans made for a no longer period than necessary for the project to amortize itelf, whereas their loans are frequently made as fundamental assistance to the country involved.

ACTION ON LOAN APPLICATIONS FROM AID

Mr. NATCHER. Can you give us any idea, Mr. President, as to the number of loans that you have rejected and the amount?

Mr. LINDER. From the AID?

Mr. NATCHER. Yes.

Mr. LINDER. I think I could probably get it.

Mr. NATCHER. You could furnish that for the record.

(The information requested follows:)

Since the establishment of the AID in November 1961 through April 29, 1963, the Export-Import Bank has been offered 165 applications for its consideration. Of this total, 127 have been returned to AID, 23 totaling about $101 million have been retained by the Bank as appropriate for its consideration, and 15 were under review by the Bank as of April 29.

Mr. LINDER. I would think as far as numbers are concerned, they probably average maybe 4 or 5 a month but many of those we will finally decide not to make for a variety of reasons.

Let us assume, for example, that an African country that was in good financial condition said, "We want to borrow $5 million for some generators for a powerplant." They go to AID because they think they are going to get this money on very soft terms. That is they will hope for 40 years and three-quarters of 1 percent interest, you see, and a 10-year period of grace. We will look at it and say, "The X country is perfectly able to pay 5¾ percent interest and there is no reason why they should have more than 12, 14, or 15 years for this project." Then we will look at the proposal. Well, one of two things can happen then. Either we will find when we look at it that there isn't enough justification in terms or the need for electric power and additional generating equipment to warrant the loan or we will find that the country will say, "Well, we would like to have those generators if we could get them at low enough cost to us but we don't want the generators if we have to pay for them in 15 years at 5¾ percent interest." So there is no deal.

Now, that is taken out of AID, acquired by us, but it is still not a loan.

Mr. NATCHER. Then after such a loan proposal is turned down by the Export-Import Bank, would this go back to the Agency for International Development?

Mr. LINDER. I think not.

Mr. NATCHER. You say you think not. Are you sure about it, Mr. President?

Mr. LINDER. I am almost positive about it except in the event we would be proved wrong, that their capacity to repay was proved to be less than we thought it was when we said we would take it but I would say almost invariably not. I know of no instance in which it has happened and I think you can take for granted it would not happen, but I couldn't take an oath that it never could happen or never did happen.

If they could be submitted back to AID and there was a real chance of favorable action being taken there, you know what would happen. They would all go back because obviously the borrower would rather have three-quarters of 1 percent and 40 years than 5¾ percent and 15 years. I know of absolutely no instance where it has happened.

Mr. NATCHER. Mr. Chairman, thank you.

Mr. PASSMAN. It is my understanding that the development credit applications are so bad to start with that they would not even submit them to the Export-Import Bank.

LOANS TO INDIA

The total AID commitments to India, I believe, amount to $4,265,500,000. You have approximately $180 million only of Export-Im-

port loans to India. But, the AID credits are without interest to be repayable, if ever, in 40 years.

Mr. LINDER. Not ours.

Mr. PASSMAN. I am talking about the AID Agency. They would not be eligible to apply to the Export-Import Bank for that type of gift, or credit, would they?

Mr. LINDER. Not the kind you are describing.

Mr. PASSMAN. I am describing that kind. Forty years, no interest, a 10-year grace period, and so forth.

Mr. LINDER. Mr. Chairman, a particular piece of business might very well go to the AID Agency which was firm, was hard. For example, the manufacture of fertilizer in India with a United States company, being prepared, let us say, to put up $5 million——

Mr. PASSMAN. Guaranteed by our Government.

Mr. LINDER. Well, this I don't know.

Mr. PASSMAN. Let me say that is true. They don't take a chance on losing.

Mr. LINDER. Frequently we have——

Mr. PASSMAN. Through the AID Agency it is completely guaranteed, Mr. President.

But, you would not take any type of loan if it was to be repaid on a 40-year basis, 10-year grace, no interest, would you?

Mr. LINDER. No, we would not.

Mr. NATCHER. Mr. Chairman, would you yield back to me?

Mr. PASSMAN. Yes, sir.

LOANS REFUSED BY EXPORT-IMPORT BANK

Mr. NATCHER. Mr. President, in answer to my question concerning what happened after a refusal by the Export-Import Bank, I would like to just read into the record at this point a statement that appeared in the report from the Subcommittee on Inter-American Economic Relations of the Joint Economic Committee. They were going into the matter such as our discussion at this point and according to the report:

> Each potential borrower or receiving agency no matter how worthy its aims and accomplishments, is inevitably impelled, hat in hand, successively, to canvass all of the possibilities. We were told not once but repeatedly that development projects when rejected by one agency acting within its special frame of reference will promptly or shortly later resubmit it with or without modification for another agency's consideration and not infrequently approved.

That pertains to a number of requests. So, Mr. President, in making your statement in the record concerning these I wish you would check to see, if you can, what has happened to some of them that you have turned down.

Mr. LINDER. I think I can clear up this misapprehension. There are two things here. The AID Agency comes to us and says, "We have these five proposals before us."

A committee of our agency and a committee of the AID Agency meet every week. Those five proposals are analyzed by the Bank's staff and they tell us that, "Here is a loan proposal for $3 million to X country all of which is for the purchase of U.S. goods and services." If X country is in our opinion unable to stand the terms, the terms that the Export-Import Bank will insist upon, we say, "Not inter-

ested." That does go right back to the AID Agency because they are required to show us everything that comes before them.

If, on the other hand, we say, "That deal is a deal that we think we should do because X country is able to pay, has enough foreign exchange resources or earnings so that we think it is a reasonably good risk, and the loan is made for American purposes," we say, "Yes, we will take that one." Then it will not go back to the AID Agency. Now, I think the portion to which you refer relates to the first category. Today we looked at five of them at our Board meeting and of the five we selected three for our consideration. The AID Agency is free to make its own decision about the others. One was a deal in which only 40 percent, let us say, was American material and 60 percent was for local costs, and the AID Agency may or may not find it desirable to consider it. The other one we returned because the borrower was not in a position, in our opinion, to undertake the obligation of the Export-Import Bank. But the other three that we did select, we will either do or won't do and they will not go back to the AID Agency.

Mr. NATCHER. That is all, Mr. Chairman.

AID TO BOLIVIA

Mr. PASSMAN. Earlier we have mentioned Bolivia. You are deferring a loan, I believe, for Bolivia at this time.

Mr. LINDER. No; they are in default.

Mr. PASSMAN. Being in default they would not be eligible for a loan, would they?

Mr. LINDER. That is correct.

Mr. PASSMAN. Now, let's see how much we have through AID for Bolivia last year. As of February 28, $5 million to Bolivia. Bolivia is in on several programs—not the Export-Import Bank, but under our giveaway program, the AID program. That would certainly be a case where they were in default and you would not entertain an application, yet AID is pouring in money.

LOANS DENIED

Now, your record would be better and ours would be better if you would indicate the number of loans that you have rejected from nations last year. Do you know of any?

Mr. LINDER. Oh, yes.

Mr. PASSMAN. Would you mention a few you turned down?

Mr. LINDER. Bolivia is one.

Mr. PASSMAN. You turned them down but they are in the AID program.

Mr. LINDER. We turned down a number of things in Argentina.

Mr. PASSMAN. Let us see what they got last year.

Mr. LINDER. On the other hand, Mr Chairman, there were certain things we were prepared to do in Argentina.

Mr. PASSMAN. I know that. I am talking about the giveaway part of the program.

Now, what did they have through AID for last year? It is $49.7 million. That is February 28, and some very recent commitments.

So in all probability every time you turn down a loan for $2, the AID Agency commits itself to $3 or $4.

EFFECT OF DIRECT APPROPRIATION ON PUBLIC DEBT

I am going to yield in just a moment but there are two things I think we should clear up for the record. One is about the effect that an appropriation would have on the public debt. It will have no effect on the public debt until you withdraw it and spend the money. We sent for a Treasury statement and have it here. We appropriated $3.9 billion to the AID Agency last year. Through the 28th of April they have withdrawn $1,582 million, and that is the amount which goes against their withdrawals. So until it is spent it has no effect whatsoever on the public debt or the daily transactions. Now, this year the President submitted to the Congress a budget for $98.8 billion, but that is for the administrative budget only. Another section of the budget, which covers the Export-Import Bank and various other agencies and accounts, is section 2, for trust funds. Presidents usually get too busy to mention that second section.

Section 2 of the President's budget, if you transported the Export-Import Bank from a withdrawal to an appropriation basis, that $2 billion would have to be included in the budget request. Then he would have said, "Mr. and Mrs. America, I want $100.8 billion." The manner of handling the budget enables the President, whoever he may be, to indicate a lower budget than he is actually submitting, and the total budget of expenditures is $122.5 billion, whereas the President spent his time discussing $98.8 billion. It is a question, if the Executive could get 50 more billion out of the category of appropriated funds and get it on a Treasury withdrawal basis, then there would be a $48 billion budget request. If you got it all on a withdrawal basis the President could say, "We have no budget this year; we are just down here to talk to you about the state of the Union being good," and that is the way it works.

PARTICIPATION OF COMMERCIAL BANKS IN EXPORT TRANSACTION AND BANK GUARANTEE

Finally, you spoke of one of the New York banks being willing to take one-third of a commitment and you made it to 50 other banks. Is that a series of banks throughout the country?

Mr. LINDER. Yes.

Mr. PASSMAN. That is, agreeing to finance exports?

Mr. LINDER. Agreeing to buy participation certificates in our loans.

Mr. PASSMAN. So what you are doing is endorsing the notes for a profit so we will be able to export?

Mr. LINDER. That is correct.

Mr. PASSMAN. It may well be that many of those loans would be made even without your participation?

Mr. LINDER. Well, Mr. Chairman, on that I would like to say that we make every effort. Nobody can be assured of perfection but we do not take a loan at any time where we believe that it can be placed privately.

Mr. PASSMAN. But it follows, nevertheless, that these 50 American banks are going to make loans to their customers so that they can export. The bank makes a profit and the exporter makes a profit. Is it correct that you have guaranteed to these 50 banks that they may make loans up to a certain figure, and the bank in New York wants to buy a third of the commitment?

Mr. LINDER. No, sir.

Mr. PASSMAN. Please clear it up.

Mr. LINDER. I am trying to. There are two kinds of things——

Mr. PASSMAN. This particular one where you dealt with 50 banks.

Mr. LINDER. That is one which is a participation in loans we may have made 3 or 4 or 5 years ago. They are merely making an investment in participation certificates in a portfolio composed of the kind of paper which arose out of an export transaction. We do, however, issue guarantees on certain current export transactions, where the Chase Manhattan Bank or the Continental Illinois, or the Whitney in New Orleans has a customer who wants to sell something abroad. The Whitney Bank may say of its customer: "We know X Company, and we know Pedro Lopez in Argentina; we think he will pay his bill. We will extend this credit to Pedro Lopez providing we get a guarantee against political risk from the Export-Import Bank."

Because while Lopez may pay his bills in pesos, there may not be dollars there and X Company wants dollars repaid. If the Whitney Bank will take the first 18 months of that transaction on the credit side without recourse on us, and will carry the paper which may extend as long as 5 years, we will give them a guarantee in respect to the political risk on that first 18 months and the credit and political risk on the balance of the transaction.

Mr. PASSMAN. My statement had only to do with your guarantee. That is a contingent liability. Are most of your liabilities contingent liabilities where you have to debit your borrowing authority under the law?

Mr. LINDER. Many of them are.

Mr. PASSMAN. And even though Chase Manhattan National Bank purchases one-third of that paper, they are still guaranteed against a loss, are they not?

Mr. LINDER. They are.

Mr. PASSMAN. Thank you.

LOANS FOR JET COMMERCIAL AIRCRAFT

Mr. FLYNT. Could you give us the dollar volume that has gone into loans for jet commercial aircraft?

Mr. LINDER. It would be difficult for me. I am sure I can give it to you but I do not think I have it offhand.

Mr. FLYNT. Could you give me an approximation?

Mr. LINDER. If I had to approximate, I would think that we probably financed no fewer than 100 planes, let us say, at $6 million apiece.

Mr. FLYNT. That is close enough.

Mr. MCLAUGHLIN. The total for all aircraft financing was $435 million. That is all aircraft through mid-1962.

Mr. LINDER. This is a better figure. If you add 1963 to it, it might be another $25 million.

Mr. FLYNT. Most of those loans go to airlines which are wholly or partially owned by the government whose flag they carry?

Mr. LINDER. That is correct, sir.

Mr. FLYNT. Is it true that the impact of Export-Import Bank loans on foreign airlines has had an adverse effect upon the U.S.-flag carriers that operate in international routes?

Mr. LINDER. I do not believe it to be true, sir.

Mr. FLYNT. Is it not true that over 55 percent of all international travel is generated in the United States?

Mr. LINDER. I am not familiar with that figure. I can't say. Usually there is travel two ways and I just don't know.

Mr. FLYNT. Could the flag carriers of other countries engaged in international air transportation have maintained the high percentage of international traffic—international passenger miles that they have—to the detriment of the U.S.-flag carriers engaged in international air traffic without the sizable impact of the Export-Import Bank loans?

Mr. LINDER. If I may say so, sir, it is a loaded question. You refer to the "detriment."

May I make a statement which I think will not be irrelevant?

Mr. FLYNT. Go right ahead.

Mr. LINDER. Even if it isn't completely responsive.

I would say first, it might be argued that for a short period of time the financing of American Boeings and Douglas and Convair planes used in international traffic by foreign carriers may have had an adverse effect—for a short period of time, I emphasize—on American carriers. As against that I think one must weigh that after such a short period of time comparable planes undoubtedly would have been produced by other industrialized countries and our Boeing Co. and our Convair Co. and our Douglas Co. might very well be out of business.

The Boeing Co., the Convair Co., and the Douglas Co. could not have supplied domestic American airlines at anything like the price they are able to supply jet planes had they not had foreign markets as well. I suspect, although I cannot be sure, that if you ask Mr. Juan Tripp to come down here he would say that it was very important for Pan American, and if you asked Mr. Smith of American Airlines to come down here, he would say it was absolutely essential for them to have had solvent producers of larger airplanes in this country. I am not now referring to the number of people Boeing employs or the thousands of subcontractors who have worked on those planes, or the number of people involved in employment on those subcontracts when I say I believe that, on balance, it has been decidedly in the interest of the United States from a balance-of-payments point of view, from the point of view of our military, from the point of view of everything to have had companies like Boeing and Douglas get a large enough market so that American jets dominate the world's air fleets, so that their replacement parts are bought in the United States, so that those companies would be in a position to undertake various kinds of military work, none of which I believe would they have been able to do as effectively or at as low a price, had they not had the benefit of the orders from abroad.

POLICY OF THE EXPORT-IMPORT BANK ON FINANCING FOREIGN COMPETITION

Mr. FLYNT. The policy of the Export-Import Bank then is that when you take in the effect on related industries, or unrelated industries, that the policy of the Bank is that it is perfectly all right to help foreign competitors of the U.S. industries and companies—it is perfectly proper to support foreign competitors and counterparts of American industries?

Mr. LINDER. Again, I would answer your statement by making another statement that this is a problem which we frequently have and of which we are not unmindful, but there are many sides to the problem. One of them is if we refuse to sell we can be awfully sure the other fellow is going to sell it instead of ourselves. If we refuse to sell a loom on the grounds that our textile industry—and we don't set up big textile plants—if we refuse to sell a loom to a Greek textile manufacturer, the Germans, the Japanese, the French, and the British are there making comparable looms and you can be sure that you will get as much textile production and you won't have sold the American machinery. Therefore, we believe that although it is wise not to start huge textile combinations, and lend $25 million to the creation of one of those. However, our looms are in a plant in Turkey or in Greece and you can sell five looms, we want to continue to keep those American looms operating there. Because our machinery manufacturers would not be able to live in the United States if they depended entirely on the purchases by American textile manufacturers. Their prices would go up and our textile prices would go up and they would be less competitive than they are today.

Mr. FLYNT. You diverted this from aircraft to textiles, but you believe an unhealthy loom manufacturing industry should be made healthy and a healthy textile industry should be made unhealthy by the announced policy of the Export-Import Bank?

Mr. LINDER. I do not believe that, sir, but you have been very adroit in putting your question.

Mr. FLYNT. I understood that in what you said.

Mr. LINDER. No; that wasn't what I said.

Mr. FLYNT. That you were willing to sacrifice the American textile manufacturers in order to sell looms.

Mr. LINDER. No, on the contrary, sir. I said that the world production of textiles would not be reduced by one yard were we unwilling to sell American looms because the Germans or the French or the Italians or the Japanese would provide those looms to whoever wanted to buy them. All we would accomplish is to reduce the business being done by the American loom manufacturer. We would not have reduced the amount of textiles competing with American textiles.

LOANS FOR COMMERCIAL AIRCRAFT

Mr. FLYNT. Let me go back to the aircraft for just a moment.

As chief policymaking officer of the Export-Import Bank are you willing to finance nationalized airlines to compete with private enterprise airlines flying U.S. flags?

Mr. LINDER. I think our record indicates that we have done that and I think we would continue to do it.

Mr. FLYNT. And you approve of it?

Mr. LINDER. I do, sir. May I say why? Again, there is nothing the United States can do to prevent the Germans, the French or the British from nationalizing their airlines, any more than we can prevent their having nationally owned railroads or nationally owned public utility companies. They insist on having airlines. Their shipping is most frequently run that way and their airlines are almost invariably run that way. This is a fact. We cannot argue with the existence of it. We cannot prevent it. We cannot deny them planes because they will get them some place else if we don't sell to them. In view of the fact that everything else is equal in the equation, the only thing that I find by failure to do this would be a loss to the United States. That is a loss to Boeing and all the people it employs, to Douglas, to Convair and all other manufacturers.

Mr. FLYNT. But they find it very favorable to buy American planes, only, when they are initially paid for only with American funds?

Mr. LINDER. They are not paid for initially only with American funds, sir. They find it favorable because the large volume of business enables Boeing to make an airplane and sell it at a price which is probably better than the price at which they could buy other planes.

Now, as far as the financing of the transaction is concerned, we haven't sold a single jet airplane, to my knowledge, where cash of 20 percent wasn't paid down and we haven't sold a single airplane where Boeing or Douglas or Convair wasn't prepared to leave 15 percent in the transaction. Now, we have financed therefore the difference, or 68 percent of the financed portion. With that money paid down, that 68 percent is repaid in equal semiannual installments. So we have sold a $6 million piece of equipment and have financed $4 million of it which is outstanding, an average of 3½ years and we have gotten 5¾-percent interest on our money and we have borrowed that money partly from the Treasury but mostly from the commercial banks at 4 percent. That strikes me as being awfully good, sensible business.

FINANCING STEEL PRODUCING PLANTS IN OTHER COUNTRIES

Mr. FLYNT. Can you tell me the approximate amount of Export-Import Bank loans which have gone to finance construction or expansion of stainless steel producing plants in other countries?

Mr. LINDER. I can't offhand, but I will say we will do our best to find out; but it is a very, very, very small amount.

Mr. MCLAUGHLIN. I believe the one in Italy is the only stainless steel plant.

Mr. LINDER. That one was for $5 million in which United States Steel invested 50 percent. That is the only one of which I know.

There may be others and I will be glad to look. If there are, I will introduce them into the record.

(The information supplied follows:)

There are no others.

Mr. FLYNT. If it is true that more foreign-produced stainless steel is being imported into this country month by month than is being

produced in this country and sold during those same months, would you say that it is a good policy to further finance those who would perhaps dry up a major segment of the steel industry?

Mr. LINDER. Well, I would say this, that the steel industry is thoroughly divided on this question. I have evidence to that effect because I have one point of view from some members of the American Iron & Steel Institute and a contrary point of view from other equally important members.

I am afraid that these problems frequently are much more complex, if I may be permitted to say so, than one would assume. The obvious answer to the question would be "No," but again we come to this question. What would Koppers Coke Co. do, what would Westinghouse do, what would General Electric do, what would Mesta Machine do, what would United Engineering do, to mention a few major American companies who have an enormous interest in the financing of the construction of steelmaking facilities, if the Export-Import Bank refused to finance foreign steel mills? I again repeat that every time we get one of those contracts we are in direct competition with the British and the Germans and the French.

FUNCTIONS OF THE EXPORT-IMPORT BANK

Mr. FLYNT. I have heretofore found myself very much in accord with the principles which underly the existence and the continued and expanding operation of the Export-Import Bank, yet I find it increasingly difficult to separate the overall functions of the Export-Import Bank and the Agency for International Development, or one or more of its predecessor organizations and if this entire joint program of AID and Export-Import Bank were improving our balance-of-payments situation, I would agree wholeheartedly with the statements that you made a few minutes ago in response to my questions about helping, or rather transforming healthy industries into unhealthy industries and at the same time transforming unhealthy industries into healthy industry situations. Yet we find that after roughly 17 years of this operation, we find our own balance-of-payments position worsening every year, we find our gold reserve position getting more dangerous every year. We find that our minimum debt figure is greater than the combined debt of all other nations on earth—the only conclusion that I can draw, is that we must take a rather close and hard reevaluation look at the program which year by year puts our balance-of-payments position worse than it was the year before and also puts our gold position worse than it was the year before.

Do you feel that the present combined method of operation, or rather the method of operation of the combined functions of Export-Import Bank and AID is contributing toward a better or a worse balance-of-payments position for the United States?

Mr. LINDER. Sir, if you will permit me, I would like to answer your preliminary statement before answering your question.

I think you made two points. The first was that you found it difficult to segregate the activities of the Export-Import Bank from that of the AID organization. I would submit that this should not be difficult.

The Export-Import Bank has engaged in a business which is perfectly clear. It is to finance the foreign trade of the United States. Its original sponsors thought of imports as well as exports. We do comparatively little in imports. In fact, we have only done two transactions in the past 2 years and they were for very small sums. The reasons are clear: When we import into this country, we have well-financed buyers who can afford to pay cash and get the discounts implicit in it. We have liquid banks who can afford to finance them if they haven't the cash themselves and it is normal in trade for the seller to extend the credit and therefore there is no need for our services in connection with imports.

In respect to exports, where our services are genuinely needed, this is the prime consideration and function of the Export-Import Bank, and therefore I do not see why it should be difficult to differentiate us from AID. It is true that when we make a large project loan as good public servants, which I hope we are, and having the interest of the United States at heart, we must look at who is going to get the benefit of it, whether it really contributes to their development and viability, whether they can pay us, and whether they are buying the right amount of American equipment.

Now because we look at these questions as well, it does not mean that our principal objective is the development of the Argentine. Our principal objective is the sale of American goods and services.

In addition, we have a device which carefully differentiates and gives us the opportunity to do on hard relatively commercial terms business which is offered to AID so that borrowers from abroad will not have soft loans when they can afford to pay for hard ones.

EFFECT OF OPERATIONS ON U.S. BALANCE OF PAYMENTS

So much for the differentiation between the two. Now our job is a job which definitely relates to the balance of payments in the United States. Last calendar year the Export-Import Bank received in repayments in principal and interest over $700 million of payments from abroad. This was a direct contribution to our balance of payments. When we sell a Boeing aircraft we get 20 percent down. That is a direct contribution to our balance of payments. As far as the 68 percent which we finance is concerned, on one side you have the money we paid out to the U.S. manufacturer, but it is not paid outside the country. It is paid within the United States, and on the other side, you have an offsetting item so that the transaction originally is one of complete equality between both sides of the balance sheet. When the credit is repaid to us by the foreign borrower, that is a credit to our balance-of-payments position.

I do not think it is appropriate for me to coment upon the extent to which the AID program will make a contribution to our balance of payments. Obviously if and when all or a large percentage of their loans are repaid they will make a contribution, but for me to estimate when they will be repaid, if they will be repaid, I think, is beyond my own function. But I can say unequivocally that the work of this Bank does now and has throughout its life contributed to our balance-of-payments position; that is, to the strengthening of it. I indicated to this committee earlier that of $9 billion that we had

disbursed $5½ billion has been repaid and that does not include the interest, which is another billion and a half dollars.

I do not have any doubt at all that we have consistently aided the balance-of-payments position of the country.

Mr. FLYNT. Do you agree that our balance-of-payments position is worse than it was before this program started?

Mr. LINDER. I certainly do.

Mr. FLYNT. That it is worse?

Mr. LINDER. Yes, sir.

Mr. FLYNT. Then how did we get along so much better without this device for generating international trade than we do now?

Mr. LINDER. Well, sir, I think it is a question which really would require a professor of economics and a long, long number of hours. I think there are so many other factors that went into that equation that it would be possibly presumptuous of me to attempt to try to analyze the entire balance-of-payments position of the United States. All I can say unequivocally for our institution is that it has made a contribution to the balance-of-payments position of the United States. I think the reasons for our present situation might more appropriately be asked of Mr. Dillon or Mr. Roosa, Under Secretary of the Treasury, rather than the President of the Export-Import Bank.

Mr. FLYNT. From your position as President of the Export-Import Bank have you observed that the AID program generally has brought about the unfavorable balance-of-payments position which we now experience?

Mr. LINDER. No. I would not agree with that. I would not say that it has brought it about. I think a large number of other factors are there.

Mr. FLYNT. Would you care to give me some of the factors that you think have contributed to it more than the AID program has?

Mr. LINDER. Well, I think that the competitive position of the United States is less good than it was for some years. I know that a good many of our military expenditures abroad have cost us a great deal of foreign exchange. We have had to spend dollars to maintain troops abroad, we have had to spend dollars to equip armies and air forces and navies of friends and allies. These have been the important contribution, I mean the important drain on our balance of payments.

I think we have not been able to develop enough export business to offset all of the expenditures that we felt that we had to make, or the Government of the United States felt it had to make for political and military reasons, upon which I think it would be presumptuous of me to comment, but these were the decisions of all of the administrations that have preceded this one since the war.

Mr. FLYNT. Would you go so far as to include in that group of factors that you just listed the additional factor of having spent substantial funds to equip nations which are known to be unfriendly to the United States?

Mr. LINDER. Well, I find it difficult——

Mr. FLYNT. You mentioned the allies and friends. Would you include also in there some countries which are not allies and are not friends by any definition?

Mr. LINDER. I would just say that there are differences of opinion as to the advisability, which we all know, of some of the aid that we have granted, but I know of no aid that was granted to any country that was clearly an enemy, either economic aid or military aid; that is, I know of none to Hungary, to Poland, to Czechoslovakia, to Russia, to China, since it has become Communist.

Mr. FLYNT. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Flynt, at the beginning of this hearing, before you arrived, we took the opportunity to welcome Mr. Minshall as a new member of this subcommitee. Now, belatedly, we want to take this occasion to extend a warm welcome to you.

Mr. FLYNT. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

INTEREST RATES RELATING TO FOREIGN TRADE

Mr. RHODES. Mr. Linder, along the line that Mr. Flynt was taking, do you find any need for lower rates of interest in dealing with foreign trade? In other words, do we lose any sales because we charge too much interest?

Mr. LINDER. This is a very difficult thing to say. Since there has been some reduction in interest rates abroad, I have given serious thought to whether we were maintaining too high an interest rate. I do not think the principal function of the Bank is to see how much money it can make. I am very proud that we are able to make a good deal, but I think its principal function is to facilitate American exports.

Mr. RHODES. That is right.

Mr. LINDER. I have, therefore, given a good deal of thought to the possibility of bringing our interest rate down somewhat. At the moment I am not prepared to do anything about it. I would like to see the outcome of this legislation, to be perfectly frank, because if we find ourselves with adequate resources, it may be desirable, particularly for certain groups of first-class risks, to reduce our rates.

Mr. RHODES. Is there not a certain equation, or a certain balance, between price and terms? In other words, you can sell a higher priced product if you do it on better terms.

Mr. LINDER. That is correct. Up to now we have been more than competitive on rates and terms.

AMOUNT OF RESERVES

Mr. RHODES. How large a reserve do you think this Bank needs? You keep adding to it.

Mr. LINDER. We do keep adding to it. We have also increased our dividends each year for the last 3 years. I hope my Board will agree with me that an increased dividend this year will be warranted.

The United States owns all the money. It is purely a bookkeeping reserve as you know. When I say it is purely a bookkeeping reserve it is an indication of the amount that the Bank could lose without impairing its capital. The money is turned over to the Treasury. As pointed out earlier, we only owe the Treasury $1.6 billion, though we have loans and commitments outstanding of $5.6 billion. Nevertheless, for my successors, and for myself, it would be nice for the

Bank to maintain a very comfortable reserve. It could be argued that maybe we should never have more than a billion dollars of reserve, but you know, for financial institutions, a good ratio between capital and liabilities is something that the world looks at and the ratio of 2, let's say, as against 8, is a happy one.

Mr. RHODES. This reserve is available without further appropriation; is it not?

Mr. LINDER. It is, sir. It is used constantly.

Mr. RHODES. As your borrowing authority is available?

Mr. LINDER. That is right. It is indistinguishable. The Congress has two checks on us; we cannot borrow more than X and we cannot lend more than Y and Y differs from X only in that $1 billion is added to $6 billion; the $1 billion being our capital, the $6 billion being the amount that we are authorized to borrow.

Mr. RHODES. What rate of interest do you pay on your Treasury borrowings?

Mr. LINDER. We pay the average rate that money costs the Treasury over a 7½-year period, even though we may use that money for a shorter time and obviously the shorter the period the lower the cost of money is to the Treasury.

Mr. RHODES. For the last 7 years?

Mr. LINDER. No; as of each month the Treasury calculates what 7½-year money costs them and our rate changes each month; that is, within fairly narrow limits.

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

Mr. PASSMAN. Mr. Minshall?

Mr. MINSHALL. Mr. Chairman, as a new member of this subcommittee, I want to preface my remarks and the very few questions I have to ask with the high esteem I hold my chairman and also I want to commend the President on the excellent statement he has made before us today.

Brief me on just a little of the history of the Export-Import Bank, if I may take a little time of the committee, the Export-Import Bank I understand was originally founded in 1934?

Mr. LINDER. That is correct, sir.

PURPOSE OF EXPORT-IMPORT BANK

Mr. MINSHALL. What was its original purpose?

Mr. LINDER. Its original purpose was to facilitate trade between the United States and Russia.

Mr. MINSHALL. No loan was ever made to Russia?

Mr. LINDER. That is correct.

Mr. MINSHALL. What brought that about?

Mr. LINDER. I think probably because Russia failed to recognize earlier debt obligations to the United States.

Mr. MINSHALL. There was some dispute over the war debt?

Mr. LINDER. It could have been, the First World War debt. The Bank was then a subsidiary of the RFC. For practical purposes I think one should look at the Bank since 1945. That is, immediately after the war, and its first great function was to fill the gap between the end of lend-lease and the beginning of the Marshall plan when the Bank was under the chairmanship of Mr. Martin, now Chairman

of the Federal Reserve Board. Mr. Sauer was with the Bank then and he ought to be able to talk to it more intelligently than I. Large reconstruction loans were made to governments in Europe, at low rates of interest. Of course, interest rates were also low in this country at that time. I am glad to say they are among our best loans. They are being repaid absolutely on time and in some cases they are being anticipated. Then in about 1946 or 1947, I think the Bank started in the direction that it has been going ever since, except in the last few years we have emphasized insurance on merchandising exports and guarantees to bank on the normal flow of trade while maintaining our large project lending which had been characteristic of the Bank.

Mr. MINSHALL. One of your biggest projects has been the airplane business?

Mr. LINDER. No. I would not say that.

Mr. MINSHALL. What is one of your largest?

Mr. LINDER. We have done much more in loans for power, I think, than airplanes.

Mr. MINSHALL. How much more?

Mr. LINDER. Again I would be relying on memory. I will be glad to get them accurately. I would estimate the Bank could have loaned maybe $800,000 or $900,000, twice as much on power as it has loaned for airplane. By power loans, I mean generators bought by borrowers from GE, Westinghouse, and other purveyors of equipment for public utility plants.

Mr. MCLAUGHLIN. Power loans aggregated about $830 million through mid-1962.

EFFECT OF OPERATIONS ON U.S. BALANCE OF PAYMENT

Mr. MINSHALL. How much do you feel the Export-Import Bank has contributed to our balance-of-payments picture?

Mr. LINDER. I can tell you precisely what it contributed.

Mr. MINSHALL. A large amount, small amount? Can you give us a ball park figure?

Mr. LINDER. I can tell you precisely. It has contributed $5,500 million plus a billion and a half. It has contributed $7.3 billion over the years.

Mr. MINSHALL. How much is that in the overall picture?

Mr. LINDER. Again, you know there are pluses and minuses and offsetting items in our balance-of-payments figures. Our total exports, including exports financed through the AID program I think approximated $20 billion a year. We have a favorable balance in trade, of something like $3 or $4 billion. That favorable trade balance in trade is more than offset, as the chairman has pointed out, by various expenditures which the United States has made abroad, both as a government for military programs and by individuals who have traveled abroad as tourists or made investments abroad.

Mr. PASSMAN. Would the gentleman yield?

Mr. MINSHALL. Yes.

Mr. PASSMAN. Inasmuch as I have made statements in the past about the favorable trade balance, that is likewise debatable because of the fact that we have year in and year out an unfavorable balance-

of-payments situation, dollarwise. It could very well be that we would be on the minus side of trade if we should remove all the things we take credit for. All that goes out through the AID program is claimed as an export, for example, and also our surplus agricultural commodities, everything that we give away. Is it not your understanding that all aid that goes out of the country is listed as an export and is included in the totals?

Mr. LINDER. I cannot reply, Mr. Chairman.

Mr. PASSMAN. I want to say for the record that this is correct. I thank the gentleman for yielding.

REQUEST FOR PERSONNEL INCREASE

Mr. MINSHALL. I noticed that you have asked for a small increase in the size of your shop over there. How many more employees are you seeking?

Mr. LINDER. About 26, I believe.

Mr. MINSHALL. That is a very small amount compared to the total picture.

Mr. LINDER. We are very proud of the fact that we have a very small organization.

Mr. MINSHALL. How large is your organization?

Mr. LINDER. About 285 and we service over 4,000 accounts. When we make a loan it is not made the way a bank makes a loan, with just a credit to the borrower's account; we supervise the disbursements on that loan and in effect pay almost every bill.

Mr. MINSHALL. Why do you need the 26 employees? How will you utilize them? That is a 10-percent increase.

Mr. LINDER. Yes. We are definitely understaffed. We ought to have more analysts. We ought to be able to work faster to service our exporters better. There are people needed in the accounting department, there are people needed as loan officers, as economists, and so forth. There are disbursing officers needed. We are operating, in my opinion, with too few people. If I say to you we have a $3 million expense and earned $165 million, I do not think I need to say very much more.

Mr. PASSMAN. Mr. Rooney?

Mr. ROONEY. I regret that I did not have the opportunity to listen to all of the testimony of Mr. Linder and his colleagues or to the entire colloquy with the distinguished gentleman from Georgia, Mr. Flynt, but from what I did hear since I have entered the room after concluding hearings in another subcommittee, I am prompted, so as to clear this up, to ask the question in another way. I am going to give you a good fat question, since we are considering your appropriations, the appropriations for the Export-Import Bank: How much, if anything, have the activities of the Export-Import Bank contributed to the imbalance of payments?

Mr. LINDER. Nothing.

Mr. ROONEY. That is all.

Mr. PASSMAN. Mr. Rhodes?

LOANS PENDING TO HAITI AND DOMINICAN REPUBLIC

Mr. RHODES. Mr. Linder, do you have any loans pending in Haiti?

Mr. LINDER. No, sir.

Mr. RHODES. How about the Dominican Republic?

Mr. LINDER. We set up a line of credit to the Dominican Republic in 1962, an earmark for $10 million, most of which has been used for loans for electric power, highway equipment, and for a development bank.

Mr. MINSHALL. You are in no way connected with the money being used for the airport in Haiti, are you?

Mr. LINDER. No; not at all.

Mr. RHODES. And no loans contemplated or outstanding in Haiti?

Mr. LINDER. None. Well, outstanding, we have some old loans, yes.

Mr. RHODES. Are they in default?

Mr. LINDER. We have two loans outstanding in Haiti and at the moment I believe I am correct in saying that they are current, but it is a precarious situation and I would not guarantee it. They are very old loans. We have not made a loan in Haiti since 1948 and the preceding loan was made in 1941.

Mr. RHODES. How large a loan was it?

Mr. LINDER. The total amount in Haiti is $27 million.

Mr. RHODES. That is the amount now owing? That is the present balance?

Mr. LINDER. That is not owing, but this is the total amount that they owe or will owe over a period of time.

Mr. RHODES. Thank you.

CONSIDERATION OF APPROPRIATION REQUEST BY FOREIGN AID SUBCOMMITTEE

Mr. PASSMAN. Mr. President, we have heard that some officials in the Export-Import Bank would prefer that the Export-Import Bank appropriation not be handled by this subcommittee which handles the funds for foreign aid. There is such a contrast between the operation of the Export-Import Bank and the AID agency that personally I believe it is actually in favor of the Export-Import Bank to have it handled by this committee. It gives us an opportunity to indicate what a good job you are doing, the job you have done for a period of years.

So far as reporting it out in the same bill with the money for foreign aid, do you think it is a detriment?

Mr. LINDER. Let me say, Mr. Chairman, I would be delighted to have this committee handle it.

The only thing that bothered me about it was that part of the confusion arises, I think, from the fact that we are lumped with the AID agency.

Mr. PASSMAN. Who is confused?

Mr. LINDER. Well, if I may say so, there are certain committee members who tended to group us together, at least conversationwise.

Mr. PASSMAN. We do make the decision as to the Export-Import Bank request independently of our consideration of the foreign aid bill, and you may be certain that we shall continue to do so.

Mr. LINDER. Thank you, sir.

There is one other point, and it relates to the same thing, and that is we were hopeful that we could be finished with our legislative process by the time the life of the Bank expires, whereas if we come under the foreign aid groupings it will probably be August or September before we know where we stand if the past is any guide to the future.

Mr. PASSMAN. Of course there is another body that will have a look at it after the House.

Mr. LINDER. That is correct.

Mr. PASSMAN. If your present authority is extended for 5 years and increased by $2 billion, you still have this one and a quarter billion to move on, regardless of what this committee does?

Mr. LINDER. We would have whatever you limit us to.

Mr. CONTE. I feel that you and the Board of Directors and your predecessors have done an outstanding job.

Mr. LINDER. Thank you, sir.

Mr. CONTE. I wish we could direct more of the foreign aid program toward an Agency such as this.

GUARANTEE AND INSURANCE OF LOANS

I was somewhat interested in the chairman's questions in regard to the guarantee and the insurance. I do not think we have gone into this aspect as deeply as we should. I was wondering if you could explain how this guarantee works.

Mr. LINDER. Yes, sir. As I look at the year's operations there are several categories in which we have been operating. As far as the lending side is concerned, the development project loans are the major items and I think you have them clearly in mind. Then we have had loans that are made directly at the application of an exporter who for example may be exporting shelf items such as tractors or sewing machines. That is another category. Then some exporters instead of coming to us go to the Foreign Credit Insurance Association and say, "We want to sell these 10 tractors to somebody in Colombia or some other country and we would like to have that contract insured."

Then there is still another category of exporter who has a very good relationship with his commercial bank and sends a request to them saying: "We have this order from Pedro Lopez someplace or other and we have to have this financed because he wants 3-year terms." Following that the bank comes to us for a guarantee. The last three categories—the insurance, where the exporter comes to us and where he goes to the bank directly—are done by us now by giving a guarantee or by reunderwriting part of the risk. In the case of the Foreign Credit Insurance Association the insurance company takes half the credit risk and we take half the credit risk. They do not take the political risk. That we take.

In the case of the commercial bank, the bank takes the first 18 months without any guarantee from us. If they will carry the paper so we won't have to go to the Treasury to borrow the money, we will give them political risk coverage on those 18 months and credit and politi-

cal risk guarantee on the balance—all providing we approve the transaction.

Also, we have commodity export credits which also are frequently done by our placing them with the banks. That is, we may lend Japan $60 million to buy cotton for 12 months, because the Japanese point out that until they can spin the yarn and weave it into cloth, they don't want to pay for the cotton, but will pay us at the end of 12 months. We get a guarantee of the best Japanese banks and then we turn to whatever American banks the Japanese select and first suggest that U.S. private banks take the loan without recourse on us. If they want recourse on us, we charge them a guarantee fee. If the loan is at 4½ percent we may allow them 4 percent on it and we take one-half of 1 percent as our compensation.

In addition, we have loans of the kind we made to Canada for an emergency. If we don't put the money out we charge them a standby fee. We didn't expect them to be drawing because you know the best way in the world to stop a run on a bank is to have some money waved by the paying teller. That is exactly what the Bank of England, the Federal Reserve Bank, the International Monetary Fund and we did. We all put a pool of money together which ran over $1 billion.

Now, that is our lending, insuring, and guaranteeing business. On the other side, namely borrowing, after we have made loans, we have sometimes created a pool from some of our loans and gone to 50-odd banks in this country and said to them, "We are now offering participation certificates in maturities on some of our loans amounting to $250 million. The interest rate will be 4 percent. At the end of 2½ years, you can put that to us." That is to say on their request we will buy our participation certificates back. But we also reserve the right at any time to buy them back if we choose. So if money rates change substantially, and they go up, the commercial bank has a chance to get out of the low-interest rate. If they go down, we have a chance to call the certificates and borrow the money at a lower rate some place else.

This is not a marketable security. It is not a negotiable security. But we did permit them to offer to their smaller correspondents subparticipations. We only recognized the 50-odd banks we have done business with. Now, that issue at 4 percent recently was very substantially oversubscribed and we sold some of it in Europe. This was a very good thing to have done since that was a contribution to our balance of payments. Then also, last year, we had some good loans in our portfolio—we hope they are all good, but some that were obviously fine—of 5 years or so duration from, let us say, the French and the Belgians in connection with the purchase of airplanes. We sold those without recourse to some of our European friends, which put us in funds, enabled us to repay the Treasury.

Mr. CONTE. This guarantee phase of your operation is separate and apart and altogether different from the guaranteed fund we set up a couple of years ago under the AID program?

Mr. LINDER. Entirely separate. It had nothing to do with us. Theirs is a guarantee to induce, as the chairman said, private investors to go into some of these underdeveloped countries.

Mr. CONTE. Were you involved in the guaranteeing of loans, if there were loans—I am not sure there were—for I.T. & T. in Brazil and the hotel in Ceylon?

Mr. LINDER. Ceylon, no. As far as I.T. & T., I don't think we did anything.

Mr. SAUER. We never made a loan to the I.T. & T. in Brazil. We did make one in Cuba but not to the I.T. & T. Co. in Brazil which was expropriated.

Mr. PASSMAN. Would the gentleman yield?

Some agency of our Government did make a loan to Brazil and somewhere along the way, during about that time, the I.T. & T. was paid for the telephone company; is that correct?

Mr. SAUER. I don't know.

Mr. PASSMAN. They were paid by the Brazilian Government.

Mr. CONTE. I.T. & T.?

Mr. PASSMAN. Yes.

Mr. CONTE. That hasn't been settled yet.

Mr. LINDER. It has been settled.

Mr. PASSMAN. Was it the U.S. Government that settled the claim?

Mr. LINDER. Mr. Chairman, the settlement was one in which the American Foreign Power and the I.T. & T. will receive a very small downpayment and the rest of it they are getting in local currency which will be guaranteed.

It will be paid out over a period of 7 or 10 years and in the meantime it will have to be invested in industrial enterprises in Brazil.

Mr. PASSMAN. They have a convertible guaranteed loan there?

Mr. LINDER. Yes.

Mr. PASSMAN. Was it worked out by our Government?

Mr. LINDER. It was worked out by them—that is I.T. & T. or AFP and the Government of Brazil.

Mr. PASSMAN. Let us say, with the consent of our Government. Our agency.

Mr. LINDER. Well, I think that is true. With the consent of our Government.

Mr. CONTE. If they settled that I am glad to hear it because I cosponsored an amendment last year or 2 years ago.

Mr. LINDER. The Hickenlooper amendment?

Mr. CONTE. Yes. I intend to do more work on that this year. I think it might pay off in dividends.

LOANS TO AIRLINES

Mr. Flynt was asking you about loans to airlines. I think last year I asked you about that loan for jet commercial planes to Ethiopia that the Export-Import Bank made. Do you have a report on how that airline is doing today?

Mr. LINDER. It is my impression that it is doing well. It is under the management of TWA and when last I inquired about it the airline was successful.

Mr. CONTE. I am glad to hear that. I just felt at that time that Ethiopia and Haile Selassie needed a jet commercial airline out there like I need a hole in the head. There is an overflow of airlines in Africa.

Mr. LINDER. I wouldn't disagree about a number of countries which have airlines, but it is like a number of countries with shipping. They want their flag around the world and they regard it as a matter of prestige. From our point of view we are selling airplanes and we think if there is a good possibility of repayment it is our duty to do it. This one is running reasonably well and is being managed by TWA, I understand.

Mr. CONTE. Maybe that is the reason why it is running well.

Mr. PASSMAN. And of course you can manipulate statements to make them look good or bad, red or black.

Mr. LINDER. That is correct, but they are up to date and I think TWA will be in there until we have about 85 percent paid out, under their contract.

Mr. CONTE. Good. It is sound business.

CONSULTANTS

I don't want to sound critical in any way when I ask you this question but of course what the chairman said and Congressman Gary, about the way Congress is being criticized these days by certain members of the press and other means of communication, I notice here you are requesting $100 a day for consultants. What is that, expense money?

Mr. LINDER. No, this is what I understand is the maximum fee that the Government pays anyone who comes in as a consultant from private life. Our consultants are top engineers from industrial firms or other high-caliber specialists whose regular earnings exceed our allowance to them.

Mr. CONTE. I just want to clarify that. You don't have any set per diem for traveling?

Mr. LINDER. They get their expenses. Individually we are under the Government and we are under civil service. Our men receive the standard per diem for the country in which they are traveling—plus transportation.

Mr. PASSMAN. Do they get their per diem plus all expenses?

Mr. LINDER. They get their per diem plus transportation.

I think they get their transportation plus $100.

Mr. PASSMAN. They pay their own hotel bill?

Mr. LINDER. Yes.

Mr. CONTE. I have no further questions.

SALE OF NOTES TO EUROPEAN INVESTORS

Mr. PASSMAN. Could you supply for the record the amount of notes that you are selling to European countries for exports? You mentioned earlier that some of the European bankers were buying this paper.

Mr. LINDER. I will be glad to mention it off the record.

Mr. PASSMAN. Could you tell us approximately the amount?

Mr. LINDER. Yes, off the record.

(Discussion off the record.)

Mr. PASSMAN. You mentioned earlier that we were selling securities or selling notes owned by the Export-Import Bank to European investors.

Mr. LINDER. European financial institutions.

Mr. PASSMAN. All right, European financial institutions. They are returning dollars?

Mr. LINDER. Immediately.

Mr. PASSMAN. When you do that you are bringing dollars home?

Mr. LINDER. That is right. We are never selling our own notes, we are selling the notes of someone else, which we own.

Mr. PASSMAN. The Export-Import Bank, which is a branch of the Federal Government, is selling to these foreign investors those notes for a cash consideration?

Mr. LINDER. That is right but they are not notes of the Export-Import Bank, they are notes of foreign borrowers.

Mr. PASSMAN. Created through exports from the United States?

Mr. LINDER. Yes.

Mr. PASSMAN. Those notes are sold, of course, without guarantee?

Mr. LINDER. Yes.

Mr. PASSMAN. Without recourse?

Mr. LINDER. Both.

Mr. PASSMAN. I may want to change my mind on it after I have had a chance to think it through, but if you are bringing dollars home, that is exactly what we want.

Mr. LINDER. We are.

Mr. PASSMAN. The 4½-percent notes that you are holding from exporters, importers and exporters—are paying 4½-percent interest and you sell those securities to these 50 banks. You sell them at what rate?

Mr. LINDER. The foreign borrowers are paying more than that. They are paying 5¾ percent.

Mr. PASSMAN. If a New York bank desires to buy a block of these they pay 4 percent?

Mr. LINDER. Yes.

Mr. PASSMAN. What is the minimum that you offer? The minimum amount in dollars.

Mr. LINDER. We won't put a certificate out for less thann $500,000 and they have to be in multiples of $500,000.

Mr. PASSMAN. A preferred list?

Mr. LINDER. The list is not preferred. The list is only to those banks who have done business with us.

Mr. PASSMAN. I want to say, Mr. Linder, that we have had a lot of distinguished witnesses before this subcommittee during the 9 years it has been my privilege to serve as its chairman, but we have never had a witness who could reply any more accurately and any more quickly than you to some of the questions that have been asked. I think you have cleared things up in the minds of the committee, and those who may read the hearings will know that you are making a contribution to our exports and retrieving dollars and that if we did not have this agency it would simply mean that a competitor would get the market and we would be out the profit on the original sale as well as those in subsequent years dealing with spare parts and so on.

Mr. LINDER. Thank you very much, sir.

Mr. PASSMAN. The subcommittee will meet at 10 o'clock in the morning for consideration of the Peace Corps budget.

Thank you very much, gentlemen.

TUESDAY, APRIL 30, 1963.

PEACE CORPS

WITNESSES

ROBERT SARGENT SHRIVER, Jr., DIRECTOR
BILL D. MOYERS, DEPUTY DIRECTOR
WARREN W. WIGGINS, ASSOCIATE DIRECTOR FOR PROGRAM DEVELOPMENT AND OPERATIONS
HOWARD GREENBERG, ASSOCIATE DIRECTOR FOR MANAGEMENT
WILLIAM JOSEPHSON, DEPUTY GENERAL COUNSEL
CHARLES M. HOCHBERG, DIRECTOR, DIVISION OF BUDGET AND FINANCE

FUNDS APPROPRIATED TO THE PRESIDENT

Object classification

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
11 Personnel compensation:			
Permanent positions	2,288	5,813	7,917
Positions other than permanent	910	820	1,067
Other personnel compensation:			
Regular employees	643	1,301	1,430
Peace Corps volunteers	1,005	6,432	15,556
Total personnel compensation	4,846	14,366	25,970
12 Personnel benefits	714	8,896	18,906
21 Travel and transportation of persons	3,520	5,715	12,125
22 Transportation of things	309	465	475
23 Rent, communications, and utilities	808	2,640	5,410
24 Printing and reproduction	368	300	400
25 Other services	14,197	14,284	23,389
Services of other agencies	2,629	5,788	8,950
26 Supplies and materials	429	3,285	6,865
31 Equipment	1,669	2,811	5,510
42 Insurance claims and indemnities	5		
Unvouchered	1		
Total obligations	29,496	58,550	108,000

Personnel summary

	1962 actual	1963 estimate	1964 estimate
Total number of permanent positions	448	931	1,076
Americans	407	806	926
Locals	41	125	150
Full-time equivalent of other positions	134	123	175
Average number of all employees	409	922	1,215
Number of employees at end of year	784	1,051	1,251
Average GS grade	8.4	8.1	8.0
Average GS salary	$7,021	$7,136	$7,206
Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
Foreign Service reserve	3.5	4.0	4.0
Foreign Service staff	7.9	7.7	7.6
Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
Foreign Service reserve	$12,242	$12,057	$12,082
Foreign Service staff	$5,397	$5,662	$5,604
Average grade, positions established by the Director, Peace Corps	16.1	15.9	15.9
Average salary, positions established by the Director, Peace Corps	$16,064	$17,236	$17,236
Average salary of ungraded positions	$1,598	$1,465	$1,455

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
Program by activities:			
1. Volunteer and project costs	19,681	43,080	87,500
2. Administration and program support	9,815	15,470	20,500
Total obligations	29,496	58,550	108,000
Financing: Unobligated balance lapsing	504		
New obligational authority	30,000	58,550	108,000
New obligational authority:			
Appropriation	30,000	59,000	108,000
Transferred to "Operating expenses, Public Buildings Service," General Services Administration (76 Stat. 728) (−)		−450	
Appropriation (adjusted)	30,000	58,550	108,000

Mr. PASSMAN. The committee will come to order.

U.N. CONTRIBUTION TO CUBA

I have a newspaper clipping which I would like to place in the record at this point. It is from Tom Anderson's "Straight Talk" column published by the West Carroll Gazette, Oak Grove, La., in its issue of April 18, 1963. I quote:

Through the United Nations' back door U.S. taxpayers have bought Russian jeeps for Castro. Congressman Lipscomb, of California, has reported that 32 Russian-made jeeps were given to Cuba for "malaria eradication," by the World Health Organization (WHO) in connection with Pan American Health Organization (PAHO). U.S. taxpayers pay one-third of the costs of WHO and two-thirds of the costs of PAHO.

I think there are probably numerous instances where Castro is getting U.S. aid through an indirect route.

We shall take up this morning the budget request for the Peace Corps. We have with us as the principal witnesses the Honorable Robert Sargent Shriver, Jr., the Director, accompanied by Mr. Bill D. Moyers, Deputy Director; Mr. Warren W. Wiggins, Associate Director for Program Development and Operations; Mr. Howard Greenberg, Associate Director for Management; Mr. William Josephson, Deputy General Counsel; and Mr. Charles M. Hochberg, Director, Division of Budget and Finance.

I might say, Mr. Director, that you head perhaps the fastest growing organization ever set up in America during peacetime.

APPROPRIATIONS FOR THE PEACE CORPS

In calendar year 1960 Congress authorized and later appropriated $10,000 for a study of some type of Youth Corps. By the time we came back in early calendar year 1961, the President had allocated for a Peace Corps, growing, at least indirectly, out of the authorization and appropriation mentioned, $1,620,000 from the contingency fund. I think the actual expenditure was somewhat below that amount, however.

Congress appropriated $30 million for the Peace Corps for fiscal year 1962, then for fiscal year 1963 the Congress appropriated $59 million.

It would appear now that you are requesting $108 million for fiscal 1964. Is that the amount you are requesting?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. We shall insert the appropriate justification pages at this point in the record.

(The information follows:)

Obligations by object

	1962 actual			1963 estimate			1964 estimate		
	Administration and program support	Volunteer and project cost	Total	Administration and program support	Volunteer and project cost	Total	Administration and program support	Volunteer and project cost	Total
11 Personnel compensation:									
Permanent positions	$2,257,697	$30,312	$2,288,009	$5,702,700	$110,000	$5,812,700	$7,795,200	$122,000	$7,917,200
Positions other than permanent	850,926	59,058	909,984	682,500	138,000	820,500	981,000	86,000	1,067,000
Other personnel compensation:									
Employees	629,294	14,026	643,320	1,241,100	60,000	1,301,100	1,375,000	55,000	1,430,000
Volunteers	----------	1,004,536	1,004,536	----------	6,432,000	6,432,000	----------	15,556,000	15,556,000
Total personnel compensation	3,737,917	1,107,932	4,845,849	7,626,300	6,740,000	14,366,300	10,151,200	15,819,000	25,970,200
12 Personnel benefits	212,922	502,426	715,348	632,000	8,264,000	8,896,000	996,000	17,910,000	18,906,000
21 Travel and transportation of persons	1,291,458	2,229,192	3,520,650	1,860,000	3,855,000	5,715,000	2,500,000	9,625,000	12,125,000
22 Transportation of things	238,804	70,271	309,075	440,000	25,000	465,000	450,000	25,000	475,000
23 Rent, communications, and utilities	786,332	22,356	808,688	1,173,700	1,466,000	2,639,700	1,522,800	3,887,000	5,409,800
24 Printing and reproduction	367,530	26	367,556	300,000	----------	300,000	400,000	----------	400,000
25 Other services	817,181	13,379,508	14,196,689	715,000	13,569,000	14,284,000	1,329,000	22,060,000	23,389,000
Services of other agencies	1,353,547	1,275,582	2,629,129	1,797,000	3,991,000	5,788,000	2,311,000	6,639,000	8,950,000
26 Supplies and materials	231,079	197,797	428,876	350,000	2,935,000	3,285,000	467,000	6,398,000	6,865,000
31 Equipment	777,807	890,726	1,668,533	576,000	2,235,000	2,811,000	373,000	5,137,000	5,510,000
42 Insurance claims and indemnities	----------	5,021	5,021	----------	----------	----------	----------	----------	----------
Unvouchered	899	----------	899	----------	----------	----------	----------	----------	----------
Total obligations	9,815,476	19,680,837	29,496,313	15,470,000	43,080,000	58,550,000	20,500,000	87,500,000	108,000,000

Volunteers by category of projects in training and overseas by geographic area, Apr. 1, 1963

Category of projects	Total	Africa	Far East	Latin America	Near East, South Asia
Agricultural extension	343	39		241	63
Community action:					
Rural	1,047	87	132	688	140
Urban	330			330	
Education:					
Elementary	644	84	555	5	
Secondary	1,562	1,019	253	104	186
University	278	22	104	75	77
Adult	8	8			
Vocational	106	18	27	61	
Physical	85	36	21	28	
Other					
Health	388	75	101	179	33
Multipurpose	65				65
Public works	147	130			17
Total	5,003	1,518	1,193	1,711	581

Program projections through August 1963

Region	Operation overseas, Apr. 1, 1963	Training, Apr. 1, 1963	Total, Apr. 1, 1963	Entering, Apr. 1 to Aug. 31, 1963	Returning volunteers	Total, Aug. 31, 1963
Africa	1,386	132	1,518	1,396	164	2,750
Far East	943	250	1,193	725	168	1,750
Latin America	1,355	356	1,711	1,552	113	3,150
Near East/South Asia	442	139	581	800	31	1,350
Total	4,126	877	5,003	[1] 4,473	[2] 476	[1] 9,000

[1] Plus enough additional trainees to allow for a level of 9,000 volunteers after attrition during training.
[2] Adjusted from the President's budget.

ORIGIN OF THE PEACE CORPS

Mr. SHRIVER. May I make a comment on that? There is one figure which is misleading: the mutual security funds did make available something in excess of $1 million, $1,620,000, of which $1.4 million was expended.

Mr. PASSMAN. That is exactly what I said, that $1,620,000 was allocated and that you spent a lesser amount.

Mr. SHRIVER. $1.4 million, that is correct.

Mr. PASSMAN. Did I give the figures correctly on the others?

Mr. SHRIVER. Yes, sir. Of course that study of $10,000, Mr. Chairman, was for what was called a point IV Youth Corps.

Mr. PASSMAN. The Member of Congress who sponsored that study said later it should not have been called a Youth Corps, and they changed the name. I refer to my friend Mr. Reuss, who, I think, takes at least some of the credit for the establishment of the Peace Corps.

Mr. SHRIVER. I was pointing out the $10,000 study was not for what we are running.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Director, do you have a statement to make to the committee?

Mr. SHRIVER. Yes, I do.

Mr. PASSMAN. We shall be very glad to hear from you at this time.

GENERAL STATEMENT OF THE DIRECTOR

Mr. SHRIVER. Thank you, Mr. Chairman and members of the committee, I am pleased to have the opportunity of presenting and justifying the request of the Peace Corps for funds for the fiscal year 1964—our third program year.

Our 1964 estimate may be summarized as follows:

[Millions of dollars]

	1963	1964	Difference
Administration and program support	15.5	20.5	+5.0
Volunteer and project costs	43.5	87.5	+44.0
Total	59.0	108.0	+49.0

The increase of $49 million is to provide for a strength of 13,000 volunteers by August 31, 1964. The 4,000 increase over the volunteer strength as of August 31, 1963, is to provide for an additional 3,000 volunteers in Latin America, and 1,000 additional in Africa.

COST PER VOLUNTEER PER YEAR

Our overall estimates are still predicated upon a cost of $9,000 per volunteer per year, which includes all costs, administrative and volunteer and project, both in this country and overseas.

That figure of $9,000 was the one we gave to Congress in 1961 before we had ever enrolled any volunteers. It was an estimate of what we thought it would cost and it is the cost that has developed.

While the same cost factor is still being used, there have been several minor variations in the component of the cost, with the greater portion of the $9,000 being applied to volunteer and project expenses and a corresponding reduction being made in those costs related to administrative expenses.

For example, last year we estimated it would be $6,300 for volunteer and project costs and $2,700 for administrative costs. That has changed so that $7,000 is now going to volunteer and project expenses and only $2,000 to administrative expenses out of the $9,000.

ADMINISTRATIVE EXPENSE

Our administrative expense ratio to the total appropriation continues to show sizable reductions—from 33 percent in 1962 to 19 percent in 1964. Some of the reduction is due to the larger total appropriation, but we have made marked progress in streamlining our operations with resultant economies and more efficient performance in the management of our program. These items are discussed at greater length in our presentation.

We still maintain the policy of not paying cost-of-living allowances or post differentials to our oversea employees. In addition, these employees are not authorized to use PX privileges such as are available to other U.S. staff overseas. Everyone in the Peace Corps uses less than first class travel accommodations, except in a few cases where there is no other way to go. Each program is reviewed carefully to assure the most economical approach possible. We have established goals limiting the size of our administrative staff in relation to the number of volunteers. This goal of 1 administrative person (including all Washington and oversea employees) to every 10 volunteers will be met. By August 31, 1963, this ratio will be about 1 to 9, and by the following August, 1 to 10. We have a small internal audit staff, and a group of evaluators who are continually reviewing our financial and program operations and recommending changes resulting from their findings. We have established a system of financial planning geared to our program efforts so that we may be in a position to intelligently plan our operations. Our program is dependent upon a number of factors.

REQUESTS FROM HOST COUNTRIES

(1) Requests from host countries: These requests are far in excess of the number we will be able to provide. Every country which now has volunteers wants more. Countries not having any have urgently requested us to send some.

I might say there are approximately two dozen countries that have asked the Peace Corps to come to them, that we have not gone to.

APPLICATIONS OF VOLUNTEERS

(2) The availability of qualified volunteers to man the various programs: That is also obviously a very important point. Our rate of applications makes us confident that we can meet the goals we have established. The rate of applications is about 70 percent higher than it was last year, and last year it was about the same percentage higher than the year before. Yesterday we had something like 900 applications for Peace Corps service come in that day alone. We have been running about 3,000 applications per month for the first 3 months of this year.

(3) Our ability to program for proper use of volunteers: Our experience to date indicates that we will be able to accomplish this job.

IMPORTANT POINTS OF 1964 ESTIMATE

There are several points in our estimates which I believe are of interest to the Committee, and I would like to highlight them.

(1) While the number of volunteers requested represents an increase of 44 percent (9,000 to 13,000), the number of administrative permanent and temporary positions will increase only some 20 percent (996 to 1,191).

RESEARCH

(2) We have estimated $1 million for research in 1964. I gave considerable thought to this item before its inclusion. This amount

is less than 1 percent of the total appropriation requested. Many people would insist that sound administrative policy requires that 4 to 5 percent of the resources of an unprecedented endeavor like the Peace Corps be devoted to research. Moreover, I believe that expert analysis of our selection, training and programing methods will repay many times the cost in the conduct of our program in the future.

SUPPORT BY AID AND THE STATE DEPARTMENT

(3) AID/State support: I might just interpolate here the fact we have taken over most of the work that was done for us in 1961 and 1962 by AID in Washington. We have taken it all over, including the jobs and the payroll without adding anything to our own ceiling in terms of personnel. We absorbed these functions and reduced the number of jobs by 15 and the total cost to the taxpayers by about $150,000. Although we have taken over the major part of AID's support to the Peace Corps in Washington, the cost of AID/State support for 1964 still represents a sizable part of our administrative expenses—almost 9 percent. Subsequent to the submission of our estimate to the Congress, Mr. David Bell, AID Administrator, advised me that because of severe limitations on his agency's funds, AID would like to discontinue this service overseas by June 30, 1963. We are therefore exploring the alternatives of either requesting the State Department to do this job for us in 1964, or of doing it ourselves.

STATUS OF FISCAL YEAR 1963 FUNDS

For fiscal year 1963, Congress appropriated $59 million to support a projected volunteer strength of 9,000 by August 31, 1963.

I might interpolate it was understood that $59 million was not enough to finance 9,000 volunteers on a permanent basis. At a cost of $9,000 per volunteer per year the cost for 9,000 volunteers would be $81 million. We tried to explain that to Congress last time.

Mr. PASSMAN. Yes. You gave us a table on that matter.

Mr. SHRIVER. A chart, yes.

Of this amount of $59 million, a limitation was placed on "Administration and program support costs" of $15.5 million, leaving a balance of $43.5 million for volunteer and project costs. Certain adjustments made these figures $15,470,000 and $43,080,000.

The following table summarizes our status as of March 31, 1963, and our projections for the balance of the year (in millions of dollars).

	Total	Administrative expenses	Volunteer project costs
Actual obligations Mar. 31, 1963	$34.880	$11.227	$23.653
Estimated obligations Apr. 1 to June 30, 1963	23.670	[1] 4.243	[2] 19.427
Total	58.550	15.470	43.080

[1] April and May, $1.4; June, $1.443.
[2] Number of volunteers entering training or service multiplied by monthly obligation factors.

We believe that by the end of August 1963, we will have made the goals we have set; to the extent that this may prove not possible,

the funds programed for any shortfall will not be obligated and will lapse on June 30, 1963. In summary:

(1) We have requests for host countries for a greater number of volunteers than we can supply.

(2) We can supply the number requested in our estimate and use them effectively.

(3) We have demonstrated the effectiveness of the Peace Corps volunteers wherever they have been sent.

(4) We can do the job—efficiently, effectively, and economically.

Thank you.

EVALUATING THE PEACE CORPS

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

Do you agree that it would be almost impossible for this committee to evaluate correctly the value of the Peace Corps while sitting here in Washington, but that to do so, committee members would have to go out in the field?

Mr. SHRIVER. I believe there are some indications available to people sitting here in Washington that would enable them to evaluate the Peace Corps.

Mr. PASSMAN. What indications other than paperwork?

Mr. SHRIVER. In the first place, every citizen in the country has the advantage of reading what the newspaper people who are overseas write about the Peace Corps, both our own newspaper people who are making surveys, and foreigners. They have the advantage of hearing Members of this House who have been there; and they have the advantage of reading what the foreign leaders say about the Peace Corps in their countries.

In the last year about one dozen countries have started Peace Corps operations of their own.

There are these types of information that are available to anybody sitting right here in Washington to prove the worth of the Peace Corps.

Mr. PASSMAN. You are still dealing with paperwork and newspaper articles and editorials. It is not likely that a doctor could accurately diagnose the condition of a patient over the telephone. If it is a serious disease personal contact is required.

Mr. SHRIVER. The patient can inform the doctor he is suffering, and he can also tell the doctor he is feeling very fine.

Mr. PASSMAN. I have been one of those going out into the field, and I know there has been a lot of encouragement to people in foreign countries to solicit Peace Corps men.

PROGRAM FOR JAPAN

Did you have a person in Japan discussing it and they finally turned it down?

Mr. SHRIVER. No, we turned it down.

Mr. PASSMAN. Why did you send a man out there?

Mr. SHRIVER. The Prime Minister of Japan, Mr. Ikeda, paid an official visit to the United States and I was invited to come to the State Department for a meeting with him. He asked if we would send someone to Japan to work with the students of Japan, particularly the students who had rioted against Eisenhower when he had planned

to go to Japan. Prime Minister Ikeda thought it would be helpful to teach the students our democratic way of life. He asked me to explore it. I was frankly quite leery of it because I thought Members of Congress would have the feeling Japan should not be a country we should go to.

We looked into it and without our permission a member of the Japanese Government announced that the Peace Corps had offered to send volunteers to Japan. That was not true. We have never offered to send volunteers to any country until we were asked to do so. We have not solicited business for the Peace Corps.

Mr. Josephson shows me this testimony from last year's hearings:

> In the case of Japan the Prime Minister of Japan came here to this country before that time and asked the Peace Corps to come to the State Department for a meeting and he himself personally asked that we come to that country (that is, to Japan) in a meeting at the State Department. The Prime Minister of Japan asked. We told him we would look into it, but we could make no commitment.

That is from my testimony last year at page 696 of the hearings before this committee.

Mr. PASSMAN. Here is a newspaper clipping from the Japan Times of Tokyo dated November 14, 1961, captioned "Ministry Said Lukewarm Toward Peace Corps Bid." The article states:

> The Education Ministry is reportedly taking a lukewarm attitude toward the recent U.S. proposal of the United States to send 100 members of the Peace Corps to Japan as English instructors.

We also read the same papers that the other people read and the statement here is almost completely contrary to the statement you just made. Have you seen this?

Mr. SHRIVER. I saw it. A member of the Japanese Government made the announcement over there because he had the idea if an announcement was made there would be a popular reaction over there. He was not authorized to make such a statement. The Prime Minister of Japan, I repeat, asked us to explore it.

Mr. PASSMAN. I read here what the Tokyo Times said.

Mr. SHRIVER. Sometimes the papers do not have all the information.

Mr. PASSMAN. That is true. However, you made the point earlier that people read the papers, and they read the propaganda the Peace Corps is putting out, too.

Mr. SHRIVER. I would like to make it clear we do not put out propaganda. We have not inspired any editorials and do not put out propaganda about the Peace Corps. The only releases we make are factual releases about the number of people going and where they are going.

Mr. PASSMAN. It is a matter of opinion. I think the Peace Corps probably is the No. 1 propaganda agency of the Federal Government. We have received clippings of what were said to be prepared editorials which were mailed out.

Mr. SHRIVER. Not by us, sir.

Mr. PASSMAN. By the Peace Corps, according to our information.

Mr. SHRIVER. Not by us.

Mr. PASSMAN. A very able Member of Congress sent me one of these clippings.

DISCONTINUANCE OF AID SUPPORT OVERSEAS

On page 5 of your prepared statement, you say:

Subsequent to the submission of our estimate to the Congress, Mr. David Bell, AID Administrator, advised me that because of severe limitations on his Agency's funds, AID would like to discontinue this service overseas by June 30, 1963.

That is one reason, Mr. Shriver, that we find ourselves as confused about this project as some of the others.

Last year the executive branch requested $4.9 billion for the AID program. The Congress, in its wisdom, reduced this by $1,030,400,000 and almost everywhere they cried bloody murder, charging that the program was being wrecked. However, recently the President said there would be upward of $200 million they would not use. Subsequently Mr. Bell indicated there would be upward of $300 million they would not use. So it would appear, from the President's message, that the Congress appropriated at least $200 million more than they needed, and that $3.7 billion would have been adequate; and taking Mr. Bell's statement, $3.6 billion would have been adequate. So the Congress has again overfunded the AID agency. We hope this year we will be able to work it down more nearly to what is needed to meet the commitments, rather than appropriating according to what they want.

In view of the fact they are going to have a tremendous amount of funds carried over or that will lapse, I do not know what prompted Mr. Bell to make that statement.

In these hearings we are trying to be as realistic as we can. I think we have been reckless in authorizing and appropriating money for a good many years and the Treasury, as a result, is deeply in debt. We are trying to establish here what the facts are and are not, of course, dealing in personalities.

STATEMENT CONCERNING PEACE CORPS MEN IN COLOMBIA

I do not know if one of our Presidents made a statement to the effect that big business could not be trusted, but I think I have read reports of that nature in the press. Whether such a statement was made or not, I repeat, I do not know; however, if it was made, I do not think the President intended to make that statement. And I hope the Peace Corps man did not intend to make the statement which I shall read to you. This is from Tom Anderson's "Straight Talk" carried in the West Carroll Gazette of April 18, 1963:

A former U.S. Ambassador told me that our Peace Corps leaders in Colombia damned American businessmen as crooks and encouraged the Latin Americans to confiscate American property.

Mr. SHRIVER. Where is West Carroll?

Mr. PASSMAN. It is in the State of Louisiana, but that item was first published in a national farm paper.

Mr. SHRIVER. I notice, Mr. Chairman, it is not a quotation.

Mr. PASSMAN. What do you call it?

Mr. SHRIVER. I mean it is not in quotation marks.

Mr. PASSMAN. Did I read it correctly or shall I read it again?

Mr. SHRIVER. You read the clipping.

Mr. PASSMAN. I shall read the clipping a second time:

A former U.S. Ambassador told me that our Peace Corps leaders in Colombia damned American businessmen as crooks and encouraged the Latin Americans to confiscate American property.

I am giving you this clipping in case you want to check on it.

Mr. SHRIVER. I will be glad to check on it but for the record now I would like to deny it categorically.

Mr. PASSMAN. How can you deny it without checking on it?

Mr. SHRIVER. I will deny that the Ambassador to Colombia made such a statement. The Ambassador to Colombia, Mr. Fulton Freeman, has been there since the Peace Corps came into existence and he has endorsed the Peace Corps 100 percent and has even written an article that will soon appear in an American publication. There are only three Peace Corps top staff in that country—Mr. Sheldon, Mr. Banks, and Mr. Moffett—and I am sure they never said what is there reported.

Mr. PASSMAN. If you do not want to follow through on it, I shall not insist. I remind you, however, that the reference is to a "former U.S. Ambassador."

Mr. SHRIVER. I will follow through but I want to deny it.

(Note: Additional testimony may be found on pp. 141 and 253a)

RELATIONSHIP OF NATIONAL SERVICE CORPS AND THE PEACE CORPS

Mr. PASSMAN. I wonder if there will be a working relationship between the proposed Domestic Peace Corps, or Service Corps, and the existing Peace Corps, the agency which you direct? Will one be the proving ground for the other?

Mr. SHRIVER. We are not in charge of any financial or other aspects of the National Service Corps.

Mr. PASSMAN. I was asking whether or not the American Peace Corps would be similar to the Foreign Peace Corps and whether or not this new Corps would be a proving ground for members of the Foreign Peace Corps, or vice versa?

Mr. SHRIVER. I would think how that will develop will depend first on whether Congress approves the National Service Corps.

Mr. PASSMAN. Have you assigned some of your personnel to work on the proposed American Peace Corps?

Mr. SHRIVER. We have had one man on temporary nonreimbursable duty to help them in the development of the program so that they could submit it to Congress in an intelligent manner. His name is McClure. He has worked with us in the evenings and in addition has worked on the development of the program of the National Service Corps.

USE OF FUNDS FOR INTERAGENCY GROUPS

Mr. PASSMAN. By what authority does the executive take money appropriated to one agency and use it on an agency that has not been authorized by Congress?

Mr. SHRIVER. I do not know what the specific statute would be, Mr. Chairman, but we can get an answer to that.

Mr. JOSEPHSON. I believe the Attorney General is relying on a section of Title 31, which I think is section 691, but I would like the opportunity to check it. That is the section that authorizes funds made available generally to be available for interagency groups.

Mr. PASSMAN. This is not an interagency establishment. All you have is an idea.

Mr. JOSEPHSON. I believe the entity responsible for studying the domestic Peace Corps is an interagency committee consisting of nine heads of departments in the executive branch.

Mr. PASSMAN. It would appear at this time that there could be a relationship between the two Peace Corps, the existing foreign one and the proposed domestic one.

Mr. JOSEPHSON. Mr. Shriver is not a member of that committee.

Mr. PASSMAN. What committee?

Mr. JOSEPHSON. The interagency committee.

ASSIGNMENT OF PERSONNEL TO INTERNATIONAL PEACE CORPS SECRETARIAT

Mr. PASSMAN. I believe you assigned personnel to another agency creating a World Peace Corps?

Mr. SHRIVER. You are thinking of the International Peace Corps Secretariat.

Mr. PASSMAN. Yes.

Mr. SHRIVER. The International Conference on Human Skills in the Decade of Development held at San Juan, P.R., in October 1962, recommended the establishment of a small International Peace Corps Secretariat in Washington for 1 year. Secretary Rusk asked me and the Peace Corps generally to implement it and four or five people have been detailed to that small Secretariat.

Mr. PASSMAN. Did the House not knock out a request for this account?

Mr. SHRIVER. The Appropriations Committee approved the State Department's request for a supplemental appropriation for the account from which funds have been contributed to the Secretariat, but on the floor of the House, on a nonrecord vote, it was dropped. The Senate has not yet acted on it.

Mr. PASSMAN. It is just as binding on a nonrecord vote as on a record vote. The House did not accept the recommendation and dropped it.

Mr. SHRIVER. That is correct.

Mr. PASSMAN. What was done afterward?

Mr. SHRIVER. Mr. Chairman, this was a supplemental appropriation for the State Department. The Peace Corps does not contribute funds for the Secretariat. So we are not paying for it nor running it. We do not have the authority to make contributions to the Secretariat.

Mr. PASSMAN. Do you have the authority to assign your Peace Corps personnel?

Mr. SHRIVER. That is correct.

OPERATING CONDITIONS OF PEACE CORPSMAN IN THAILAND

Mr. PASSMAN. I shall quote from an article that was in the press. It is captioned "A Washingtonian in Bangkok—Peace Corpsman James Shannon Enjoys Teaching Psychology in Thailand's 80° Winter." The article is by Adele Chidakel, and I now read from it:

When spring comes to Washington this year, James Shannon, off in Bangkok, Thailand, will be homesick. "Spring in Washington is something special," he

says wistfully. "The azaleas, the drives through Rock Creek Park—I'll miss it."

But while snow hardened on Washington streets, Mr. Shannon enjoyed Bangkok's 80° winter weather.

Washington's weekly snowstorms of 1960 were a factor in Mr. Shannon's decision to ask for a southeast Asia post when he joined the Peace Corps in October 1961. A 33-year-old psychologist who served in the District public schools in 1959 and 1960, Mr. Shannon drew a Peace Corps assignment as an instructor and researcher in psychology at Chulalongkorn University. He has been in Bangkok since January 1962.

"This idea people have that joining the Peace Corps is a big sacrifice is a myth," Mr. Shannon says. "I feel that I'm doing some useful work here, but at the same time I'm enjoying myself thoroughly.

"The second part of the Peace Corps myth is that we get almost no pay and have to live like beggars. That's dead wrong. I get $80 a month—but a haircut costs 30 cents, and an average lunch at the faculty club is 25 cents. I haven't saved any money, but I've been able to afford vacation trips around Thailand and to Cambodia. I'm on roughly the same salary scale as the Thai instructors I work with."

In addition to the $80 a month, Mr. Shannon gets a housing allowance that covers his share of the rent on a semi-open-air house in a working-class neighborhood near the university. He and his American roommate—two Thai students also share the house—were star attractions in their compound when they moved in, but the neighbors are used to them now.

Mr. SHRIVER. Could I make a comment on the article?

Mr. PASSMAN. Yes.

Mr. SHRIVER. We quoted from that article ourselves in our report to the Congress which is right here in front of you in this blue book. We quoted from it because it is—for one thing, it is sort of an indication that if we were running a propaganda mill I suppose we wouldn't put out that kind of propaganda.

The second thing is, there were two other volunteers working in that same university as this fellow and those two were finding it very difficult to get by on $80 a month in Bangkok. I think it shows that some people are more careful perhaps than others and it is really impossible to determine exactly what will be enough for one and what will be enough for another.

What we have always said about the Peace Corps, Mr. Chairman, was that we would attempt to have our people live like the people in the country in the same job, and as you will notice in this article Mr. Shannon pointed out he is getting approximately the same salary as a teacher in Thailand is getting.

So far as his travel is concerned, Mr. Chairman, we said from the very beginning we are hopeful that the Peace Corps volunteers would travel around the country where they were assigned because that was part of the congressional purpose; namely, to have them learn more about the culture and the customs of the people with whom they were working. If they were to just stay in one place like Bangkok they would have a very inaccurate impression of Thailand as a whole.

Mr. Chairman, you have been there many times and you know Bangkok is not at all typical——

Mr. PASSMAN. If you are going to give them a vacation let them see everything they can while they are out. I think the young man here has a lot of courage. I hope he will be promoted for being frank about it.

Mr. SHRIVER. One of the things, of course, we think is very valuable is to have Americans in some intellectual capacity who are able to teach in the university teaching university students in these foreign

lands. Sometimes we hear stories that university students in South American universities or Asiatic universities are very much opposed to the United States, they have distorted ideas of what our country believes in.

One of the most effective ways, in my judgment at least, to combat this kind of erroneous information is to have responsible Americans teaching on the faculty where they come in daily contact with the students, not as very high level professors but living actually with the students in the dormitories or living here as Mr. Shannon does with young Thai professors. In this way our country is enabled to give much more accurate information about our work to a very crucial group in the foreign country, namely the university students.

Mr. GARY. I would like to know, What would he be receiving if he were a teacher in this country?

Mr. SHRIVER. At the level of an assistant professor which is what he is out there, I would guess—I would have to guess, Mr. Gary, but I would guess an average assistant professor in the United States gets approximately $7,000, maybe $7,500, maybe $8,000 a year from a regular college. That wouldn't be the highest pay by any means.

I know, for example, at Yale University a full professor now gets about $22,000 or $25,000 a year and an associate gets about $18,000 and an assistant gets about $12,000.

Mr. PASSMAN. What would he pay for a haircut up in New Haven?

Mr. SHRIVER. I haven't had my hair cut up there.

Mr. PASSMAN. I did not ask whether you had your hair cut in New Haven. I am talking about a professor in New Haven, any professor, and what a haircut would cost him.

Mr. SHRIVER. I was just saying I don't know what this professor would pay.

Mr. PASSMAN. You can get a nice lunch out there, in Thailand, for 25 cents and a cab ride for a nickel.

Mr. SHRIVER. He is not riding around in a taxicab out there.

Mr. PASSMAN. Maybe they have stopped it. I hope so.

Mr. SHRIVER. In the beginning we said the Peace Corps members would live like their counterparts; in this case according to the Thai standard. That is what we are doing.

Mr. PASSMAN. All right, Mr. Shriver. I still say you take the cake for having just about the fastest growing agency in Government. The Members of Congress will make the decision as to whether they want it to continue growing at this rate.

Mr. SHRIVER. Well, to the extent, Mr. Chairman, that the Peace Corps is a success and that people overseas ask us for more volunteers and the Congressmen approve of the way the volunteers are working and their performance, I am happy it does grow rapidly.

Mr. PASSMAN. Mr. Shriver, I could challenge you on that statement and it would take us all day to finish the discussion.

PUERTO RICO MEETING

Now, did you say that you discussed the Puerto Rico meeting with this committee last year?

Mr. SHRIVER. Yes, sir; we explained to them we were going to have the meeting. The meeting did not occur until October and I think

that the Congress had adjourned by that time. But we told them we were going to and we planned to have it.

Mr. PASSMAN. To whom did you tell that, sir? I do not remember your having discussed it with this committee. You may have mentioned something——

Mr. SHRIVER. I don't know that this committee asked us about it.

For one thing, we asked the Congress to send delegates to the convention and Congress did actually send delegates. Congressmen Diggs and Durno attended this conference. They were selected by the Speaker of the House.

In the Senate, the President of the Senate selected two Senators whose names I have forgotten, I am sorry to say, and I am afraid they did not actually attend it.

Mr. PASSMAN. I am just trying to get the record straight. We find that your Peace Corps is getting over into the proposed National Service Corps or Domestic Peace Corps, to some extent and this worldwide organization——

Mr. SHRIVER. This was a conference in fulfillment of the purposes of the Peace Corps. The purpose of the conference, Mr. Chairman, was to find out from the countries where the Peace Corps was working, and from countries and international organizations with other relevant experience whether the Peace Corps was doing a job, a good job or a poor job—and what improvements we could make. So this was a meeting in furtherance of the purposes of the Peace Corps Act.

As I say, we told the Congress about it. The Speaker of the House and the President of the Senate received requests to send people to it.

INCREASE IN U.S. OBLIGATIONS

Mr. PASSMAN. We want to get down to some actual facts here because, personally, when I think about the two parts of our obligation, Mr. Shriver, for $303 billion and the $748 billion in statutory obligation, the total of which is $1.051 trillion, I see that it means that from the adoption of the Constitution through 1962 every time we collected a dollar in revenues—and we have collected about $1.313 trillion, we have obligated Americans to $1.81 in expenditures. We are overdrawn now $1.051 trillion in 174 years. We have 108 statutory obligations that call for payouts of billions of dollars a year for services previously rendered. Therefore, so far as I am concerned, we need to stop and think, and especially so when considering an organization which has grown so rapidly as yours has all over the world.

SUCCESS OF THE PEACE CORPS

I shall quote from your testimony at page 119 of part 3 of the appropriations hearings for 1962:

Mr. SHRIVER. No, sir, that is not the intention so far as you mean the administration of the Peace Corps. Our intention is to conduct this thing—and off the record.

(Discussion off the record.)

Mr. SHRIVER (continuing). This program, according to the proposals set forth in the legislation and in our legislative presentation material and come back to the Congress and report what we have done and find out on the basis of experience whether what we are doing is helpful and successful. If it is not we

will curtail the program or cut it out altogether. I have no desire, neither has anybody else in the Peace Corps—most of us do not need this job—to perpetuate something that is unsuccessful.

Now, it is successful in the minds of those who administer the Peace Corps and those who may be working for the administration, and we hope it is going to be successful otherwise; but it is not successful just because a few witnesses of the Peace Corps come along and say it is successful.

I was hoping you would go along on the basis of $30 million or $35 million a year—we have waited a long time to do this and I do not see why we could not have gone along gradually and had a real test as to what is being accomplished. Certainly it is not going to be difficult to get a nation maybe to agree that it is good to request additional personnel because almost without exception all these nations where you have Peace Corps men are drawing foreign aid money out of about 10 or 12 spigots. It looks like a new model soda fountain, and the aid is running out of every one of the spigots. Those countries could hardly help but agree. I think we should have something more firm than merely the fact that they request more personnel.

Like it was said, I believe, out in the Philippines, it was not costing anything, so why not.

I noticed in this morning's paper that you have been recommending a tremendous increase out in Africa. How many African States actually have Peace Corps people assigned?

Mr. SHRIVER. Sixteen.

AVERAGE AGE OF PEACE CORPS MEN

For the record, Mr. Chairman, I would like to point out these are not kids in the Peace Corps. The average age of the men in the Peace Corps is 25. The average age of the women is 28. There are about 200 people over 40 years of age in the Peace Corps, a number in their sixties, and several in their seventies.

The second thing is that we do not rely strictly or solely on statements by people in the executive branch or by people who work with the Peace Corps to determine whether the Peace Corps is successful overseas. These reports which were given to the Congress contain a large number of quotations from people who are men like the Vice President of the Philippines, the Speaker of the House of representatives in Sierra Leone, the Governor General of Nigeria, the President of one country or another. We have similar statements from superintendents of schools, from administrators of hospitals all over the world who testify to the work that the Peace Corps has actually been performing in those countries.

I don't have to rely on my word. I wouldn't ask you to do that, Mr. Chairman.

Mr. PASSMAN. I want the record to show that I am not questioning, and have never questioned, your integrity.

But, anyway, these people you refer to are recipients of most, if not all, other types of foreign aid, and I doubt they would say that it is not a good thing.

MALAYA VIEWS OF THE PEACE CORPS

Mr. SHRIVER. Let me give you an example, Mr. Chairman. In the country of Malaya, Malaya doesn't get any foreign aid from the U.S. Government. The Prime Minister of Malaya whose picture was on the cover of Time magazine a couple of weeks ago, Tunku Abdul Rahman, has endorsed the Peace Corps. At his expense they have made a documentary film in Malaya in which he appears which is shown all over the country commending the United States for having the Peace Corps there. This is a country which is now developing into Malaysia, and where the Communists, or some people say the Communists, are trying to get in there. The fact that the Peace Corps is there is of great help to Malaya, or Malaysia.

I also might point out just for the record that no country gets the Peace Corps for nothing and no officials of the Philippine Government have ever said: "Well, we would like to have it because it doesn't cost us anything."

Mr. PASSMAN. You certainly do assume a great deal, Mr. Shriver. You do not really know in every instance what those people said—101 nations around the world are getting aid, and I am going to say for the record you do not know whether they said certain things or not. They may or may not have said them, and all I can do is indicate what the papers report they have said. If you are going to vouch that all these statement that are not complimentary are not so, that is your business.

STATEMENT ON COST OF PROGRAM IN PHILIPPINES

Mr. SHRIVER. I would vouch for the fact that no high official of the Philippine Government has said that they are glad to have the Peace Corps because it didn't cost them anything. In the first place, it does cost them something.

Mr. PASSMAN. The record indicates what they said.

Mr. SHRIVER. I would like to know what official said it cost them nothing.

Mr. PASSMAN. You will find it in the record, I think.

Now, let us go to this country you referred to, that is coming into being.

Mr. SHRIVER. Malaysia?

Mr. PASSMAN. Yes. Is that going to be a newly independent country?

Mr. SHRIVER. It is supposed to be on the 31st of August, I think, a new country, but there is a question because the Philippines and the Indonesians are arguing about whether it should be or should not be.

Mr. PASSMAN. What relationship, if any, does that country have to Indonesia?

Mr. SHRIVER. Malaya is not a part of Indonesia. It is an independent country and has been for a number of years. It used to be a colony of Great Britain.

Mr. PASSMAN. Is it still a colony?

Mr. SHRIVER. It is an independent country and the Prime Minister is Tunku Abdul Rahman and he happens to be a very stalwart cham-

pion of Western civilization and anticommunism in southeast Asia. His picture was on the cover of Time magazine about 2 weeks ago with a long article telling about what they hope to accomplish in Malaysia.

I personally think, and I think some others agree, that he is one of the important people in southeast Asia who is on the side of the West. Malaya, I might mention is not a member of SEATO, but is a member of ASA (Association of Southeast Asia) group there, the Philippines, Malaya, and Thailand which has been very strong in support of us. They are the ones who were successful in getting the Communists out of there and developing that technique for isolating villages to prevent Communist infiltration which we are now attempting to duplicate in South Vietnam.

Mr. PASSMAN. Has this country gained its complete independence?

Mr. SHRIVER. Yes, Malaya got its independence a number of years ago.

Mr. PASSMAN. I thought you referred to some other place.

Mr. SHRIVER. Malaysia is the name.

Mr. PASSMAN. Malaysia is the one I am thinking of.

Mr. SHRIVER. Malaya——

Mr. PASSMAN. I am talking about Malaysia.

Mr. SHRIVER. Malaysia is a proposed country to come into existence next summer.

Mr. PASSMAN. What colonies and countries would comprise Malaysia?

Mr. SHRIVER. North Borneo and Sarawak are colonies. Brunei is a sultanate under British protection. Malaya is an independent country. The idea is that Malaya would incorporate these other colonies into Malaya and then it would be known as Malaysia.

Mr. PASSMAN. Malaya did get some aid, food for peace.

Mr. SHRIVER. There is no AID mission in Malaya.

Mr. PASSMAN. There may not be an AID mission but a mission is not essential for them to get aid. I think there are perhaps some 30 countries getting aid which do not have AID missions.

Mr. SHRIVER. I might also point out, Mr. Chairman, that although you say—and I am sure you are correct—that the AID program is operating in 101 out of 103 countries——

Mr. PASSMAN. 113.

Mr. SHRIVER. 113 countries, the Peace Corps is operating in 45 and as I said earlier, we have had requests from about 25 more which we have not accepted and most of which we have no present intention of going to.

Mr. PASSMAN. You take another prize, then. The AID Agency has been going for 16 years and they have gotten into 101 countries, and you have been here 3 years with the Peace Corps and you are already in 45 countries.

Mr. SHRIVER. One thing the committee could say is that the Peace Corps can't go in some countries.

Mr. PASSMAN. I would like to team up with you as a salesman. I made my living selling, too. It is interesting.

Mr. SHRIVER. I would like to be in business with you. For one thing, we wouldn't waste any money.

Mr. PASSMAN. I trust if we were spending our own money we would not waste it, but I think we both know that spending the taxpayers' money through Government projects and programs is not nearly as painful as spending your own.

Mr. SHRIVER. I want you to know Mr. Greenberg here, before the day is out, because when he spends the Government's money you would think it was more painful than his own.

Mr. PASSMAN. I commend Mr. Greenberg. If he is as you say, I wish there were many more in Government with the same point of view.

TRAINED MANPOWER

How do you interpret the so-called congressional mandate of meeting needs for trained manpower?

Mr. SHRIVER. I interpret that in at least three ways. No. 1, I interpret it as meaning that we are not to send overseas those who are not qualified to do the work that has been requested of them. For example, if a foreign country asks us to send a person there as a nurse, we maintain that the person must be qualified to do the kind of work in that country which nurses are asked to do. That does not mean that the person has to necessarily be a registered nurse in this country.

If we send a person overseas to be a surveyor, we say that he must be able to do the kind of work, or be better than the surveyors in the country where he is going. That does not mean that he has to be an expert surveyor in terms of the United States.

The idea is simply this, that many of these countries—Mr. Chairman, you know better than I—are generations behind the United States and they are at the level where, for example, in teaching, there are 1,800 teachers in the Nigerian elementary schools who have never graduated from an elementary school. They may have gotten up to the sixth grade and may be teaching first and second but they have never graduated from the elementary grades. So a person like that in our country would not be qualified to teach elementary school but——

AGE OF PEACE CORPS MEN

Mr. PASSMAN. What is the age of the youngest Peace Corps man?

Mr. SHRIVER. Our minimum age requirement is 18. We have no maximum. We have one fellow 76 and I am sure we have a few who started off at age 18.

I might say on that point that the ones we have who were as young as 18 have done exceptionally well.

Mr. PASSMAN. What is the average age?

Mr. SHRIVER. The average age of the men is 24.7 and the women 28.5.

One of the things interesting about this is that the draft now for the U.S. Army, Navy, and Air Force doesn't take people as old as the Peace Corps. They want people younger than that to fight. Most of our people are older than those useful for fighting.

It is an interesting thing, Mr. Chairman, the Peace Corps has brought home from oversea persons who do not measure up.

Mr. PASSMAN. In what way?

Mr. SHRIVER. In any way.

But of all the people brought home only one of them has been an 18-, 19-, or 20-year-old kid, so called, and he returned because his father died. This is an interesting thing to me, that the younger people——

Mr. PASSMAN. Is that based on the fact that the younger ones work better?

Mr. SHRIVER. The point is simply this, that there is no proof that simply because somebody is 19, 20, or 21, that they will not be effective as a volunteer. And one indication of that is, of all the people brought home only one of them happened to have been as young as that. Now, it is also true that we don't have very many people of that age.

Mr. PASSMAN. But you have not brought any of the 18- or 19-year-olds home?

Mr. SHRIVER. No, sir; not because of ineffectiveness.

Mr. PASSMAN. You conducted a survey, I believe——

VOLUNTEERS RETURNED TO UNITED STATES

Mr. GARY. How many have you brought home?

Mr. SHRIVER. We brought home—out of the total overseas of approximately 4,000 we have brought 178 home. Thirty-one of the 178 are for what we call compassionate reasons. For example, a married couple or one case I always remember is the case of the boy——

Mr. MINSHALL. May we have those figures again, please?

Mr. SHRIVER. Out of about 4,000 people overseas, Congressman, we brought 178 home. Of the 178, 26 have come home for medical reasons, 6 died in automobile accidents or airplane crashes. Thirty-one have come home for compassionate reasons. For example, I remember a case of a boy whose father died and he was the only means of assistance that the mother had for the other children in the family, so we brought him home.

Then we have 115 who have come home for what we call personal adjustment. Now, that could be the fact that—you could call them our failures—we didn't select them properly or when they got overseas they didn't have the perseverance to stay on the job, or for all other reasons which I could describe as being casualties or failures. We have 115 out of 4,000.

Personal adjustment is defined as inability to adjust to oversea service; behavioral problems; insistence on marriages which are not compatible with the Peace Corps service—that is they get married and then would not be able to work as a Peace Corps volunteer—and involuntary separation which is another nice way of saying we fired them.

POLL CONCERNING REENLISTMENT OF VOLUNTEERS

Mr. PASSMAN. Mr. Shriver, we—a staff member and myself—were in one country where we talked to Peace Corps men, and they had been out less than 9 months. We asked each one if he had an opportunity to extend his enlistment would he do so, and eight of them said "No", they wanted to go home; the ninth one said he would consider it.

What do your records indicate? Do many of them want to extend their stay?

Mr. SHRIVER. Yes, sir; there are a substantial number. I don't think we have a statistical poll to answer that question.

Mr. PASSMAN. They said out there that you had polled them, but I do not know.

Mr. SHRIVER. Mr. Chairman, what we did do—you are correct—we did attempt to find out whether anybody wanted to reenlist for a 2-year term or whether they wanted to extend their service for 3 months or 6 months or 10 months. We did do that.

I was in Ghana last Friday and 12 people out of the 47 who are in Ghana asked for permission to reenlist for a period of 1 year in Ghana.

Mr. PASSMAN. Do you have a program for reenlistment?

Mr. SHRIVER. No, sir. We have a program which was announced some time ago whereby a person who volunteers can stay on for a period up to 1-year additional service provided the host country asks him to stay and provided the Peace Corps person in charge in that country approves of him staying. What I was trying to say was that when I was in Ghana last Friday or Thursday they told me about 12 of the men there—12 of the people—out of 47, that they wanted to stay on for another year of service in Ghana. Now, we think that it is a good thing for the taxpayer if these men or women are doing good jobs for them to stay on and give another year of service provided they are doing a good job. We don't yet know exactly what the percentage would be because we are just getting to that point with the very first of the volunteers.

Mr. PASSMAN. When you are spending money and there is no immediate return——

Mr. SHRIVER. There is a very immediate return here in these cases because in the country of Ghana, for example, our people are teaching upward of 25 percent of all the high school students in that country.

Mr. PASSMAN. If this thing is continued, I suppose it would be a saving because transportation is involved, as well as other expenses.

Mr. SHRIVER. It is not only transportation but additional training which is quite expensive that is involved. In this way we think—I don't think there is any question about it—that the taxpayer gets a better return on the investment.

ELIGIBILTY OF PEACE CORPS VOLUNTEERS FOR NATIONAL SERVICE CORPS

Mr. PASSMAN. Will these people coming back be eligible for the U.S. Peace Corps? Will they be eligible as instructors for the domestic group?

Mr. SHRIVER. Actually, Congressman, that depends on Congress. Congress has not enacted the National Service Corps. Congress can say if Congress wishes to, that anybody who served in the U.S. Peace Corps overseas is not eligible.

Mr. PASSMAN. Let us get back to realities. You folks are working with the international organization that the House dropped out and the other body is yet to consider—the appropriation—so I think it is an appropriate question whether or not there is going to be an interworking arrangement between people coming out of the Peace Corps with the domestic group.

Mr. SHRIVER. I was trying to explain we have no plans for an interworking arrangement but if Congress wanted those people in there they could encourage them to go in.

Mr. PASSMAN. I have been here long enough to understand that Congress can do these things. I am talking about what you people downtown are working on.

Mr. SHRIVER. We are not working on it.

Mr. PASSMAN. That was the question.

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

Mr. PASSMAN. Surely.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

SPANISH TEACHERS FROM ARGENTINA

Mr. SHRIVER. The Argentine has asked us whether our country would be interested in receiving teachers of Spanish from the Argentine who could come up here and teach in the public schools. To teach in the United States in those school systems where we don't have enough teachers of Spanish—for example, in the elementary grades or high school grades.

Mr. PASSMAN. Who will pay them?

Mr. SHRIVER. The Argentine.

Mr. PASSMAN. They would pay to send them up here to teach us Spanish? That would be a charitable thing for them to do, would it not?

Mr. SHRIVER. For example, I remember very clearly, Congressman, when I was the president of the board of education in Chicago, we tried to start teaching foreign languages in the elementary schools. The real problem was that the teachers were not qualified to teach Spanish or French or some other language. Now, many people think it would be desirable for our children to learn those languages in elementary schools so the Argentine has suggested to us they would be willing to send teachers up here at their expense, provided we were willing to accept them. But there is no agreement, Congressman. It was just an offer.

Mr. PASSMAN. It is costing us about $70 million a year, I believe—for the Cuban refugees in this country, and many of them are well educated people. If we are going to teach our people Spanish, would it not be better to take those people off relief and put them into the schools, rather than bring in other instructors from Argentina?

Mr. SHRIVER. I don't think it is better but I think it is a good idea.

USE OF TRAINED MANPOWER

Mr. PASSMAN. Now, getting back to this so-called congressional mandate of meeting the needs for trained manpower, would you discuss that item a little more completely than you did?

Mr. SHRIVER. Meeting the needs for trained manpower?

Mr. PASSMAN. First of all, how you interpret the so-called congressional mandate of meeting needs for trained manpower.

Mr. SHRIVER. First of all, if I remember the language correctly it said that the Peace Corps should respond to the requests for trained personnel. And that is what we do, Mr. Chairman. We require a request of the foreign country stipulating as carefully as they can

what kind of qualifications they want in the people they ask us to send. It is frequently a matter of interpretation as to what they mean by certain words or whether the qualifications our people have are satisfactory. But we try to respond to their requests and send them as close to the qualifications—a person with as close to the qualifications requested as we can obtain.

Let me give an example of what I mean: A registered nurse in our country—I think nearly everyone would agree—is a trained person. We think—at least I do—very highly of our registered nurses. But when we send our registered nurses to Tanganyika or Malaya which are in the British system, the system looks upon them as not being as qualified as the British nurses because our nurses are never trained as midwives. So that you could say that the British would say, "Well, your nurses are not as highly trained or highly skilled as our nurses are." As far as I am concerned an American trained nurse is perfectly qualified to go into a hospital anywhere in the world. So that would be a skilled person we were sending overseas though somebody might say they are not as skilled as somebody else.

Some countries will come to us and say, "We would like teachers at the secondary school level and everybody has to have a master's degree."

Well, in fact when they start discussing it, it really proves out they don't need a master's degree.

Mr. PASSMAN. That is correct. We have the same kind of situations in America.

VOLUNTEERS IN PHYSICAL EDUCATION

How many volunteers do you have overseas in physical education?

Mr. SHRIVER. In physical education, 64 as of April 1.

Mr. PASSMAN. What number are you planning to send over, we shall say, by September 1?

Mr. SHRIVER. In physical education, sir?

Mr. PASSMAN. Yes.

Mr. SHRIVER. I am sorry, I don't have that figure right offhand.

Mr. WIGGINS. In physical education in Indonesia there will be 21 people who will arrive.

Mr. SHRIVER. How many people would there be?

Mr. WIGGINS. Twenty-one trainees.

Mr. SHRIVER. The Congressman wants to know how many in physical education in training.

Mr. WIGGINS. I don't have the figure.

Mr. SHRIVER. We can get the figure for you if you want it.

(The information requested follows:)

On September 1, 1963, there will be approximately 85 volunteers overseas in physical education projects. There will be approximately 205 volunteers in training in physical education.

PROGRAM FOR INDONESIA

Mr. PASSMAN. What are you going to do with Peace Corpsmen in a country such as Indonesia, where there is no indication that they are friendly to America or ever will be?

Mr. SHRIVER. Well, No. 1, we are annoying—excuse me. I was almost going to swear but I will take it back.

The point was one thing we are doing is we are annoying the Communists extraordinarily. We are aggravating and exciting them by the mere fact that we are going to send Peace Corps volunteers to Indonesia.

Mr. PASSMAN. You think you will have Khrushchev shaking in his boots because you are sending these youngsters over to Indonesia?

Mr. SHRIVER. Well, let me tell you something, Mr. Chairman. There isn't a day goes by in Indonesia that the Communists are not using columns of newspaper print, which they could use for something else, to denounce the Peace Corps and say that it shouldn't come to Indonesia.

Mr. PASSMAN. Do you have a Peace Corps in Indonesia?

Mr. SHRIVER. No, we don't. We are going in next month.

Mr. PASSMAN. Do you have any plan for Peace Corps personnel in Burma?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. That is good.

Mr. SHRIVER. So far as Indonesia is concerned, I would certainly agree with you, Mr. Chairman, that it is a question of judgment as to whether or not we should be in that country or any other country.

Mr. MINSHALL. Will the gentleman yield to me?

Mr. PASSMAN. Yes, I yield.

Mr. MINSHALL. What is the population of Indonesia and how many Peace Corpsmen are we sending out there? What are they going to do?

Mr. SHRIVER. The population of Indonesia is between 90 and 100 million people. It is the fifth largest country in the world in terms of population.

Mr. MINSHALL. How many are we sending out there?

Mr. SHRIVER. We are sending 21 to start with. There are 90 million people. You might say what difference can 21 people make to 90 million people? Perhaps that would be my reaction, but here is the biggest Communist Party in the world outside of the Soviet Union and the satellites, protesting every day with mass meetings——

Mr. MINSHALL. How many of these 90 million even know a Peace Corps is going to be there?

Mr. SHRIVER. You would think that practically nobody would know it. But the mere arrival or the threat of the arrival of the Peace Corps is causing more consternation over there than anything we have ever done in that country.

Mr. PASSMAN. Even our military personnel are put in the shade.

Mr. SHRIVER. Yes, sir. It is fantastic. You ask them. It is unbelievable.

Mr. ANDREWS. Will you yield?

Mr. PASSMAN. Yes, I yield. This is getting more interesting all the time.

Mr. ANDREWS. Do you think it would be safe to send those 21 people down there?

Mr. SHRIVER. Yes, I do. I wouldn't send them down if I didn't think it was safe.

Mr. ANDREWS. What would happen if some of those Peace Corps volunteers got into real trouble and were arrested?

VOLUNTEERS IN TROUBLED AREAS

Mr. SHRIVER. This is a problem or a possibility at any rate, Congressman Andrews, that we face in nearly every country. For example, we have Peace Corps volunteers in Thailand now. We have 141 of them. Once since we have been there the U.S. Government has sent marines into Thailand—on one occasion because they were worried about the situation. But the Peace Corps volunteers were there before the marines arrived and they were there after the marines left. So although you could say it was very risky or dangerous, nevertheless we are very fortunate that nothing went wrong.

Now, our Peace Corps is in north Borneo. It is in Sarawak and there was a revolution there in Sarawak—not a revolution but an uprising—in the last few months against the formation of that proposed new country, Malaysia. Our volunteers were very close to those difficulties.

Now, it is, I hope, clear that we cannot send volunteers to these underdeveloped countries and never have any risk that something might go wrong.

For example, we have volunteers in Peru. You know there was a coup d'etat in Peru recently. We have volunteers in Guatemala. There was a coup d'etat in Guatemala.

It is possible that in any one of those situations—in Venezuela, for example—a volunteer could get injured. However, we have been very careful not to send volunteers into places where the dangers outweighed the hope of success.

For example, take South Vietnam or take the Congo. We have not sent people to those places. So far we have not lost any volunteers because of violence.

PROGRAM FOR INDONESIA

Mr. ANDREWS. I do not believe you answered Mr. Minshall's question as to what would these 21 people do.

Mr. SHRIVER. I will be happy to do that. The Government of Indonesia has established a program whereby in each of the states of that country there is a physical training program. A large majority of the boys and the girls in each state are supposed to participate in this program and they ask us to send in a physical education specialist.

Mr. MINSHALL. Touch football?

Mr. SHRIVER. That is not a bad idea, maybe, particularly for some people. But it was a means in this case whereby we could get our volunteers working very closely with the young people of Indonesia. One of the problems that is always being talked about, at any rate, is the fact that the United States does not get the support of labor groups and youth and sometimes not the support of the intelligentsia—some people call it—around the world. Those people are always favorable to the Marxists or Communists and I think if that is true, and I certainly think it is true in some places, we might try to do something specific to reach the youth or intelligentsia or the labor groups. The Peace Corps, I think, is making a contribution. We are not the only ones by any means.

Mr. MINSHALL. Do you honestly feel these 21 Peace Corps men can go into Indonesia and affect the thinking of some 90 or 100 million people? What is the literacy rate there?

Mr. SHRIVER. No, sir. I do not think that. Congressman, you have to start. If we were only going to have 21 people and there never was any more than 21 people in Indonesia——

Mr. MINSHALL. How many will it take to do the job? How many do you actually think it will take to convert Indonesia?

Mr. SHRIVER. I would like to think the Peace Corps could convert Indonesia but I do not think the Corps by itself could do the job.

Mr. MINSHALL. How many will it take for the Peace Corps to do its job? How many do you plan to send to Indonesia? What is your program in the years ahead?

(Statement off the record.)

Mr. MINSHALL. Specifically, these first 21 are going there on a physical education program. That is all I want to know.

Mr. SHRIVER. Yes, sir. Sixty percent of the people there are literate.

Mr. MINSHALL. I do not know.

Mr. SHRIVER. You asked me.

Mr. PASSMAN. Are you already planning additional people for Indonesia before you have sent the 21?

Mr. SHRIVER. No, sir.

Mr. GARY. Will the gentleman yield?

VOLUNTEERS IN TROUBLED AREAS

Mr. PASSMAN. After this one question, please. In what country did the Peace Corps men displace the Marines? Did I get that correct?

Mr. SHRIVER. I think I was misunderstood.

Mr. ROONEY. He did not say that.

Mr. PASSMAN. I am asking what he said, Mr. Rooney.

Mr. SHRIVER. What I tried to say was this, Mr. Chairman, that the Peace Corps volunteers were in Thailand before the President sent the U.S. Marines out there, about 12 or 15 months ago. The Marines were sent out there and then the Marines were taken back. The Peace Corps was there before they went and the Peace Corps is still there. You probably have seen in the papers there is a plan to send some marines out there this summer, I think. The Peace Corps is still there. I think that if the Marines were sent in and taken out of there again the Peace Corps would still be there.

Mr. PASSMAN. I want to yield to the gentleman from Virginia for a question.

Mr. SHRIVER. The point I was trying to make, Mr. Chairman, was simply this: That even though there is some danger in some of these places—as evidently somebody thinks there must be danger in Thailand otherwise they would not be sending the Marines in for manuevers—even though there is danger, that does not mean we should not send the Peace Corps there at all. There is danger in many places, Taiwan, Peru, other places.

Mr. GARY. Do you have any in Haiti?

Mr. SHRIVER. No, sir.

Mr. GARY. Do you have any in the Dominican Republic?

Mr. SHRIVER. Yes, sir. We have a large number in the Dominican Republic. The specific number is 147. We are planning to send more to the Dominican Republic. This is a part of the effort to help that country achieve a viable democracy there as fast as possible.

Mr. GARY. You are not withdrawing them on account of the trouble with Haiti?

Mr. SHRIVER. No, sir.

REQUEST BY INDONESIA FOR VOLUNTEERS

Mr. PASSMAN. You are not willing to let this program operate in a few nations and to determine after several years of experience whether it is working successfully. You are going around the world with the Peace Corps now.

In Indonesia did this pro-Communist Sukarno request that we send Peace Corps personnel there?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Upon what basis did he make the request? Was it after your visit?

Mr. SHRIVER. On the basis of need.

Mr. PASSMAN. How much does he know about the need?

Mr. SHRIVER. I think, Mr. Chairman, he really does know about Indonesia. This man spent 12 or 14 years in jail fighting for the independence of Indonesia. He may have certain personal characteristics that are not approved by everyone. But I think he really does know about Indonesia.

Mr. PASSMAN. Independence for what purpose? To take them into the Communist orbit? Did Sukarno request the Peace Corps people before or after your visit?

Mr. SHRIVER. He requested them to me verbally when I was sitting in his Presidential house.

Mr. PASSMAN. Would it have been discourteous if he had not requested them, your mission there being as head of the Peace Corps?

Mr. SHRIVER. I do not think so.

VOLUNTEERS IN EDUCATIONAL PROJECTS

Mr. PASSMAN. Last year your corrected estimate was that 50 to 55 percent of your corpsmen would be engaged in classroom teaching in fiscal year 1963. What is the number of volunteers engaged in educational projects and the percentage of the total this year?

Mr. SHRIVER. We have a total number of volunteers in educational projects overseas of one kind or another of 2,381.

Mr. PASSMAN. With reference to classroom teachers?

Mr. SHRIVER. 2,381 volunteers overseas in this kind of teaching. That is about 46 percent. It might interest you, Mr. Chairman, to know, that of the 2,381, 263 are teachers who hold a teaching certificate; that is 11 percent of the total are teachers with a teaching certificate.

Mr. PASSMAN. Can a person teach without a teaching certificate in certain schools, especially——

Mr. SHRIVER. Not in this country, at least not so far as I know.

Mr. PASSMAN. There are places that you can, I think.

Mr. SHRIVER. You have to have a bachelor's degree in every system I know about. In every system I know about you have to have a certifi-

cate. I do not know all the States, but I do know at least 15 or 20 of them and I know that in all of them you have to have a certificate. That would include Ohio, New York, Michigan, Illinois, Pennsylvania.

Mr. PASSMAN. Our standards are high and I hope they go higher. Did you say that only 12 percent of the Peace Corps teachers have teaching certificates?

Mr. SHRIVER. I said 11 percent, sir.

Mr. PASSMAN. That means they have a bachelor's degree?

Mr. SHRIVER. A bachelor's degree plus, or higher, plus they have taken certain courses in education, pedagogical courses. Then they take a test in the State and that gives them a teaching certificate.

Mr. PASSMAN. How about the other 89 percent?

Mr. SHRIVER. They do not have teaching certificates in this country. That does not mean, however, they are not qualified to teach; at least in my judgment. Some of them, for example, might even have a master's degree and still not have a teaching certificate in the United States. There are some universities here that have faculty members that are not qualified to teach in the public schools because they do not have a teaching certificate, but nevertheless they do teach in the university. So what I am talking about is that these people, of the total we have overseas, 11 percent of them could be teaching if they were here because they have a teaching certificate.

Mr. PASSMAN. I am thinking about how the 89 percent—what is the percentage of college degrees for that group?

Mr. SHRIVER. I would suspect 100 percent of them. One hundred percent of all those teaching have college degrees. Let's say 98 or something like that. It would be very, very high.

Mr. PASSMAN. You do not know. You would have to do some research, would you not?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Please put the information in the record.

Mr. SHRIVER. It will be easy to get the figure.

(The information requested follows:)

Data on volunteers in education projects as of Apr. 1, 1963

Total overseas	2,381
Number with college degrees and certificates (11 percent)	263
Number with degrees only (77 percent)	1,832
Total with degrees (88 percent)	2,095
Number without degree (12 percent)	286

VOLUNTEERS ELIGIBLE TO TEACH IN THE UNITED STATES

Mr. PASSMAN. If you project this into 1964, what percentage of these same people now teaching abroad could be teaching in American classrooms? A person with a master's degree probably would not have too much difficulty getting a certificate. He would not have to go for 7 years to get one.

Mr. SHRIVER. No, but he would have to go for quite a while.

Mr. PASSMAN. Last year we pinned this thing down, wrapped it up and put a label on it, that these people could be teaching in gram-

mar schools in this country. Eleven percent have a teacher's certificate?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. We do have a shortage of teachers in America, especially in the grammar schools, do we not?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I am just wondering what percentage of these people could be teaching in grammar schools in our country, maybe after refresher courses. We do have a shortage of teachers in many fields of education in America.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I am wondering now if we are not possibly taking personnel, sending them abroad for this—what I have often referred to as a rather interesting vacation—when we could be using them to the advantage of educating our own youth. Would you do some research and inform us as to the percentage of the total which could be teaching in American grammar schools if they wished to do so and would possibly take refresher courses?

Mr. SHRIVER. I will try to do that.

Mr. PASSMAN. Do the best you can.

(The information requested follows:)

The precise number which could be teaching in American grammar schools cannot be determined. However, California, New York State, and Chicago school systems want to employ returning volunteers in their public schools, elementary through junior college. In general, volunteers who are college graduates and have taught for 2 years in the Peace Corps can be given initial assignments to teaching vacancies. They will then have the opportunity to complete the appropriate certification requirements over a period of time. This same opportunity will exist in scattered individual school districts throughout the Nation.

Mr. SHRIVER. Could I make a comment on that, because I share the feelings that you had, especially at the beginning, that having been on a board of education myself I did not want to deplete the number of teachers in this country. That is why we went to the National Education Association, the American Association of School Administrators, the Catholic Education Association, and others. They have approved of what we are doing, Mr. Chairman, because in their judgment, and I think it has also become mine, we will actually add to the total number of teachers in this country. Here is an example of why. Of the 500 teachers—of the 500 people we have overseas now who are teaching and who will return by the end of this calendar year, 13 percent of them had some teaching experience before they went abroad.

Mr. PASSMAN. What percentage?

Mr. SHRIVER. Thirteen percent of these 500; but 26 percent of them want to go into teaching when they get back to this country. In other words, they did not plan to go into teaching before they joined the Peace Corps, but they joined, went overseas, got the experience of teaching and now they want to become teachers when they come back. This is indicative of what I was trying to say a minute ago, that it looks very much as if the Peace Corps will add, will increase the total supply of teachers in our country rather than decrease it.

Mr. PASSMAN. Are you letting your imagination run away with you on this point?

Mr. SHRIVER. I do not have that kind of an imagination.

Mr. PASSMAN. I hope not. We send these people who are not teachers here to Africa and they make up their minds while over there to come back and become teachers in America?

Mr. SHRIVER. This is an interesting comment you make, Mr. Chairman, because the American Medical Association—which is certainly not famous for being a radical organization—is exploring with the Peace Corps right now the possibility of having doctors do a year or maybe 2 years of residency overseas as Peace Corps volunteers. The reason why, and I am not a medical man so you have to forgive me if I do not have the facts exactly right, but the reason why is this: In many of these countries, our residents could see types of diseases and conditions which they do not see in the United States any longer. The medical schools are saying that they would like these residents to go abroad and do a year of their residency over there, maybe 2 years, rather than to do it here in the United States because it would make them better doctors. This is not my idea. This is the American Medical Association's idea. It does show that sometimes there are things that you can do overseas which are beneficial to you as a citizen of the United States when you get back.

TEACHERS IN AFRICA

Mr. PASSMAN. How many teachers do you now have in Africa?

Mr. SHRIVER. In Africa, 1,120.

Mr. PASSMAN. How many do you propose for fiscal year 1964?

Mr. SHRIVER. How many teachers in Africa for 1964?

Mr. PASSMAN. That is right.

Mr. SHRIVER. I do not know that we have the figure broken down by teachers. I can tell you how many we expect to have in Africa.

Mr. PASSMAN. We shall accept that figure, then.

Mr. SHRIVER. The number of teachers proposed for Africa?

Mr. PASSMAN. You can insert it in the record and for the teachers, too.

(The information requested follows:)

INFORMATION ON TEACHERS IN AFRICA

There are presently 1,120 teachers in Africa. By August 31, 1963, we plan to place 1,050 more teachers in African schools and during 1964 an additional complement of 600 teachers is forecast.

Therefore by the summer of 1964 it is estimated there will be a total of 2,770 teachers in Africa.

TEXTBOOKS USED

Mr. PASSMAN. You have been quoted as saying that the biggest single obstacle in the way of Peace Corps teachers making a maximum contribution to education in Africa is a lack of textbooks.

Mr. SHRIVER. In some parts of Africa that is true, especially in east Africa.

Mr. PASSMAN. What kind of textbooks do they use?

Mr. SHRIVER. The tragedy was in a number of the places, especially in the Somali Republic they did not have any textbooks at all.

Mr. PASSMAN. For the places where they used textbooks, what kind of textbooks did they use?

Mr. SHRIVER. Well——

Mr. PASSMAN. Are they copied after American textbooks in the language of the country?

Mr. SHRIVER. I have seen them using all kinds. I guess you would have to say, Mr. Chairman, I have seen them using textbooks from England, textbooks from the United States, I have seen them using textbooks which were developed specifically for that country. For example, in Ethiopia they have books like social science for Ethiopians which really means that in the book they use illustrations and examples which are understood by the people in Ethiopia, rather than illustrations and examples, let's say, from England.

Personally, I would say that kind of a textbook would be the best for any country. For example, if you are learning American history, you have illustrations in the book which if you are teaching in the United States from our own country.

Mr. PASSMAN. If we are putting up the money and we want those people to know something about our way of life, and they think so much of the Peace Corps that they are now requesting additional Peace Corps volunteers, I just wonder if we could not influence them to use our types of textbooks in their language.

Mr. SHRIVER. They would be delighted to have our textbooks in our language because in most of these countries English is the language of instruction at the high school level.

Mr. PASSMAN. I refer not only to the language, but to the subject material. Socialism is taught in certain countries, communism is taught in certain countries, and a lot of other "isms" are taught. Would it not be well if something about the American way of life were taught?

ESTIMATED COST OF TEXTBOOKS

Would you get an estimate, if you think well of the idea of using American textbooks, printed in their own language?

Mr. SHRIVER. Yes, sir.

We will try to get an estimate.

(The information requested follows:)

ESTIMATED COST OF TEXTBOOKS

In developing the estimated cost of textbooks, we make certain assumptions concerning—

(*a*) The number of volunteers teaching at the various academic levels for 1964; and

(*b*) The average cost of textbooks in the subjects we anticipated would be taught.

It should be recognized that this estimate is based upon the best information available to us as the present time. Further research and analysis will be required before the precise figure may be projected.

On the basis of 9,000 volunteers in fiscal year 1964, we estimate that 50 percent—or 4,500—will be teaching. Of this 4,500, we estimate that 10 percent will be teaching at the college or university level and the remainder—or 4,050—will be teaching at the elementary through high school level.

We estimated that each teacher would have 50 students per class, and the cost of textbooks would be $33 for each student per year in the elementary or high school, and $73 for each student per year in the university or college.

The estimate, therefore, is $8,325,000 computed as follows:

(*a*) Elementary through high school level:

Peace Corps volunteers	4,050
Students per class	×50
Students taught	202,500
Cost of books per student per year	$33.00
Total	$6,682,500

(*b*) College or university level:

Peace Corps volunteers	450
Students per class	×50
Students taught	22,500
Cost of books per student per year	$73.00
Total	$1,642,500
Grand total	$8,325,000

Mr. PASSMAN. Do you think there is merit to the idea? Would it not be better, if 46 percent of them are teaching in grammar schools, to let them be teaching out of our textbooks, something that conveys the story of the American way of life?

Mr. SHRIVER. Yes, sir. Where we have been able to get the books we are doing that.

Mr. PASSMAN. Is cost the reason you are not able to get them?

Mr. SHRIVER. We do not have any money to buy textbooks for the pupils the volunteers teach, sir.

Mr. PASSMAN. Have you ever asked for any money to buy textbooks?

Mr. SHRIVER. No, sir, we never have.

Mr. PASSMAN. What are they teaching? What have they run into over there?

Mr. SHRIVER. I would like to have the record show I have been in, I think, I would say conservatively 500 schools around the world, where Peace Corps volunteers are teaching and in none of those schools is there a textbook that you could describe as a textbook to teach communism or a textbook to teach capitalism.

Mr. PASSMAN. Is there a textbook teaching socialism?

BOOKS SUPPLIED VOLUNTEERS

Mr. SHRIVER. Not that I know of. I would like to say this: That we were successful in getting a footlocker, a small trunk about that long and about this wide, about that deep [indicating], into which we put 200 to 250 books, mostly pocket books. Some of these books were given to us by publishers and others. We have given one locker that size [indicating], to approximately every two Peace Corps volunteers so that in every country where we have a Peace Corps teacher that teacher at least has this reference library of about 200 volumes, almost all of which are books about the United States.

Mr. PASSMAN. We were out in Bangkok and had a look at one of those lockers. You had just about every type of book you could think of there.

Mr. SHRIVER. If the members of the Committee would like to see one, I would be glad to bring a footlocker up here and you may see it.

Mr. MINSHALL. Are all the books in all the footlockers the same?

Mr. SHRIVER. Almost, but they vary slightly. For example, in South America we send books that would have relevance there; for example, there might be a biography in that one of Simon Bolivar. That would not be of particular interest in Africa. There we might have a biography of an African person. In the Latin American ones we usually have books, at least some of the books, in Spanish. That would be useless, obviously, in Africa.

We vary them a little. Some of them are basic. For example, I would like you to know, we have books in there by Senator Goldwater.

Mr. MINSHALL. "Profiles in Courage"?

Mr. SHRIVER. Yes. Nixon's books, Eisenhower's book, "Crusade in Europe," books on economics.

Mr. MINSHALL. Mr. Chairman, I would like a list of these books put in the record at this point.

(The information requested follows:)

GENERAL LIST OF BOOKS FROM WHICH THE PEACE CORPS SELECTS COPIES FOR THE VOLUNTEER FOOTLOCKERS

Pepe, Thomas J., "Free and Inexpensive Educational Aids," Lov.
"The World Almanac"
Rose, Arnold, "Negro In America," Bea.
King, Martin L., "Stride Toward Freedom," Bal.
Goldwater, Barry, "The Conscience of a Conservative," Macf.
Nixon, Richard M., "The Challenges We Face," Pop.
Rockefeller Brothers Fund, "The Power of the Democratic Idea," Doubleday.
Stevenson, Adlai and others, "The National Purpose," HRW.
Eisenhower, Dwight D., "Peace With Justice," Pop.
Kennedy, John F., "The Strategy of Peace," Pop.
Stevenson, Adlai, "Call to Greatness."
Acheson, Dean, "Power and Diplomacy."
Murphy, Arthur L., "Story of Medicine," Airmont.
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Mr. SHRIVER. We would be delighted to have that put in. I think we supplied that to—not this committee, but one of the committees last year. If you or any of the other Congressmen have suggestions about books that ought to be in there and if they can be obtained at a price which we can afford, or certainly if they can be obtained for nothing, we would be delighted to add them.

What we were trying to do was to get the maximum of good books at the minimum price delivered to the volunteers in a foreign country. What it costs, this might interest you, was $72 for the footlocker, all the books and shipment, delivered to the volunteers in Africa, South America, or the Far East. As I said, there is a minimum of 200 books and usually I think it is somewhere between 250 books in each locker for $72.

STANDARDIZED TEXTBOOKS FOR TEACHERS

Mr. PASSMAN. You are getting into an educational program, and you have American teachers teaching in the schools, and certainly one subject is going to be English, is it not——

Mr. SHRIVER. Sometimes—yes, sir. We do teach English.

Mr. PASSMAN. It would be preferable, would it not, that one of the subjects be English?

Mr. SHRIVER. We supply English.

Mr. PASSMAN. Do you think there would be any merit behind possibly building uniform courses, using uniform textbooks, for these people to teach, and get them to reading and thinking about some of the things that made this country so great, free, and wealthy?

Mr. SHRIVER. We are getting them to do that, even without having the textbook, but we would not be unwilling to—we would be very willing to study the usefulness of having those textbooks. The only problem, not the only problem, but one of the considerations, sir, that we have always had in mind was the fact that, if I understand the legislation correctly, the U.S. Information Agency, USIA, was given the job by Congress of supplying what books you might say in general are sent overseas. AID was given the job of providing whatever textbooks are supposed to be used overseas by foreign governments. I am not sure of that.

Mr. MINSHALL. Mr. Chairman, aren't they duplicating this book deal, sending over footlockers, just what the USIA and in some cases the State Department is doing?

Mr. SHRIVER. That is the reason why we did not want to do at the beginning what Congressman Passman suggested. We would be happy to explore it. The reason we are not duplicating is that the USIA books go to a USIA library, generally speaking, which, let's say take Ethiopia, might exist in one or two places in the country whereas our books go with the volunteer. The footlockers, however, are a tool for the volunteer. Say you sent a volunteer carpenter overseas. We would be supplying him with a saw and hammer and the rest of the things he needs. These books are part of the tools of their trade. USIA books are not linked directly to a specific human being like we have them hooked onto our volunteer. That is the reason why we send them and that is the reason why we do not duplicate what USIA is doing.

Mr. PASSMAN. I am interested primarily in your educational phase of this program.

Mr. SHRIVER. I understand you are.

Mr. PASSMAN. I think you stated to the press that by the end of 1963 you would have 2,000 teachers in Africa and that you wanted to put 500 books behind each one of the 2,000 teachers.

Mr. SHRIVER. That is correct.

Mr. PASSMAN. Putting books behind a teacher does not mean much unless they are the proper kinds of books. It would appear to me that you would have to work your program in with the teaching system, the curricula of the schools.

Mr. SHRIVER. That is right.

Mr. PASSMAN. If you are going to put 500 books behind each one of the teachers, then in all probability you should have something to say about the type of books. They may be willing to accept our type of textbooks. I do not know of anything more wholesome than the typical American textbook.

Mr. SHRIVER. I agree with you, sir, and if the Congress would be willing to give us money for that purpose, I think we could use it intelligently.

Mr. PASSMAN. You are having to get books from some source. We do not know how many you are buying, how many are gifts.

Mr. SHRIVER. Most of them are gifts.

Mr. MINSHALL. How about the language? Who translates these? Are they in English?

How do the people pick these up?

Mr. SHRIVER. The books we have sent out?

Mr. MINSHALL. In Indonesia you have 65 percent illiteracy. Who reads these? Are these for the Peace Corps men's edification?

Mr. SHRIVER. No. The literacy rate is 65 percent.

Mr. MINSHALL. I do not follow you.

Mr. SHRIVER. We send foot lockers out with the people who volunteer. Most of the books are used by the volunteer almost like a circulating library out of the house where he lives. People come to his house, borrow the books and read them. If 65 percent of the people out of a hundred million are literate, that means there are 65 million people in that country who can read.

Mr. MINSHALL. It would take a lot of books.

Mr. SHRIVER. You are correct, so therefore, the number that we are sending for the volunteers is just at this point a drop in the bucket, but they are very helpful to the people who do get them. I have seen many volunteer households where the books are actually marked, identified like a library, and where they are rotated in and out like a circulating library. I think that this is very beneficial myself because I think that books like Nixon's or anybody else's, the President's, Eisenhower's, Dean Acheson's——

Mr. MINSHALL. Chester Bowles?

Mr. SHRIVER. I do not know whether that is in there or not.

Mr. PASSMAN. Gentlemen, thank you. We shall now recess until 1 o'clock tomorrow afternoon.

WEDNESDAY, MAY 1, 1963.

Mr. PASSMAN. The committee will come to order.

MISUSE OF AID FUNDS IN THE CONGO

Here is a letter from a very respected Member of Congress, Steven B. Derounian, of New York, a member of the Ways and Means Committee. I read from the letter:

DEAR OTTO: I have talked with representatives of the textile industry who have given me an appalling account of misuse of AID funds in the Congo.

Enclosed is a statement on this situation, excerpts of letters referring to the common custom of "kickbacks" and two newspaper advertisements that appeared, earlier this year, in the Leopoldville newspapers. Both advertisements, I am told, are by companies previously unknown to our textile industry and possibly may have been established simply to take advantage of the AID program.

What can be done to force this AID program to function properly? I can obtain additional information for you and could arrange to have you talk with representatives of the textile industry who have personal knowledge of the situation, should you desire.

It would appear that these people are popping up overnight there as importers and the customary kickback is appalling.

Mr. MINSHALL. Are the remarks of my distinguished colleague going to be made a part of the record along with the attachments thereto?

Mr. PASSMAN. Yes. I am going to insert in the record all of this information, including the letters from Léopoldville, but omitting here the names of these people out there. The names, however, may be checked in the file.

(The material referred to follows:)

U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., April 30, 1963.

HON. OTTO PASSMAN,
U.S. House of Representatives,
Washington, D.C.

DEAR OTTO: I have talked with representatives of the textile industry who have given me an appalling account of misuse of AID funds in the Congo.

Enclosed is a statement on this situation, excerpts of letters referring to the common custom of kickbacks, and two newspaper advertisements that appeared, earlier this year, in the Léopoldville newspapers. Both advertisements, I am told, are by companies previously unknown to our textile industry and possibly may have been established simply to take advantage of the AID program.

What can be done to force this AID program to function properly? I can obtain additional information for you and could arrange to have you talk with representatives of the textile industry who have personal knowledge of the situation, should you so desire.

Sincerely yours,

STEVEN B. DEROUNIAN,
Member of Congress.

FEBRUARY 6, 1963.

RE: AID PROGRAM, REPUBLIC OF THE CONGO

The following are a few of the problems which explain why reputable exporters find it difficult to participate in this business.

1. Large quantities of foreign gray goods are being imported into this country process here, and shipped to the Congo, as being of U.S. origin. The Federal

Trade Commission considers such goods as still being of foreign origin, but the AID people continue to permit such operations, notwithstanding that many months ago they were informed that this was taking place. Their first reaction was that there was nothing wrong with this, but later agreed that it would have to be reviewed, but no decision has as yet been made in this respect. We have received letters from E. Wayne Weant, Deputy Assistant Secretary of Commerce stating that textile products shipped from the United States under the AID program should be manufactured in this country, and agreeing that merely the printing of foreign textiles, and channelling through AID should not qualify. We are also in receipt of a letter from Edmond C. Hutchinson, Assistant Administrator for Europe and Africa, Department of State, AID, stating that foreign textiles which are merely printed in the United States would not qualify for AID financing in connection with the Congo program. Yet in the face of this, it is still permitted.

2. It is quite apparent that many exporters in collusion with importers in the Congo are falsifying invoices and paying kickbacks. The attached extracts from letters which we have received from the Congo explain this matter fully. It is pointed out that there are not more than two honest importers, and the feeling is expressed that there are perhaps not too many exporters here who are not resorting to kickbacks. This is being done notwithstanding that they sign a certification that kickbacks and similar payments are not being made on the individual shipments. When this was called to the attention of someone in Washington dealing with this program it was ignored completely with the statement that "we only use such forms for statistical purposes," and as far as kickbacks are concerned that is not our problem, but rather one of the Congolese. The feeling expressed was that we appropriate so much money for that purpose, and if by paying higher prices and getting kickbacks, we simply receive less goods than they would if it was done legitimately. No thought was given to the dishonesty of all this, and that it is simply putting money into the hands of unscrupulous people.

The original AID form contains the kickback clause. This is ICA–AID form 280 which is possibly still used for AID shipments to the Congo. Since then there has been issued AID 18–24 which is used for Development Loan Fund shipments, and also has the kickback certification, and lately there is the AID, 10160 form. There seems to be some confusion regarding which form is used for what type of shipment, and to what country. Although, a letter was addressed to the Department of State on January 22d asking for information on this subject, up to the present time no reply has been received.

On the subject of these very same forms payment to us of approximately $100,000 was held up on shipments we made to the Dominican Republic, simply because some changes had been made relative to what forms were to be used, but no information has been forthcoming from any Government department to industry on the subject.

The approximate total amount of textiles shipped to the Congo during the 12-month period November 1, 1961, to October 31, 1962, was approximately $3,500,000. The high points were January $90,000, February $365,000, March $500,000, April $110,000, June $245,000, July $575,000, August $650,000, September $320,000, October $400,000. Our own billings for the corresponding months are approximately as follows:

February	$160,000	July	$46,000
March	12,000	August	8,000
April	8,000	September	23,000
June	52,000	October	11,000

It was around the middle of last year that the large shipments of foreign goods started, and unless the authorities act quickly this will continue to the detriment of the American mills, as these shipments of foreign goods increased our business declined, and when the facts are known of the shipments during the months of November and December of 1962 and January 1963 our own showing will be even worse.

Apparently what is happening in the Congo is nothing more than a repetition of what took place in Vietnam a few years ago, and which resulted in a congressional investigation. Apparently, every effort is being made on the part of influential people in the Congo to go into business and make money through these AID funds. This is borne out by the newspaper advertisements and

correspondence which are attached herewith. It is probably a case in the Congo as it is in so many other areas of not what you know, but who you know.

LÉOPOLDVILLE, REPUBLIC OF THE CONGO, DECEMBER 12, 1962

We fully agree with you that such a regulation is disagreeable, especially to the people who have a clear conscience just like you and us. But on the other hand, we have to tell you frankly that when we point out our customers, and in a more general sense all the Léopoldville importers, we only have two people who are not requesting kickbacks, and they are ——— and ———.

If you write: "* * * because there are a few unscrupulous and crooked people * * * that the majority must be penalized * * *" you are roughly misunderstanding. Indeed, we here can affirm that the majority is just the crooked and unscrupulous people, and that there are much more complices [sic] among the U.S. suppliers than you ever can imagine.

Some importers do not even hesitate to apply for a license first, even with samples to be submitted, and shaking hands with their supplier, are getting substitutes at half price, sometimes secondhand articles. When they have to take the goods out of the local customs, they just fattening regularly these people for their silence and/or their blindness.

We could write books about it, and if at your end jail sentences and penalties could be helpful for stop that kind of business we are sure that it will not be the same thing at our side. When we tell you that the local agency of the well known and correct ———. Bank has been suspended since quite 6 months now and had to pay a penalty of Fr 150 million CF (quite $3 million due to an irregularity of one of his members, and that after that another international bank did not hesitate to "take the job over", fully covered by the partnership/complicity of some of the national leaders, you will understand immediately that "everything" is rotten in our country, and that it is thus not yet going to change very quickly.

We hope we will have the opportunity to tell you some day that which seems to be strange to you became normal here, normal however illegal, and why it is so.

LÉOPOLDVILLE, REPUBLIC OF THE CONGO, DECEMBER 13, 1962

If ——— did not came at yours, we see one reason only: he knows that nothing could be done at yours as regards kickbacks. This is why he refused handling business with ——— too.

Confidentially, we know that ——— is actually trying to "buy" the cancellation of the .45 per sq. met. "regulation of fact".

We are not astonished that you do not fully understand which is the real situation at ours, especially as regards regulations "of fact" and regulations "black on white". We sometimes have difficulties to check with "regulations" has to be taken into consideration and which has not.

Please, just do not forget that we are living here amid lots of crooks, black and white, ONUC people or not, who are just taking profit out of the disorganization of a country without possibilities of saving itself.

LÉOPOLDVILLE, REPUBLIC OF THE CONGO, JANUARY 7, 1963

We imagine your surprise when you are comparing the turnovers of textile exports from U.S.A. to the Congo and those you realize.

We are not aware if it is possible to make out a list of various exporters, but we are convinced that 90 percent of cases at least have adopted the kickback system.

Here, several importer-customers simply refuse to deal with us, as long as we do not practice the kickback, which we are practically the only firm in Léopoldville to refuse.

We chose the channel of legality, just as you do, and we know what it costs us in reduction of orders.

Certain importers even substitute themselves for traditional agents and act the role of intermediary, as witness the annexed cuts of newspapers.

How will you, then, that we may deal with success as heretofore. The authorities scarcely intervene (or not at all), and are often accomplices.

Of course, this situation is only a crisis, but we are expecting the end of it only when the liberty of the exchanges in the money market will have been reestablished.

We would like shortly to have the opportunity of giving you further particulars regarding this situation through its various aspects, for that would allow us to understand each other much better.

A situation such as the Congolese import market one is so complex and unlikely that you must be mixed up in it for believing in it.

LÉOPOLDVILLE, REPUBLIC OF THE CONGO, JANUARY 9, 1963

The twill is an exception (of course) in the price regulation about textiles; however we have known cases where the authorities refused the validation because the prices was over $.40.

We have several requests about the middle of the year, for 10,000 and down yardages of twill, width 140 centimeters which could not be honoured.

Our last sales of twills were indeed end 1961/early 1962, but the importers-dealers are generally considering that one cannot make enough profit with selling twill to a factory, where it is more beneficious to sell cotton prints, to the retailers.

On the other hand, ——— and ——— might be interested in twills, if a kickback of 10 percent is granted.

We cannot and we do not grant it, thus we just continue visiting these people for keeping our good relationship with them for better days.

Sometime after your letter ———, we have suggested the purchase of twill to ——— and ———, but already at that moment, we have got the reply that a kickback was a conditional imperative.

LÉOPOLDVILLE, REPUBLIC OF THE CONGO, JANUARY 10, 1963

Incidentally, please note that these pieces of ——— (bought at 45 or 52 cents per yard) are sold at the retail price of $15 for a piece, seldom at $13 for a piece, which thus means more than $3 per yard. A real English wax is sold actually $60/$70 per piece, thus more than $12 per yard.

This happens openly; there is no intervention of the authorities.

The sheets sold to ——— at $15 and $22 per dozen were sold at the retail price of $25 per pair.

You can get everything at 25 percent of the above prices if you pay it in valuta' rather than in the own currency * * *. This perhaps will give you an idea of the situation we are living here and of the final effects and the feeling the people got about these effects of the U.S. AID program. This is, of course, not the fault of the U.S. exporters, but you will agree with us that finally only a handful of importers, dealers, and retailers are taking all the benefits of the AID which in fact should have to reach the "people in the street."

LÉOPOLDVILLE, JANUARY 18, 1963

047 We wish to place this pro forma at Messrs. ———. They have received no quota and furthermore, they refuse the pro forma if a kickback is not granted.

042–044 Messrs. ——— and ——— have not received any U.S. quota. However, as soon as they will receive one, it is quite sure that the order subject to license will follow.

We regret that our correspondence of the last months is full with "no quotas," "no quotas," and "kickbacks," "kickbacks," but please do never forget that this is at least as much unpleasant for us to have to write always the same thing, than for you reading it.

LÉOPOLDVILLE, FEBRUARY 6, 1963

We have no comments actually as regards the contents of your letter. We only wish to point out that the U.S. officials at Léopoldville are aware of the kickback system, but they in fact are in a difficult position, too. Indeed; due

to the kind of business, you will easily understand that it is very difficult for them to state black on white, that one or another Congo importer, did or did not handle kickback business.

On the other hand, when the authorities keep silent, or even are accomplices * * * it will be very uneasy to find out strict rules to be used at our side.

The permeability of the people, as well natives, as authorities, as foreigners, is really too important.

FOUNDING THE FIRST NATIONAL CONGOLESE CO. BY ISSUING SHARES TO PROSPECTIVE BUYERS, SOMICO IMPORT AND EXPORT

(Capital: CF50 million)

The shares are offered to Congolese, and foreigners participate in dividing profits.

At 10,000 francs Congolese, 4,000 shares.

At 1,000 francs Congolese par share, 10,000 shares.

Sales of shares will take place at the offices of our company.

Authorized by the President of the Republic of Congo.

Mr. LUTULA,
Chairman.
Mr. KAKWALA,
Vice President.
Mr. DE MATTOS,
Administrator (one of the biggest crooks of our Republic).

To all importers:

The Noguera & Co. has the pleasure to announce in placing to your disposition all their experience for over 50 years and their technicians in order to assure you the best results according to your wishes and chose. Noguera & Co. recommend you:

The "Noguera wax" real wax in blocks, made in Holland by the Van Vlissingen Co.

Sardines Portugaise
Corned beef
Vine "rodao"
Kidney beans
Fresh butter

Household appliances
"Nestle" product
All types of textiles
Farine Soleil

Immediate delivery.
High quality, success assured.
Place your orders with Noguera.
We will issue for you the proforma and submit for license at the bank.
Our sector in Matadi will assure you a fast clearance from customs.

Mr. ANDREWS. What is the gist of the complaint, Mr. Chairman?

Mr. PASSMAN. It deals with kickbacks. Those who are attempting to be honest, it would appear, are immediately removed from the list of eligibles.

Mr. MINSHALL. Explain that a little more. You can kickback in more ways than one. Give the details of that, please.

Mr. PASSMAN. I shall read:

The following are a few of the problems which explain why reputable exporters find it difficult to participate in this business.

1. Large quantities of foreign gray goods are being imported into this country, processed here, and shipped to the Congo, as being of U.S. origin. The Federal Trade Commission considers such goods as still being of foreign origin, but the AID people continue to permit such operations, notwithstanding that many months ago they were informed that this was taking place. Their first reaction was that there was nothing wrong with this, but later agreed that it would have to be reviewed, but no decision has as yet been made in this respect. We have received letters from E. Wayne Weant, Deputy Assistant Secretary of Commerce, stating that textile products shipped from the United States under the

AID program should be manufactured in this country and agreeing that merely the printing of foreign textiles, and channeling through AID should not qualify. We are also in receipt of a letter from Edmond C. Hutchinson, Assistant Administrator for Europe and Africa, Department of State, AID, stating that foreign textiles which are merely printed in the United States would not qualify for AID financing in connection with the Congo program. Yet in the face of this, it is still permitted.

2. It is quite apparent that many exporters in collusion with importers in the Congo are falsifying invoices and paying kickbacks. The attached extracts from letters which we have received from the Congo explain this matter fully. It is pointed out that there are not more than two honest importers, and the feeling is expressed that there are perhaps not too many exporters here who are not resorting to kickbacks.

This is being done notwithstanding that they sign a certification that kickbacks and similar payments are not being made on the individual shipments. When this was called to the attention of someone in Washington dealing with this program it was ignored completely with the statement that "we only use such forms for statistical purposes," and as far as kickbacks are concerned that is not our problem, but rather one of the Congolese.

The feeling expressed was that we appropriate so much money for that purpose, and if by paying higher prices and getting kickbacks, we simply receive less goods than they would if it was done legitimately. No thought was given to the dishonesty of all this, and that it is simply putting money into the hands of unscrupulous people.

Off the record, please.

(Discussion off the record.)

Mr. SHRIVER. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Will the information that you have just read appear as a part of the hearings on the Peace Corps legislation?

Mr PASSMAN. This has nothing to do with the Peace Corps.

Mr. SHRIVER. Nothing to do with the Peace Corps? The Peace Corps is not even operating in the Congo and these allegations or these conditions are not involved in our work.

Mr. PASSMAN. This particular one does not apply to the Peace Corps. Do you have a plan for the Congo?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. You do have one in the making for Indonesia?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. What about Algeria?

Mr. SHRIVER. No, sir.

CONSIDERATION OF A PEACE CORPS FOR MONACO

Mr. PASSMAN. Monaco? Is there a possibility you would consider a Peace Corps for Monaco if they requested it?

Mr. SHRIVER. I know of no such intention.

Mr. PASSMAN. I asked Mr. Wiggins earlier today and he said that you would consider going into Monaco with a Peace Corps if you were requested. Let us get the record straight. I play for keeps.

Mr. MINSHALL. They play for keeps at Monaco, too.

Mr. PASSMAN. That is what I know. At least the witnesses are divided on that question.

Mr. SHRIVER. This witness is not divided on that.

Mr. PASSMAN. Mr. Wiggins said you would consider it?

Mr. WIGGINS. No, sir. You and I were having a great joke on Monaco.

Do you think we should——

Mr. PASSMAN. You know my feeling about it. I hope if you get a request to go into Monaco, that you will not.

SOCIALISM IN ALGERIA

And I hope that if you get one to go into Algeria, you will not. According to the papers, Premier Ahmed Ben Bella has promised to bring "socialism a la Castro" to Algeria.

I am reading from a UPI report and I will put it in the record.

(The newspaper clipping referred to follows:)

BEN BELLA PROMISES "SOCIALISM"

ALGIERS, April 30.—Premier Ahmed Ben Bella promised last night to bring "socialism a la Castro" to Algeria.

The revolutionary leader's pledge to follow the lead of Cuba's Castro helped quell an angry demonstration by 5,000 Algerians in downtown Algiers.

Workers and many unemployed staged the demonstration outside the Algerian Merchants Union building in a general protest against the newly independent country's "bourgeoisie."

The Cuban premier may visit Algeria sometime next month. The Algerian leader visited Havana last year, shortly after meeting President Kennedy in Washington.

Ben Bella told the crowd, "Our revolution is not that of the big merchant, but of the farmer, the worker, and the shoeshine boy."

After years of colonialism under France, he said, Algeria did not "want any more big rich people."

Mr. NATCHER. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes.

PEACE CORPS VOLUNTEERS FOR THE CONGO

Mr. NATCHER. Mr. Shriver, from time to time you mentioned the fact you are not in the Congo and have no intention at this time of sending members to this section of the world. I am just wondering why?

Mr. SHRIVER. I should not have left the impression, Congressman Natcher, we had no intention of sending people to this section of the world because right now we are in Gabon, which is very close to the Congo. We have no present intention of going into the Congo itself for a variety of reasons. First of all, we have not received any official request from the Government of the Congo to go there and that is a condition precedent.

Second, I think the conditions there are still, relative to other parts of the world, dangerous in terms of life and property and I have, from the beginning, felt it was not necessary, or perhaps even advisable, to subject Peace Corps volunteers to unnecessary physical dangers.

I felt the difficulties of working in another culture, learning the language and so on, were sufficient in themselves without unnecessarily exposing them to actual dangers of life.

These would be the two principal reasons.

We have a third reason in that there is a great difficulty in our country to obtain volunteers who speak French fluently enough to work in the Congo, and leadership for them who also speak French. We are in a number of former French-speaking colonies, independent countries, and we do not want to bite off more than we can digest successfully.

So, we would rather work with the countries where we already are and do a good job with them than to take on new countries indiscriminately.

VOLUNTEERS FOR INDONESIA

Mr. PASSMAN. That is the best recommendation I have heard since we started the hearings. Why are you planning to go into Indonesia if you do not want to take on more countries? What language do they speak there?

Mr. SHRIVER. Indonesian.

Mr. PASSMAN. Is it easier to learn that language than French?

Mr. SHRIVER. It turns out it is easier to learn Indonesian than French.

Mr. PASSMAN. How about Thailand? That language also is easier?

Mr. SHRIVER. No, sir; that is a much harder language.

Mr. PASSMAN. You have the Peace Corps in that part of the world?

Mr. SHRIVER. That is one of the first eight countries.

Mr. PASSMAN. Would it not be easier to say, why send them in because of the French language barrier? Many Americans take French in high school and college, do they not?

Mr. SHRIVER. That was not exactly what I said, Mr. Chairman. What I said was that in view of the fact we are already in a number of countries where French is spoken, we do not want to dissipate the concentration we can make in those countries by taking on another country where French is spoken and sending people to that country, in addition to the ones we are already in.

Mr. MINSHALL. Mr. Chairman, will you yield for a moment?

Mr. PASSMAN. Yes.

Mr. MINSHALL. This language barrier is a difficulty and you are short of French-speaking people to go to these countries; is that it?

Mr. SHRIVER. There are fewer French-speakers, for example, in this country than there are Spanish speakers.

Mr. MINSHALL. I thought part of your training program was to teach these people?

Mr. SHRIVER. That is correct.

Mr. MINSHALL. To use the language learned at the Berlitz School or whatever the method, French, Spanish, or whatever, and it might be on-the-job training?

Mr. SHRIVER. We do do that, but we would rather concentrate the people we do teach French in the countries where we already are working and where French is spoken rather than to take on more countries and merely add to the total.

VOLUNTEERS RECEIVING INSTRUCTIONS IN FRENCH

Mr. MINSHALL. How many students do you now have learning French, for example?

Mr. SHRIVER. I do not know exactly.

Mr. MINSHALL. What is the ballpark figure? What is the ballpark figure in training?

Mr. SHRIVER. Just a second; let me think. They have to learn French for Tunisia, Morocco, Senegal, Gabon, Niger, the Ivory Coast, Togo. That is 7 countries and probably by the end of the year we will have 600 people overseas or in training for those places.

(The information requested follows:)

There are now 45 volunteers receiving instruction in French. This instruction is part of their training for service in Tunisia where French is widely spoken.

Mr. MINSHALL. Many of them never knew how to speak French before?

Mr. SHRIVER. Many of them; but not all by any means.

Fortunately we are able to get a number of people who have studied French in college and some who speak French quite well. It is just a question of degree. It is not a question of absolute figures, but it is a question of whether you want to add 8, 9, 10, or 11 countries where French is spoken.

Mr. MINSHALL. You do require them to become proficient in the language before they go into that particular country, do you not?

Mr. SHRIVER. Capable, not fluent. It is not possible to make some of them fluent in the language in 3 months.

Mr. MINSHALL. Readily understood, then?

Mr. SHRIVER. Yes, sir. We do give them a basis on which they can become fluent as they work. We give them enough so that when they arrive, they are able to conduct their business if their job is as a surveyor or a teacher, so they can start.

TRAINING VOLUNTEERS IN LANGUAGE

Mr. MINSHALL. How are you conducting this training—through the Berlitz School?

Mr. SHRIVER. No, sir.

Mr. MINSHALL. In some places, you are?

Mr. SHRIVER. Very seldom are we using the Berlitz School; not because we do not think well of it——

Mr. MINSHALL. You are using Berlitz instructors; I know that for a fact, and paying a substantial amount per hour for this training?

Mr. SHRIVER. Yes, sir. We have used a few Berlitz instructors, for example, in Puerto Rico in teaching Spanish, but out of the total number of people instructed in a foreign language by the Peace Corps, I would say less than 5 percent have seen a Berlitz teacher; 95 percent of all of our language instruction is done at American universities and colleges—let us say, the University of Illinois, the University of Iowa, or the University of Michigan.

They put on training programs for us. Indiana put on one.

If we are teaching Thai, for example, we have taught it mostly at the University of Michigan, where they have a strong——

Mr. MINSHALL. Do you use existing military establishments, such as the one at Monterey?

Mr. SHRIVER. We do not use military establishments.

Mr. MINSHALL. Or any of their instructors?

Mr. SHRIVER. So far as I know, no instructors with whom we had a contract thereafter subcontracted any instruction from an Army post.

Mr. MINSHALL. Any of the State Department instructors?

Mr. SHRIVER. Yes; we use the Foreign Service Institute people when they are available. There is a big shortage of them.

VOLUNTEERS' LACK OF LANGUAGE PROFICIENCY

Mr. PASSMAN. We were out in Thailand where we met these youngsters and we asked, "Have you learned anything about the Thai language?"

They said, "We have learned a few words."

I said, "You cannot converse in the language? You have just learned a few words and that is the limit?"

They said, "Yes."

That was the information given us in Thailand.

If that is being proficient, then there is a lot of imagination attached to it.

AID PROGRAM IN THE CONGO

Before we leave the Congo, we would not want the record to indicate we are not in the Congo with a very substantial grant in aid program. Again, it is classified so I will have to put just two parts of this together.

This is not the disguised credits, but just the gift part.

For fiscal 1963, $42,500,000, and that is a sizable amount of money to people who look at the public debt figures every day and look at it as a bank account overdrawn.

AUTHORITY UNDER WHICH THE PEACE CORPS WAS CREATED

Did the Peace Corps operate first under Executive order?

Mr. SHRIVER. Yes, sir; we did. We started under an Executive order on March 1.

Mr. PASSMAN. Not by act of Congress but by Executive order?

Mr. SHRIVER. The Executive order was issued under an act of Congress.

Mr. PASSMAN. By what authority?

Mr. SHRIVER. By authority of act of Congress in the Mutual Security bill of such and such a date. What was the date? 1954.

Mr. PASSMAN. Please cite for the record exactly by what authority the Peace Corps came into being.

Mr. JOSEPHSON. The basic authority was section 400(a).

Mr. PASSMAN. Please quote it so there is no misunderstanding about the authority.

Mr. JOSEPHSON. I do not have the statute with me. It has been repealed.

Mr. PASSMAN. What?

Mr. JOSEPHSON. It has been repealed.

Mr. PASSMAN. What was the statute? What is your best recollection of it?

Mr. JOSEPHSON. Section 400(a).

Mr. PASSMAN. What does it say?

Mr. JOSEPHSON. Of the Mutual Security Act of 1954, as amended, which I believe authorized the President——

Mr. PASSMAN. Will you call downtown and get a copy of the statute for us while we proceed with the hearings?

Mr. JOSEPHSON. I will be glad to.

(The information requested follows:)

STATEMENT WITH REGARD TO THE AUTHORITY UNDER WHICH THE PEACE CORPS WAS CREATED

The Peace Corps came into being as a result of the signing by the President on March 1, 1961, of Executive Order No. 10924 (26 F.R. 1789). In that order the President directed the Secretary of State to establish an agency in the Department of State to be known as the Peace Corps, to delegate functions to the Director of the Peace Corps, and to make available funds for the Peace Corps from funds available under the Mutual Security Act.

The basic Mutual Security Act authority on which the President relied in signing the order was that of section 521(a) which authorized him to exercise any power or authority conferred on him by the Act through such agency or officer of the United States as he might direct.

Acting in accordance with the Executive order, the Secretary of State in State Department Delegation of Authority No. 85–11 of March 3, 1961 (26 F.R. 2196) and the Under Secretary of State for Economic Affairs in State Department Redelegation of Authority No. 85–10B of March 4, 1961 (26 F.R. 2196) authorized the Director of the Peace Corps to exercise, with respect to funds allocated to him, the substantive functions provided for in sections 400(a) and 420 and the administrative functions provided in sections 522(a), 522(b), 526, 527(a), 527(c)(1), 527(c)(2), 527(d), 528(a), 529(a), 529(b), 535(a), and 550 of the Mutual Security Act of 1954, as amended. In addition certain Mutual Security Act authorities were automatically conferred upon the Director of the Peace Corps under that act as a result of the creation of the Peace Corps as a U.S. Government agency in the Department of State.

The basic substantive authority of section 400(a) of the Mutual Security Act of 1954, as amended, authorized the appropriation to the President of funds "for use on such terms and conditions as he may specify for assistance designed to maintain or promote political or economic stability."

ADDITIONAL COUNTRIES UNDER CONSIDERATION AND NUMBER OF VOLUNTEERS IN COUNTRIES PARTICIPATING

Mr. PASSMAN. Did you say, Mr. Shriver, that you are in 45 nations with the Peace Corps?

Mr. SHRIVER. Yes, sir. I think, as of this moment, we are in 45.

Mr. PASSMAN. You have five more planned out of 1964 funds?

Mr. SHRIVER. Two more are definite and will there be any beyond that?

Mr. GREENBERG. We had planned an additional 4 to come to 51.

Mr. PASSMAN. Will you list in the record at this point the names of the 51 nations?

Mr. GREENBERG. Yes, sir.

Mr. MINSHALL. As well as the number of Peace Corps people in each one?

(The information requested follows:)

We are providing a list of volunteers who will be on board at the end of the second program year; i.e., August 31, 1963, in the 47 countries for which we have developed programs. The remaining four countries have not been decided upon. See attached list.

Volunteers on board, 2nd program year, Aug. 31, 1963

Latin America:	
Bolivia	187
Brazil	302
British Honduras	32
Chile	137
Colombia	561
Costa Rica	75
Dominican Republic	202
Ecuador	494
El Salvador	48
Guatemala	130
Honduras	50
Jamaica	32
Panama	44
Peru	532
St. Lucia	26
Uruguay	22
Venezuela	127
Total	3,001
Near East and south Asia:	
Afghanistan	45
Ceylon	36
Cyprus	23
India	211
Iran	91
Nepal	109
Pakistan	276
Turkey	170
Total	961
Africa:	
Cameroon	101
Ethiopia	460
Gabon	63
Ghana	223
Guinea	44
Ivory Coast	72
Liberia	393
Morocco	124
Niger	16
Nigeria	610
Nyasaland	42
Senegal	100
Sierra Leone	216
Somali	41
Tanganyika	26
Togo	45
Tunisia	174
Total	2,750
Far East:	
North Borneo and Sarawak	96
Malaya	272
Indonesia	21
Philippines	757
Thailand	239
Total	1,385
Programs under consideration	[1] 903
Grand total	9,000

[1] Decisions not yet reached regarding these programs.

Mr. PASSMAN. And, if you will, tell us of the other four that you plan.

Mr. WIGGINS. Uruguay.

Mr. Chairman, we are in 45 now and we are going into 2 more definitely.

Mr. PASSMAN. What are the countries?

Mr. WIGGINS. Uruguay and Guinea.

Mr. PASSMAN. And the four you are considering?

Mr. WIGGINS. We do not have particular programs in the other countries.

Mr. SHRIVER. The other four?

Mr. WIGGINS. That is right.

We have 45 where we are and 2 definitely planned countries for the remainder.

Mr. PASSMAN. You mentioned four others planned.

Mr. GREENBERG. As Mr. Wiggins stated, Mr. Chairman, we are in or will be in 47 shortly. Our budget contemplated we would be in

51, but at the present time there is no definite plan as to what the other 4 will be.

Mr. PASSMAN. You do not know what countries they are?

Mr. GREENBERG. Not at the present time. No program has been developed. Is that right, Mr. Wiggins?

Mr. WIGGINS. Yes.

Mr. PASSMAN. Do you know what 4 countries are being considered in the 51 you are now mentioning?

Mr. SHRIVER. I think the problem, Mr. Chairman, is that there have been about 25 nations that have asked us to come. As a matter of courtesy to those nations, we do not like to spread on the record the fact they have asked us to come there and we have postponed them, or not listed them.

That is No. 1.

No. 2, if we list 25 nations that have asked us to come, it gets us and them——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You say you are in 45 countries and you have positive plans for 2 others and 4 more you are considering. Could you tell us off the record the names of the 4 you are considering to bring this up to the figure of 51 countries?

Mr. SHRIVER. I do not know if I have the actual four.

Mr. MINSHALL. Why off the record?

Mr. PASSMAN. Because he is apparently afraid he will embarrass them.

Mr. SHRIVER. Here is a list, Mr. Chairman, and there must be at least 15 nations on here. They have asked us to come and if we put that on the record——

Mr. PASSMAN. Is this information classified?

Mr. SHRIVER. Yes, it is.

Mr. PASSMAN. Could the chairman of this subcommittee see it if he promises not to tell anybody?

Mr. SHRIVER. I do not know——

Mr. PASSMAN. Do not trust me with it if you do not know whether the chairman is supposed to see it.

Mr. SHRIVER. Go right ahead.

Mr. PASSMAN. While you are looking up those four——

Mr. WIGGINS. May I go ahead?

Mr. SHRIVER. Yes.

Mr. WIGGINS. There are not a precise four.

Mr. PASSMAN. Why did you use the figure 51?

We think we should know.

Mr. WIGGINS. I would like to try to explain that this was our estimate of the number of countries we would be in by August of 1964. We have not made those decisions yet.

Mr. PASSMAN. You mean the 51 countries?

Mr. WIGGINS. Yes, sir. We have not made those decisions as to which additional, if any; we wanted to give the committee our best estimate of the number of countries where we would be by August of 1964. We can now specify 47 of those countries and the other 4 we cannot name because the decisions have not been made.

Mr. PASSMAN. You are adding those to the 47 but you do not know what countries they are?

Mr. WIGGINS. That is correct.

Mr. PASSMAN. You could have put in another four, five, six, or whatever the number, and the figure would have been just as accurate?

Mr. WIGGINS. No, sir. I would disagree, if I could, please.

Mr. PASSMAN. Please do.

Mr. WIGGINS. I would disagree with you on the ground our general posture is a very small expansion in the coming year. We anticipate, in addition to the 47, we probably will be in 4 more countries by the time that year is out. We do not know, and have not made the decision as to which ones. There are some 25 countries on that list, I believe, and I am sure that a great many of them will not receive volunteers during the coming year.

Mr. PASSMAN. I am trying to get this straight. When it is all over then we will shake hands and have some coffee.

Mr. WIGGINS. Excellent.

Mr. PASSMAN. I am not going to abdicate any more of my authority as a Member of Congress to the executive branch of Government.

You said 50 nations yesterday and you now say 47; and you say you plan 51. You are at least in 45?

Mr. WIGGINS. We are in 45.

Mr. PASSMAN. You have gone into 45 countries since this thing was created by Executive order in 1961?

I refer to the calendar year.

Mr. SHRIVER. It seems to be clear, at any rate, Mr. Chairman, we are in 45 now. We have commitments to go to two more, which makes 47. Out of the, let us say, two dozen nations which have also asked us to come, we thought we would probably go into not more than four more in the coming fiscal year, and that is where this estimated figure of 51 came from.

We have not decided which will be the additional four and therefore we cannot at this moment specify which ones of those in front of you are going——

Mr. PASSMAN. I am not pressuring you.

Mr. SHRIVER. Maybe I should have said approximately 50; I did not mean it as an absolute figure.

RESULTS OF DECREASE IN FUNDS FOR 1963

Mr. PASSMAN. Did you say last year, in effect, that there would be serious consequences in turning down a request of 24 countries?

I think that is what you testified to last year.

What serious consequences have you experienced?

Mr. SHRIVER. I am sorry. I did not understand that.

Mr. PASSMAN. Last year, before this subcommittee, it was indicated if you did not get all of the money you asked for, there would be very serious consequences in turning down the requests of 24 countries. Did you go into all the countries that you talked to the committee about?

Mr. SHRIVER. If my memory serves me right—perhaps you could read to me what you refer to. I never used the figure of 24 that I remember last year.

Mr. PASSMAN. I shall read from page 837:

Mr. ROONEY. What consequences, if any, would there be with regard to negotiations of possible commitments with foreign governments if reduction is made here?

Mr. WIGGINS. I think if there were a reduction there would be very serious consequences, both——

* * * * * * *

Mr. PASSMAN. Would you limit it at this time to the implications it would have on our relations with foreign governments? Do you see any implications so far as foreign affairs are concerned?

Mr. WIGGINS. Yes, I do.

We want to know what, if any, the serious consequences have been?

Mr. WIGGINS. I would like to refresh my memory.

Mr. PASSMAN. Take all the time you need.

Mr. WIGGINS. Thank you.

Mr. PASSMAN. You submitted a request for a certain number of dollars to meet the requests you had from 24 countries. You did not get all of the money and we want to know what serious consequences have resulted since you did not get all the money.

Mr. SHRIVER. You see, it is not a very good thing for our country, it seems to me, absolutely to say no to an Ambassador who comes to me for the sixth time and who says he would like to have the Peace Corps in such and such a country and we say, "No; we are not going to come to your country."

We do not turn people down that way. What we have said, Mr. Chairman, is that we have not gone into 24 countries which have requested us to come in, and that is not quite the same as saying we have told them we will not come. We have postponed.

Mr. PASSMAN. Do you plan going into them?

Mr. SHRIVER. I did not say that.

Mr. PASSMAN. I did not say that you did.

Do you say now that you plan to go into them?

Mr. SHRIVER. No; I do not. We tried to say a little while ago we were in 45 countries now and we will be in 47 in the next few months. We propose to this subcommittee we get into 51 by August of 1964. That means there would be four probably out of, say, 24 into which we might go.

We have not made any commitment to go to four. We have not specifically selected any specific four. We have not said we would go into 24.

Mr. PASSMAN. Then, could you cite for the record any serious consequences you suffered by not getting all the money you requested?

Mr. SHRIVER. One of the serious consequences last year was that instead of being able to get 10,000 volunteers by this fall, which is what we asked Congress for permission to do, and that is what the Foreign Affairs Committee authorized, we probably will only be able to get maybe 8,500 or 9,000 this fall. That meant 1,000 persons would not go overseas who could be overseas doing work for our country abroad.

Mr. PASSMAN. I do not see anything serious about that. It may, in fact, be very much in our favor. But, what have been the serious consequences other than that you did not send these people to these countries? Is there anything in addition to that?

Mr. SHRIVER. Yes; I think the need for the Peace Corps services abroad, in terms of its value to the United States, is great.

Mr. PASSMAN. That is your opinion.

Mr. SHRIVER. Of course, it is my opinion; yes, sir.

REQUESTS FOR VOLUNTEERS

Mr. PASSMAN. Do you usually first receive these requests through the Ambassador?

Mr. SHRIVER. Not usually; no, sir. We have gotten them through a variety of ways. The Prime Minister of Nyasaland wrote a direct letter to President Kennedy and in the letter he specified exactly what he wanted in Nyasaland. That later came to me.

The President of the Dominican Republic came to my office in Washington and while he was in my office he dictated a request in Spanish which was copied down, requesting us to send certain types of people to the Dominican Republic. That happened to come from the President of the Dominican Republic.

Mr. PASSMAN. I like an enthusiastic person and you are an enthusiast if I ever knew one.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. You know me well enough to know there is nothing personal about this.

Mr. SHRIVER. I am sure. I am also a realist.

Mr. PASSMAN. We are drawing from these spigots. I used the figure 9 yesterday but there are really 13. These people know they can dip over into these other AID programs, so do you think any of this is based on the fact they wanted to please all of the people who may be in this program, whether it is the Peace Corps or other segments?

Mr. SHRIVER. No, I would think it is just the reverse, Mr. Chairman, because in most cases, certainly at the beginning, there were a substantial number of career people who did not particularly look with favor upon the Peace Corps, or with pleasure. It is just the reverse of what you are saying, that is probably more accurate.

Mr. PASSMAN. Is the President against the program?

Mr. SHRIVER. Not the President. You said the Ambassador, I think.

Mr. PASSMAN. I have gotten away from the Ambassador.

I was led to the fact that many of these spigots and cups are involved and there is good, easy money ready to be drawn out.

Something prompted you to go to Indonesia. Was that visit by request of Sukarno or by request of the Ambassador?

Mr. SHRIVEB. No. Mr. Sukarno sent a cable suggesting he would like to have me come down there to discuss the possibility of the Peace Corps working in Indonesia.

Mr. PASSMAN. I think Sukarno is pro-Communist. I do not think he is a friend of America. I do not think there is anything to indicate he is a friend of America.

Your agency has gone from 484 so-called volunteers in 1961 to 3,578 in 1962, to 5,003 in 1963, and you propose to go all the way up to 13,000 so-called volunteers in fiscal 1964; is that correct?

Mr. SHRIVER. Yes, sir.

EMPLOYMENT STATUS OF VOLUNTEERS

Mr. MINSHALL. Why do you call these people volunteers? Are they not Government employees?

They are doing this work for nothing or they are not.

Mr. SHRIVER. I would like for the sake of the record, Congressman, to point out these people are not Federal employees. They are specifically stated not to be.

Mr. MINSHALL. Who is paying them, some private industry?

Mr. SHRIVER. I was going to quote from the statute which created the Peace Corps which specifically states these volunteers are not to be considered Federal employees except for purposes specifically enumerated in the statute which are relatively few.

It is through this, just as you have observed, that they are paid by the U.S. Government.

Mr. MINSHALL. Either they are on the Government payroll or they are not.

Mr. SHRIVER. They are paid by the U.S. Government. That is correct.

Mr. MINSHALL. That is all I wanted to know.

Mr. SHRIVER. They are not Government employees in the sense other people on the Government payroll are employees. They are specifically not employees and the statute says that.

Mr. MINSHALL. They are not volunteers?

Mr. SHRIVER. Yes, sir; they are volunteers.

Mr. MINSHALL. How do you classify them as volunteers?

Mr. SHRIVER. Just in the way the Army was made up of volunteers in the 1920's when there was no draft. The people volunteered to serve in the Army.

Mr. MINSHALL. I am talking about looking ahead. These are Government employees on the public payroll.

Mr. SHRIVER. No, sir. They are not Government employees, except specifically for the purposes enumerated in the statute. That was one of the basic decisions early in the Peace Corps history.

Mr. MINSHALL. They get a check from the United States, or a U.S. Treasury check?

Mr. SHRIVER. Sometimes they get checks in the host country where they are working; they are paid that way.

Mr. MINSHALL. Where does the Government get its money, from the AID program? Is that the case?

Mr. SHRIVER. All I am trying to say is that originally the enabling statute specified they would not be employees of the U.S. Government except——

Mr. MINSHALL. Is the Indonesian Government going to put these people on the Indonesian payroll that you are sending over there?

Mr. SHRIVER. Some of their expenses will be defrayed by the Government of Indonesia; yes.

Mr. MINSHALL. Will all of the employees eventually get a U.S. Treasury check? They will, will they not?

Mr. SHRIVER. They will get a readjustment allowance at the end. If somebody is on social security, they get a Government check, but that does not make them a Government employee.

Mr. PASSMAN. That is one reason, Mr. Shriver, this thing is getting so confusing.

Mr. SHRIVER. It is just what the Congress put in the bill.

Mr. PASSMAN. I am a Member of the Congress and I get a Government check every month. My secretaries get a Government check every month and, so far as I am concerned, they are employees of the Government; the Government is paying my salary and the Government is paying their salaries.

We are trying to understand this thing.

Mr. SHRIVER. Here is section 5——

Mr. PASSMAN. We want to clear up whether or not these people are employees of the Federal Government. They are on the Federal payroll. "Volunteers" is just a word assigned to them as far as I am concerned.

The names of things have certain attractions to people, and we are bound to admit that this is very carefully worked out. When you put that word "Peace" in there, it has some appeal.

You are working for the Government if the Government is paying your salary, and I do not care whether it is $3 or $3,000.

I quote from a statement of Mr. Shannon who is a so-called volunteer with the Peace Corps:

> The idea people have of joining the Peace Corps is a myth. I feel I am doing some useful work here but at the same time I am enjoying myself thoroughly. The second part of the Peace Corps myth is that we get almost no pay and have to live like beggars. That is dead wrong. I get $80 per month.

Is he making a statement of fact or not? Is he getting $80 a month?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Do all Peace Corps men get that amount?

Mr. SHRIVER. No, sir.

READJUSTMENT ALLOWANCE

Mr. PASSMAN. Let us get a salary scale as to what Peace Corps men receive.

Mr. SHRIVER. All Peace Corps men get $75 a month for each month of satisfactory service payable to them at the termination of their service, known as a readjustment allowance. The Act itself, as enacted by Congress, says:

> * * * except as provided in this Act, volunteers shall not be deemed officers or employees or otherwise in the service or employment of, or holding office under, the United States for any purpose.

This law was studied in great detail by the Foreign Affairs Committee.

Mr. PASSMAN. What are you asking for money for if it is not to pay for the administrative expenses and pay these Corpsmen? How much expense money per month do they get when they are abroad?

COST OF LIVING ALLOWANCE

Mr. SHRIVER. The allowances paid to volunteers abroad vary anywhere from $60 a month, which I know happens to be the rate in the Philippines, to as much as $220 a month in Niger where the cost of living is much higher.

Mr. PASSMAN. Where do you get the $60 to $220 a month to give to the Peace Corpsmen? It comes from the Federal Government?

Mr. SHRIVER. Correct.

Mr. PASSMAN. You are asking for $108 million this year for the Peace Corps. That money, if you get it, is coming out the U.S. Treasury, is it not?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. You are paying up to $220 a month for expenses in what country?

Mr. SHRIVER. In Niger.

I can check that figure. That is approximately correct.

Mr. PASSMAN. Would you give us for the record a statement of the monthly allowance for these individuals and what is accruing to their credit per month that will be paid to them when they come back? Are you not going to pay them $75 a month when they come back?

(The information requested follows:)

Schedule of living allowances, by country (allowances subject to change)

Country	*Monthly living allowance*
Africa:	
Cameroon	$145.
Ethiopia	$150 in Addis Ababa; $140 elsewhere.
Gabon	$50, excluding food and housing.
Ghana	$164.
Guinea	$175.
Ivory Coast	$200 in Abidjan; $175 elsewhere.
Liberia	$163.
Morocco	$120.
Niger	$220.
Nigeria	$148 for Peace Corps volunteers living alone; $130 for Peace Corps volunteers in groups of 2 or more.
Nyasaland	$112.
Senegal	$180.
Sierra Leone	$141.
Somali Republic	$130.
Tanganyika	$160, engineers, geologists; $160, nurses.
Togo	$150.
Tunisia	$165.
Far East:	
Indonesia	$165.
Malaya	$90.
North Borneo, Sarawak	$120.
Philippines	$53.
Thailand	$80.
Latin America:	
Bolivia	$105, rural; $125, La Paz.
Brazil	$100, 4-H; $87, community action.
British Honduras	$81, $105, $123, depending on location.
Chile	$90, YWCA; $105, other.
Colombia	$105.
Costa Rica	$150, San Jose; $125, elsewhere.
Dominican Republic	$100–$110, depending on location.
Ecuador	$110, coast; $100, interior.
El Salvador	$120.
Guatemala	$135.
Honduras	$105.
Jamaica	$85–$200, depending on location.
Panama	$85.
Peru	$130, Lima and Chimbote; $110, other.
St. Lucia	$100.
Uruguay	To be determined.
Venezuela	$189, Caracas and Maracaibo; $167, elsewhere.
Near East/South Asia:	
Afghanistan	$100, excluding housing.
Ceylon	$90.
Cyprus	$110.
India	$75–$80, depending on location.
Iran	$85.
Nepal	$46, excluding housing.
Pakistan	$81.
Turkey	$97.

Mr. SHRIVER. We give them a payment when they return of $75 a month for every month of successful service as a readjustment allowance. That was provided by the Congress in the same section I was reading to you from a minute ago, section 5(c). It says each volunteer shall receive a termination payment of not to exceed $75 for each month of satisfactory service as determined by the President.

Mr. PASSMAN. When they come back, in addition to this expense allowance of from $60 to $220 a month which they are receiving, you have accrued to their credit, a salary, call it whatever you want to, at the rate of $75 a month to be paid in a lump sum; is that correct?

Mr. SHRIVER. We are paying them in a lump sum $75 a month as a termination payment. That is correct; yes, sir.

Mr. PASSMAN. As a termination payment?

Mr. SHRIVER. That is correct.

Mr. PASSMAN. Is it predetermined as to what they are going to get?

Mr. SHRIVER. It is predetermined. Congress tells us.

Mr. PASSMAN. By law?

Mr. SHRIVER. By law.

Mr. PASSMAN. So, putting it another way, they are getting $75 a month in the way of termination pay, or allowance, and you are drawing out of the Treasury $900 a year per Peace Corpsmen for the time when they come back to the United States, having discharged their obligation during the employment period?

These people are getting $75 per month credited to their account, and when they return to the United States, you give it to them in a lump sum. It does not make any difference whether you call it accrued salary, termination pay, or good behavior pay. They are still getting that much money out of this appropriation, are they not?

Mr. SHRIVER. They are.

The question arose from the Congressman's observation that these people were employees. I just want to call your attention to this original statute.

Mr. MINSHALL. Regardless of what they are called, they are still paid by the taxpayers of the United States, are they not?

Mr. SHRIVER. Yes, sir.

Mr. MINSHALL. Of course they are. And all these assistants you have here, are they volunteers?

Mr. SHRIVER. None of them are.

Mr. MINSHALL. They are on the payroll?

Mr. SHRIVER. They are employees of the U.S. Government. Those are not the volunteers.

Mr. MINSHALL. They get paid by the taxpayers of the United States?

Mr. SHRIVER. Yes. A lot of people in the United States get checks.

Mr. PASSMAN. About 48 million of them, nearly 1 out of every 2 adults.

Mr. SHRIVER. But they are not all employees of the Federal Government although they all get checks from the Government. That does not automatically make them an employee.

Mr. MINSHALL. They are still being paid by the Treasury of the United States?

Mr. SHRIVER. That is right. These 48 million people are being paid by the Treasury.

LEGISLATION ON EMPLOYMENT

Mr. NATCHER. Mr. Shriver, as your attorney will point out to you, under section 5(a) of the Peace Corps authorization legislation, it specifically provides that:

> * * * except as provided in this act, volunteers shall not be deemed officers or employees or otherwise in the service or employment of, or holding office under, the United States for any purpose.

Further down, in section 5(d) as your attorney will tell you:

> Volunteers shall be deemed to be employees of the U.S. Government for the purpose of the Federal Employees' Compensation Act.

There are other provisions that put them right back in the same category. When you studied law and had common law procedure, you studied negative pregnants. You have here a series of negative pregnants.

Mr. PASSMAN. With reference to the salaries they earn, or the separation pay, or termination pay, or good behavior gift pay, whatever you want to call it, when they come out of the Peace Corps, could that be used at any subsequent date in connection with other employment in the Government for retirement purposes?

Mr. SHRIVER. The 2 years they serve as Peace Corps volunteers, if they go into Government service subsequently, can be added for retirement.

Mr. PASSMAN. They are not working for the Government, but they are working for the Government.

EMPLOYMENT OF PEACE CORPS PERSONNEL UNDER EXECUTIVE ORDER

You created this thing under an Executive order. Who did they work for until this statute was passed?

Mr. SHRIVER. I do not know who they all worked for.

Mr. PASSMAN. I am talking about the Peace Corpsmen. You set up this organization out of this $1,620,000 allocation. You had Peace Corpsmen then, did you not?

Mr. SHRIVER. We did not have any at that time.

Mr. PASSMAN. What did you do with the money?

Mr. SHRIVER. That was to start the organization.

The first Peace Corps volunteers were selected about the 15th or 20th of June.

Mr. PASSMAN. We shall take it from there.

This was not enacted into law until September 27, 1961. From June to September, for whom did they work, the Peace Corpsmen?

Mr. SHRIVER. The Peace Corps volunteers went into training in June, July, and August, and Congress passed the law, and the money appropriated under that law gave us the money to finance the Peace Corps volunteers and staff people.

Mr. PASSMAN. By you interpretation, for whom did they work from the time they went into training until we passed this Act?

Mr. SHRIVER. Perhaps it would be well for the General Counsel to explain that.

Mr. JOSEPHSON. The first volunteers who came on board signed individual contracts with the Peace Corps under the authority of section 537(a)(3) of the Mutual Security Act of 1954, as amended.

Mr. PASSMAN. And the Peace Corps was a branch of the Federal Government?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Created by Executive order?

Mr. SHRIVER. Yes.

Mr. PASSMAN. There is no question about these people being in the Government. They are employees of the Federal Government being paid by the American taxpayer.

Mr. ANDREWS. Mr. Shriver, do these volunteers pay any income tax on that money when they come back from overseas?

Mr. SHRIVER. Yes.

Mr. ANDREWS. As I understand it, they appear to be Federal employees without certain benefits that the average Federal employee gets, such as civil service retirement benefits, and so forth? They certainly have to have an employer?

Mr. SHRIVER. Yes.

Mr. ANDREWS. And the employer is certainly the Federal Government?

Mr. SHRIVER. I think you are exactly right. They are working for the Federal Government, but they are not employees in the sense that all other people are employees in that they do not get certain benefits that regular employees receive.

Mr. ANDREWS. They are employees, in my opinion, of the Federal Government. They have to have a boss. They have to have an employer. That boss is the Peace Corps, which is a branch of the Federal Government?

Mr. SHRIVER. Yes.

What we were trying to do was to establish a type of service for the U.S. Government which was not a regular civil service status, and therefore we tried to establish, and with the approval of Congress did establish, a type of service for our country that was unique, and it is not the same as a Federal employee. All employees of the U.S. Government serving overseas get certain differentials, hardship allowances, and so forth, while they are serving overseas. The people who work for the USIA and the people who work for the State Department, they are regular Federal employees.

Our volunteers do not get the kind of pay and benefits and emoluments they get. In those specific senses, they are not regular employees. It is true they work for the Federal Government, but they are not Federal employees. That is the only point the statute makes.

COST OF LIVING ALLOWANCE

Mr. PASSMAN. In one country they get $60 monthly, and in another country they may get $220.

Mr. SHRIVER. That is not salary. That is a living allowance which enables them to live at the level of the people they are working with,

and that cost is determined by the cost of living in a particular country. The same person could be working in the Philippine Islands at $60 and at Tanganyika and that same person would get $160, but that would not give him anything more. It is difference in the cost of living.

Mr. PASSMAN. You are not going to fire Mr. Shannon for giving us the facts about this thing?

Mr. SHRIVER. I think he is great. I saw him before you did, and I——

Mr. PASSMAN. You did not indoctrinate him very completely.

Mr. SHRIVER. We do not indoctrinate them.

IMPRESSIONS OF PEACE CORPS

Mr. PASSMAN. Mr. Shannon says that all this sacrifice you claim the Peace Corps men are making is a myth.

Mr. SHRIVER. He is wrong.

Mr. PASSMAN. A moment ago you said he was great.

Mr. SHRIVER. I think he is a fine fellow. What he knows about the Peace Corps is restricted to what he knows. That is 1 man out of 5,000.

Let me give you an analogy. When the Normandy Beach was taken by General Eisenhower and the troops, some got ashore and never got hurt and moved in very rapidly. Some other men got pinned down on the beach and got slaughtered. The man moving in 5 miles thinks this is not so bad, but the man down the beach who has lost his leg says this is a terrible battle.

If we took the word of a single soldier for what General Eisenhower found on that whole front, that would be inaccurate.

Mr. PASSMAN. I have more information on more Peace Corpsmen than from one. I have been reading to you from an article by Mr. Shannon.

I still say we have misrepresented this agency to the American people by name. It is no more Peace Corps than the Department of Agriculture. You apply that label to it, and some people think world peace is going to be the result of it.

Mr. SHRIVER. We made it very clear at the beginning——

Mr. PASSMAN. To whom?

Mr. SHRIVER. Everyone who was willing to listen, that the Peace Corps was making no pretense of saying simply because the Peace Corps existed world peace was going to come. We never made such a statement.

Mr. PASSMAN. It started as a youth corps. Before this came back to us, they substituted the word "peace" for "youth."

Mr. SHRIVER. Senator Humphrey introduced a bill called the Peace Corps. When Senator Kennedy sponsored it, it was called the Peace Corps. The only one who called for a study was Representative Reuss and that was for a youth corps.

PROJECTED SIZE OF PEACE CORPS

Mr. PASSMAN. You have gone from 484 to 3.578 to 5,000 to 13,000 so-called volunteers. What is your goal, the best estimate as to the number of volunteers which you feel will be adequate, and in what year?

Mr. SHRIVER. The estimate we have given to Congress.

(Information supplied follows:)

GENERAL STATEMENT ON VOLUNTEER AND PROJECT COSTS

Peace Corps planning and budgeting are based upon a program year which runs from the beginning of September through the end of the following August. On August 31, 1961, 484 volunteers were in training for or serving in 8 countries. On August 31, 1962, 3,578 volunteers were in training for or working in 38 countries. A total of approximately 9,000 volunteers in 51 countries is projected for August 31, 1963, and 13,000 for August 31, 1964. Regional totals for these dates are:

	Aug. 31, 1961, actual		Aug. 31, 1962, actual	
	Countries	Volunteers	Countries	Volunteers
Africa	3	142	13	1,110
Far East	1	158	4	799
Latin America	3	151	13	1,230
Near East and South Asia	1	33	8	439
Total	8	484	38	3,578

	Aug. 31, 1963, estimate		Aug. 31, 1964, estimate	
	Countries	Volunteers [1 2]	Countries [4]	Volunteers [1 3]
Africa	17	2,750	17	3,750
Far East	5	1,750	5	1,750
Latin America	21	3,150	21	6,150
Near East and South Asia	8	1,350	8	1,350
Total	51	9,000	51	13,000

[1] Estimated net figure after training.

[2] Includes 484 replacements in continuing programs of volunteers who will have completed their 2-year term of service by Aug. 31.

[3] Includes 3,094 replacements in continuing programs of volunteers who will have completed their 2-year term of service during the period Aug. 31, 1963, to Aug. 31, 1964.

[4] The rate of increase of countries in which the Peace Corps program has been or will be initiated in 1962 and 1963 is not applicable to 1964. It is assumed that during 1963, programs will have been developed for the majority of countries in which the Peace Corps at present has a potential for service.

Mr. PASSMAN. 13,000 will be the alltime high?

Mr. SHRIVER. I would not want to say what would be the alltime high.

Mr. PASSMAN. If you are going to get any money through this subcommittee, you are going to have to give us an idea where we are going.

Mr. SHRIVER. We are doing that right here.

Mr. PASSMAN. You are going to have to go further than that. You have gone from 484 to 3,578 to 5,000 to 13,000 so-called volunteers. Do you estimate that is going to be the leaving-off point, or do you envision this thing going on up to maybe 18,000 or 30,000?

Mr. SHRIVER. I have answered that question before the committee, and I would like to have the record show now that the answer I give now is the same answer I gave before. The Peace Corps is happy to come before this committee every year and explain what we think is needed to operate this thing intelligently and at what level it ought to be operated intelligently for the following year.

Mr. PASSMAN. And that is as far as you will go?

Mr. SHRIVER. I am willing to go further. We have always taken that position. We are glad to come here year by year and explain what we are trying to do.

FACTORS RELATING TO SIZE OF THE PEACE CORPS

There are three factors which will always, I think, control the size of the Peace Corps.

No. 1, how many qualified, able Americans volunteer. No one knows from year to year how many such persons will volunteer. Next year there might be half as many volunteers as this year. If that happened, there is no way to increase the size of the Peace Corps. In fact, it would decrease.

Mr. PASSMAN. What if 50,000 people who are well qualified by your standards asked for a job? Would you give thought to utilizing that many?

Mr. SHRIVER. As of this time, no.

Mr. PASSMAN. I am talking about in subsequent years.

Mr. SHRIVER. I am trying to tell you.

The second factor would be, What is the demand for overseas and can a certain number of Americans operate effectively in a given country? That is the determination——

Mr. PASSMAN. You are covering the lot. You are not answering my question.

Mr. SHRIVER. I am trying to.

The second reason is the demand from overseas. That will control how large the Peace Corps gets.

And the third and most important reason is, How much money are the taxpayers, through their legislative representatives, willing to devote to this particular enterprise? That will control the size of the Peace Corps.

Mr. PASSMAN. Let us say that all the other nations of the world ask for Peace Corpsmen and 50,000 young men and women come forth who meet your specifications. Would you try then to work up a plan to come to the Congress to utilize that many?

Mr. SHRIVER. Your imagination outdoes mine.

Mr. PASSMAN. You are not going to give us an answer as to whether or not this thing will grow?

Mr. SHRIVER. I will, if you let me.

Mr. PASSMAN. You have covered a lot, and you have not answered a thing.

PAYMENT OF VOLUNTEERS THAT RETURN PREMATURELY

These youngsters who come home before their 2 years have been completed, do they raise much fuss if you do not pay them the $75 a month for the time they have served?

Mr. SHRIVER. Do they raise much fuss—none have come home yet.

Mr. PASSMAN. I thought you said you brought 120 home, or some number.

Mr. SHRIVER. I am sorry.

Mr. PASSMAN. Those who return, who get homesick, or whatever the reason may be, and come back, do they express much disappointment if they are told they have not earned the $75 a month for the time they served, or do you pay them?

Mr. SHRIVER. As the statute says, we pay $75 for every month of successful service.

There are people who have served for 6 months. As I gave a case yesterday, a man has to come home because his family has had an accident, or someone is sick, so he does receive $75 a month for each of the 6 months that he served.

Mr. PASSMAN. What if one gets pregnant and comes home? What does she get?

Mr. SHRIVER. It would depend whether this pregnancy——

Mr. PASSMAN. If they had neglected to marry?

Mr. SHRIVER. She might not get $75. That might not be deemed to be a successful month of service.

Mr. PASSMAN. Have you had any cases like that?

Mr. SHRIVER. Of people who got pregnant overseas, I think there have been a couple. We would give them $75 a month for every month of successful service prior to an incident when we terminated their ability to serve for, shall we say, improper reasons.

Mr. PASSMAN. What if they are able to serve for part of the period they are pregnant? Do they get paid?

Mr. SHRIVER. It would depend on whether they completed a month of successful service. That determination is made by the Peace Corps representative in charge in each country. He has to certify each month whether the volunteer has actually performed a successful period of service for that month.

Mr. PASSMAN. Could you cite any instances where you brought these people back and did not pay them for the months they served overseas?

Mr. SHRIVER. Yes, there have been a couple. I cannot remember.

Mr. PASSMAN. A couple?

Mr. SHRIVER. I do not know how many. I do not have the details.

Mr. PASSMAN. You do not know?

Mr. SHRIVER. I believe we have not paid some of them for some of the time.

Mr. PASSMAN. You said two, and then you said you did not know.

Could you ascertain for us how many, how long they stayed over, how many months you paid them, and how much of their salary they missed getting?

Mr. SHRIVER. We can supply that information.

(The information supplied follows:)

All Peace Corps volunteers who have returned from overseas have been credited for all their months of satisfactory service. In 39 cases, volunteers have left their program at their own convenience and the decision was made that they should pay for their return transportation, and such was deducted from their accrued readjustment allowances.

One Peace Corps couple in Nigeria married without advance permission, and the Peace Corps representative did not credit them with satisfactory service for that month.

FACTORS LIMITING SIZE OF THE PEACE CORPS

Mr. PASSMAN. Would it appear that we may be reaching the point of leveling off with the Peace Corps or is there a possibility we will go a little higher, or much higher? Is that a fair question?

Mr. SHRIVER. Sure.

Mr. PASSMAN. What do you think?

Mr. SHRIVER. Mr. Chairman, I think a number of things.

Number one, it is just as possible for the Peace Corps to decrease in size as for it to increase in size. I say that because, first of all, the supply of volunteers is crucial to determining the total size of the Peace Corps. We do not have any draft in the Peace Corps. We do not pay salaries in the Peace Corps, so, therefore, if people do not come forward, it is not within our power to require them to come forward by drafting them, or raising salaries.

If you do not get enough people to deliver the mail in the Post Office Department, you can raise the salary and get them to deliver the mail. We do not have the alternative of the draft or salary. So unless people volunteer, and unless they are qualified, able, and dedicated people, the Peace Corps is not going to be able to grow. That is number one.

Number two, if the supply of volunteers should decrease, the size of the Peace Corps would automatically decrease.

The demand from overseas is high now, but who knows what it might be next year, or the year after. There are many countries where the Peace Corps is under attack by Communists and reactionary groups in those countries that do not want the Peace Corps in there.

Who knows, they might get command in the country and the Peace Corps would be removed from that country.

The third thing is, there is certainly a question as to how much money the U.S. Congress and the taxpayers wish to invest in this type of an enterprise. That will control the size of it.

I would like to say also that there is no intention on anyone's part connected with the Peace Corps that I know of today to take the Peace Corps into 112 nations.

Nor is there any intention, so far as I know, of anyone taking the Peace Corps to 50,000, 75,000, or 100,000, or whatever it was you mentioned.

Also, I would like to say we are not in my judgment following in the same footsteps, as you have used the phrase, of the agency which started off with 16 countries and then went to 101 countries. We do not have any money to give away. Therefore, we are not popular because of any money we give away. We do not have tools to give away, or cement to give away, or anything like that. This is not a give-away program under any circumstances, except insofar as the volunteers give their own labor away.

I would say those three factors will control the size of the Peace Corps. We are not at any time here indicating, nor have I in the past indicated, that we have any intention of going into 112, or 113, nations with 50,000 people.

Mr. PASSMAN. You said you were not traveling in the direction of the AID agency, but you have out-traveled them quite rapidly. It took them about 8 or 9 years to get into 45 nations, or whatever the figure may be. You got there in about 2 years and a half.

Now, again, if you should receive requests from, say, 100 nations, and found that you had 50,000 young men and women available who met your qualifications and wanted to get in the Peace Corps, would you give consideration to all of the applications from the 100 nations, and would you look favorably upon the 50,000 who are qualified and try to place them in the nations to meet these requests?

Would you think this could go that far, or is there a stopping place?

Mr. SHRIVER. As I said several times, I cannot foresee circumstances where we would be giving consideration to requests from 100 nations for 50,000 people. If you can, that is fine.

Mr. PASSMAN. Can you foresee 25,000 people in this outfit?

Mr. SHRIVER. I do not know. I cannot see that by any stretch of the imagination, 50,000. I do not know because of the factors mentioned what it would be.

Mr. PASSMAN. Do you think there is a possibility the number you are requesting now would be the checking-out point, that this will be just about what you will level off at, the number you are asking for this year, even if it takes you 2 or 3 years to get it that high?

Mr. SHRIVER. I do not like to make hypothetical guesses about something that I do not know the answer to.

Mr. PASSMAN. You made, in my opinion, a lot of guesses last year.

Mr. SHRIVER. No, sir. Last year we made a presentation to you and the Congress, and every part of that presentation we have lived up to. That is the same as we have done before.

I am not one of those soothsayers who can tell you what will happen 5 years from now, but I am willing to come over here every year and give you the best basis of fact upon which to make a judgment of fact about the size of the Peace Corps.

Mr. PASSMAN. You do not have an idea as to how fast it is going to grow?

Mr. SHRIVER. Or how slow.

Mr. PASSMAN. It is now growing rapidly.

Mr. SHRIVER. It might decrease, as I said.

Mr. PASSMAN. Do you think——

Mr. SHRIVER. Yes, there is a possibility it could decrease.

It could decrease, of course, if the supply of volunteers was not adequate; it would be unwise to send unqualified people overseas.

Mr. PASSMAN. You do not foresee any serious consequences if it decreases?

Mr. SHRIVER. Of course I do. I think it would be unfortunate for the United States if the Peace Corps——

Mr. PASSMAN. I am talking about serious consequences.

Mr. SHRIVER. The Congress would not have enacted the law if it was not serious.

Mr. PASSMAN. I am not going to ask the question again, as it is obvious you are not going to answer it.

VOLUNTEER APPLICANTS

Qualified for service on April 1, 1963, over 5,000 men and women are either in training, or serving overseas. They were selected from among 47,000 applying.

What did you do with the others? Did you file the other 42,000 for future reference or are they disqualified for good?

Mr. SHRIVER. Some are disqualified for good. Those we can send a letter to.

Mr. PASSMAN. How many do you have on the roster out of the 47,000 who are eligible and may be used later?

Mr. SHRIVER. I do not know the answer to that question.

Mr. PASSMAN. Do any of your assistants know the answer?

Mr. SHRIVER. We have had 47,000 applicants. About how many would be active, potential applicants?

Mr. PASSMAN. Or would meet your qualifications.

Mr. MOYERS. Out of 45,000, about 25,000 on the surface met our qualifications.

Mr. PASSMAN. You have 25,000 meeting your qualifications?

Mr. MOYERS. About half of all the applications that come in on the surface——

Mr. PASSMAN. You have 47,000 applications and about half of them meet your qualifications?

Mr. MINSHALL. For what period of time is this?

Mr. PASSMAN. This is as of April 1. Qualified for service, on April 1, 1963, over 5,000 men and women are either in training or serving overseas. They were selected from among the 47,000 applying. That leaves you 42,000 on the roster of applicants.

What percentage, or what would be the number of those who would meet your qualifications?

Mr. MOYERS. It is hard to say.

Mr. SHRIVER. There have been several thousand——

Mr. PASSMAN. Someone said earlier, half of them.

Mr. MOYERS. I said of all the applications that come in every week, about half of them immediately meet our initial requirement.

Mr. PASSMAN. What do you mean by initial requirements?

Mr. MOYERS. They are qualified according to age, according to legal factors, according to education, according to background, according to experience, according to all the factors on the questionnaire that determine whether or not a candidate is a good Peace Corps applicant.

Mr. PASSMAN. They meet all the qualifications?

Mr. MOYERS. On the surface.

Mr. PASSMAN. He says yes, he says no.

Mr. MOYERS. On the surface.

The next step——

Mr. PASSMAN. I am asking you a question.

Of the 47,000, you placed 5,000 in training. That leaves 42,000 applicants. Would you say again that 50 percent of them, or 21,000, would meet your qualifications?

Mr. MOYERS. They will meet the qualifications for certain programs, they will not meet qualifications for other programs.

Mr. PASSMAN. You would not take a construction foreman and ask him to practice surgery in the Congo.

Mr. MOYERS. That is correct.

Mr. SHRIVER. I might also say, Mr. Chairman, that persons, when they apply, are frequently able and ready to go at the time they apply, but 6 months later they may not be, so out of 47,000 that have applied, the question of timing is very important.

Mr. PASSMAN. You have new applications coming in, so it would be expected that your roster would grow, rather than decrease; is that not true?

Mr. SHRIVER. I would think that the more successful the Peace Corps is, the more people will want to get in.

Mr. PASSMAN. I am trying to find out, Mr. Shriver, where we are going to go. How many nations, and the total number and the cost, that is what I am trying to find out.

Mr. SHRIVER. I am trying to explain to you that the figure of 47,000 is subject to a great deal of interpretation. You have to understand that if someone applies in January, they are eligible perhaps, they are ready to go to work in June. If they are not selected by us in June, in August they may say no, I do not want to go. That person would not be a potential Peace Corps volunteer.

Mr. PASSMAN. He is removed from the roster?

Mr. SHRIVER. Frequently he is. If at that time he said, I am not eligible this August, but I would like to be considered for next June, we would keep him.

On the other hand, he might say no, I am no longer interested, and he would be dropped.

Mr. PASSMAN. I accept this at face value—you do have 47,000 applicants less 5,000, 42,000 active, and I assume this is an active list, or you would not have put it in the book here. You drop those and will not carry them among the number if they have been deleted?

Mr. SHRIVER. We would carry them because we would want you to know the total number from whom we selected the 5,000. That does not mean we still have that same total number available for service.

Mr. PASSMAN. Your present plans do not call for employing the other 42,000 immediately, or the 50 percent that is eligible?

Mr. SHRIVER. No, sir; that is right.

Mr. PASSMAN. Thank you.

Mr. MINSHALL. This 47,000 figure, that is up to and inclusive of what date?

Mr. SHRIVER. April 1, 1963.

Mr. MINSHALL. Does that include the 3,000 applicants you said you had in the most recent months?

Mr. MOYERS. No, sir.

Mr. SHRIVER. Not the month of April.

Mr. MINSHALL. That makes 50,000?

Mr. SHRIVER. As of the 1st of May. As of the 1st of June, the figure will change.

What I am trying to point out is, of the 47,000 many of those people are no longer even eligible for service, or even applicants today. About 15,000 were considered to have met all requirements and qualified for service.

Mr. MINSHALL. I have one other question.

FUTURE PROGRAM FOR THE PEACE CORPS

You have a program looking ahead, a 5-year program, a 1-year program, a 2-year program, whatever it might be for the future of the Peace Corps?

Mr. SHRIVER. We have a 1-year program which we give the Congress each year, and which we have said always we wanted to give.

Mr. MINSHALL. You are not looking ahead any further than the next year?

Mr. SHRIVER. That is right. That is what we are giving to Congress.

Mr. MINSHALL. That is not what you are giving to Congress?

Mr. SHRIVER. That is what we are doing, 1 year.

Mr. MINSHALL. Do you have any program further than 1 year ahead?

Mr. SHRIVER. No, sir.

Mr. MINSHALL. Nowhere in your files, or any place else, or in your planning at all?

Mr. SHRIVER. No further ahead than that.

Mr. PASSMAN. That is good.

Mr. SHRIVER. There is a good reason for it, in my judgment.

Mr. MINSHALL. Why?

Mr. SHRIVER. I prefer to come over here and discuss with Congress each year what the size of this organization should be rather than sit over there and scratch my head and say, well, I think we ought to have 10,000, or 100,000, without reference to what the Congress wants.

RESEARCH GROUP

Mr. MINSHALL. What is the purpose of your R. & D. group that you are incorporating into the Peace Corps?

Mr. SHRIVER. We do not have a development group. We have a research group, and the purpose of that is to improve what we are already doing, and to find faults in what we are doing, such as let's say the selection process.

Mr. MINSHALL. It has nothing to do with further plans, who decides the future plans?

Mr. SHRIVER. As of now, the U.S. Congress——

Mr. MINSHALL. You make recommendations to the Congress. Who makes those recommendations?

Mr. SHRIVER. I do.

Mr. MINSHALL. Who helps you in that?

Mr. SHRIVER. Wiggins, and some of the fellows sitting right here.

Mr. MINSHALL. No further than 1 year. You only work 1 year ahead?

Mr. SHRIVER. That is right.

Mr. MINSHALL. Thank you.

OBLIGATION OF FUNDS

Mr. PASSMAN. Do you concur that the executive has no right to obligate the Congress legally to an amount in excess of the appropriation you get for the current year?

I believe last year we appropriated $59 million. Is it your understanding that, under the legislation, you can obligate to $59 million and not beyond that?

Mr. GREENBERG. The answer to that question, Mr. Chairman, is "Yes."

Mr. PASSMAN. So if the Congress did not, in its wisdom, ever appropriate another dollar for the Peace Corps, we have met every legal commitment we have made to other nations around the world, have we not?

Mr. GREENBERG. I will try to answer that directly.

We have met our legal obligation.

Mr. PASSMAN. Thank you.

Mr. GREENBERG. In terms of—may I just continue?

Mr. PASSMAN. I am not going to let——

Mr. GREENBERG. We have fulfilled our legal commitments.

Mr. PASSMAN. I want to thank you.

Let us in the future stop kidding ourselves about the great moral responsibility.

In all probability you will get some money this year and I hope it is not $59 million.

Mr. SHRIVER. Let me say this: We have never come over here and said the United States had any moral commitment.

Mr. PASSMAN. I first asked about the legal responsibility. You said there is no moral commitment and I want to thank you.

Mr. SHRIVER. All I wanted to make clear was that our agency never comes here saying that the Congress has a moral commitment to start a Peace Corps or continue it.

Mr. PASSMAN. No, sir; but other members of this giveaway program have come in on that basis.

Mr. SHRIVER. This is not a part of any giveaway program.

Mr. PASSMAN. That is your interpretation.

Mr. SHRIVER. We have a lot coming back for it.

Mr. PASSMAN. I hope the comment I am about to make will not be misconstrued.

In the New York Times of April 23, 1962, on page 25, with reference to the President, there is the following:

> Bitterly, he recalled that "my father always told me all businessmen were * * * but I never believed it until now."

In a press conference on May 19, 1962, the President, in response to a question, was reported to have said that the opinion which his father had imparted to him was with reference to "steel men," not all businessmen, and that was the manner in which he had found it appropriate to use the "* * *" designation.

VOLUNTEERS IN COLOMBIA

I bring this up for this reason: A former U.S. Ambassador has been reported as saying that Peace Corps leaders in Colombia had damned American businessmen as crooks and encouraged Latin Americans to confiscate American property.

You said yesterday that this was not so, and I certainly hope it is not.

Maybe, however, somebody has formed some wrong notions as a result of the remarks attributed to the President. I wish you would look into this matter and try to ascertain whether or not any of them are thinking in the manner indicated.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. As well as Venezuela—you have some there?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I do not know what these young people are thinking but it certainly causes me some concern, Mr. Shriver.

Off the record, please.

(Discussion off the record.)

Mr. PASSMAN. How many Peace Corps men do you have under each leader?

Mr. SHRIVER. Three in Colombia. We have three Peace Corps top staff people in Colombia.

Mr. PASSMAN. How many Peace Corps men do you have in——

Mr. SHRIVER. 300.

Mr. PASSMAN. This matter as to what might or might not have been said in Colombia is, I think, important enough to get into rather thoroughly.

Mr. SHRIVER. I would be delighted to get into it.

I will get into it right up to my eyeballs.

(Note: Additional testimony may be found on pp. 80 and 253a.)

POLICY ON DISPLACEMENT OF EMPLOYEES BY VOLUNTEERS

Mr. PASSMAN. Do you have any data as to whether your teachers are in addition to the teaching staff of a college or university or whether they are replacements of teachers who are either hired by the National Government or are teachers under exchange programs?

Mr. SHRIVER. If they are additional to the staff, yes, they would be additional.

Mr. PASSMAN. Not replacements for the teachers who may have been hired by the National Government under some other exchange program?

Mr. SHRIVER. No. We have made a point in each country where we go, we do not displace employees who have regular jobs in that country.

Mr. PASSMAN. I will ask you whether or not these are replacements or additions to teachers furnished by other phases of our Government programs?

Mr. SHRIVER. I said, Mr. Chairman, they were additional on the staff of many of the schools where they worked.

They are not replacements to those who were formerly employed by host countries but in some countries some people have been fired from a job and have alleged, for example, in Ethiopia that the reason they were fired was not because of incompetence, but because there was another teacher available. The Governments of those countries categorically denied that. I wanted you to know that.

Mr. PASSMAN. We talked to a chemistry teacher in Bangkok and she had taken the place of a teacher hired and paid for by the Government of Thailand.

That was a case where you displaced a person teaching the same subject in English who had been hired and was being paid for by the Thai Government.

Mr. SHRIVER. Let me repeat what I said before: We made this condition, that we would not replace people who had jobs, a jobholder in that country. We went through this with a number of countries and this even involved the labor unions. Whether some girl, as you said, claims that such and such a thing happened, it is not necessarily proof that it happened. A lot of people get——

Mr. PASSMAN. No; it is not proof it did not happen.

Mr. SHRIVER. All I ever said was that we have an arrangement with each Government whereby they agree they will not put our people into places where other people have been employed. Generally speaking, Mr. Chairman, it is very difficult to do that because the labor union people in a foreign country are up in arms immediately if you attempt to displace any hired person.

Mr. PASSMAN. Mr. Shriver, we were discussing textbooks yesterday and we had quite an exchange of words if not ideas.

I believe that under the book program in Latin America for fiscal 1963, through AID, we provided $1.4 million. The estimate for fiscal 1964 is $1,750,000.

Do you know what kind of textbooks our Government provided against this sum?

Mr. SHRIVER. Those were books in the appropriation for USIA or AID?

Mr. PASSMAN. Under AID.

Mr. SHRIVER. No; we do not know what books they bought.

Mr. PASSMAN. If we supply teachers for Latin America through the Peace Corps, and some other branch of the Government is furnishing the textbooks, it seems there should be some coordination between the two.

For what grades are you supplying teachers in Latin America?

Mr. SHRIVER. In Latin America we are supplying some secondary school teachers and university teachers, but we are not supplying first and second and third grade teachers.

One of the reasons is that at those levels, the language requirement to teach a child who sometimes maybe speaks an Indian dialect, is such that the Peace Corps has not seen fit to try to fill those jobs. We are not teaching the first, second, and third grades in Latin America.

Mr. PASSMAN. I am interested in the textbooks and I believe you should be interested.

Mr. SHRIVER. We are; and I believe you suggested yesterday we should have an additional appropriation to get the textbooks.

Mr. PASSMAN. Under the appropriation last year, if you have any carryover, and maybe this year if we can work it in with the same amount of money that you got last year.

You are checking into that?

Mr. GREENBERG. Yes, sir.

Mr. PASSMAN. Are you teaching in the same schools, the same buildings?

Mr. SHRIVER. In a different building.

Mr. PASSMAN. Where do you start?

Mr. SHRIVER. Usually at the high school level.

Mr. PASSMAN. Down or up?

Mr. SHRIVER. Up.

Mr. PASSMAN. Where do you go from the high schools?

Mr. SHRIVER. College.

Mr. PASSMAN. Last year you went from grades 1 to 12, and then to college?

Mr. SHRIVER. We have gone to the 10th.

Mr. PASSMAN. You start at the high school level?

Mr. SHRIVER. That would be the 10th grade, not just the 12th.

SHIFTS OF ASSIGNMENTS OF VOLUNTEERS

Mr. PASSMAN. Mr. Shriver, do you have any information as to the number of volunteers who were selected for a particular assignment and are now in a different field of work.

Mr. SHRIVER. I am not certain exactly what you mean. Perhaps you could clarify that.

Mr. PASSMAN. If you hire a surgeon, and then, instead of using him in that field, you transfer him over to do something else, do you switch classifications after you get them into the field?

Mr. SHRIVER. We do shift assignments of people overseas; yes. Sometimes they will be assigned to a particular school, say as a mathematics teacher, and it may turn out in that school they prefer to have a French teacher and the mathematics teacher will be shifted to another school and the French teacher will go to that school.

We do have shifts of such assignments and that is why we can get our people into the right jobs.

Mr. PASSMAN. If you hire five of these people for, we shall say, an agricultural program somewhere, would you keep them in that field, or maybe transfer them over to teaching chemistry in a high school? How broad is the flexibility? What do you employ them for, and what do they really wind up doing?

Mr. SHRIVER. We do not employ them for anything.

What we do is to try to get the best person to fill a specific job which has been requested from abroad.

After they get abroad——

Mr. PASSMAN. You say you do not employ them?

Mr. SHRIVER. That is right.

Mr. PASSMAN. What do you call it? Do you hire them?

Mr. SHRIVER. No; what we do, Mr. Chairman, is that we get a job request from overseas. What we try to do is to line up against each request the person we have who is best qualified to fill that position. If we do not have anybody for it, we do not send anybody.

Mr. PASSMAN. Now that is making sense. Do not get us involved directly or indirectly until you get the money and get a request?

Mr. SHRIVER. That is right. We do not send anybody until we have somebody who at least seems to be qualified to do the work.

Overseas, sometimes we have the experience where a minister of education abroad changes his mind after the people get there or the headmaster of a school will decide he did not want a French teacher, but he wanted a math teacher. They will change assignments. Therefore, we will change assignments and sometimes we send a person over to be a vocational schoolteacher and he gets to the vocational school but between the time we select the man and send him, they will get a man over there who can do that vocational work and our man arrives, and they say, "Will you, in addition, teach English?"

We say, "If that man is qualified to do it, certainly." We do shift assignments a great deal abroad.

Mr. PASSMAN. I am glad to know you do not make any commitments beyond the money on hand.

I wish all of the other agencies operated that way.

OBLIGATIONS FOR 1963

What has been the obligations against your fiscal 1963 appropriation through the last known date?

Mr. GREENBERG. As of March 31, 1963, the total obligations were $34,880,000.

Mr. PASSMAN. Could you give us a general idea as to what amount you are going to turn back to the Treasury out of your appropriation last year?

Mr. GREENBERG. Out of the current fiscal year, 1963?

Mr. PASSMAN. Yes.

Mr. GREENBERG. Our present plans indicate that all of the money which has been appropriated to date will be obligated by June 30, 1963.

Mr. PASSMAN. Are you not really going to have to change the brand of gas to do it?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. You go 9 months and obligate a little over half of it but what happens in that last 90 days? Did you get the money behind an obligation or what brings about such a large obligation, percentagewise, in that last 90 days?

Mr. GREENBERG. In the last 90 days, the obligations which we forecast will make up the difference between the $34,880,000 and the $59 million——

Mr. PASSMAN. That is about $25 million?

Mr. GREENBERG. That is correct, and most of this will be obligated before June 1.

Mr. PASSMAN. That is about 42 percent of the total appropriation?

Mr. GREENBERG. That is correct. Those projected obligations are based upon the volunteers who will enter into training and service between March 31, and August 31.

Mr. PASSMAN. How much did you deobligate out of your 1962 appropriation and bring over into fiscal year 1963?

Mr. GREENBERG. As of June 30, 1962, the amount of the obligations as of that date amounted to $29,496,000, and the unobligated balance was $504,000.

As of March 31, 1963, the amount of the unobligated balance was $543,000, so in the 9-month period there has been, in effect, a reduction in obligations, of some $39,000.

Mr. PASSMAN. That is for 9 months?

Mr. GREENBERG. Correct, sir.

Mr. PASSMAN. You have deobligated—that means take it out of obligated status and put it over into an unobligated status—do we have the same understanding about that?

Mr. GREENBERG. Yes, sir.

Mr. PASSMAN. Let us project it to the end of fiscal 1962.

Mr. GREENBERG. Yes, sir.

Mr. PASSMAN. How much?

Mr. GREENBERG. 1963?

Mr. PASSMAN. No; you went back to 1962 figures.

Mr. GREENBERG. We believe at the end of 1963——

Mr. PASSMAN. I asked how much money you deobligated out of your fiscal year 1962 appropriation.

Mr. GREENBERG. $39,000.

Mr. PASSMAN. Through March 31?

Mr. GREENBERG. That is correct.

Mr. PASSMAN. Add the next 3 months; how much?

Mr. GREENBERG. We do not contemplate there will be any further adjustments in that. We think, as of June 30, 1963, we will have——

Mr. PASSMAN. We are going to get 1962 pinned down if I have to use a sledge hammer.

Mr. GREENBERG. I am talking about 1962 funds as of June 30, 1963. Let me try to recapitulate.

As of June 30, 1962——

Mr. PASSMAN. Fiscal year?

Mr. GREENBERG. That is correct.

From fiscal year 1962 funds, our unobligated balance amounted to $504,000; 9 months later the unobligated balance rose from $504,000 to $543,000 and using your term, Mr. Chairman, we deobligated $39,000; our present projection as of June 30, for the 1962 appropriation, is still $543,000, or the same amount.

In other words, we do not forecast or project at the present time any further deobligation of funds from 1962.

Mr. PASSMAN. Do you operate on a 1-year appropriation?

Mr. GREENBERG. Yes, sir; an annual appropriation. The amount of fiscal year 1962 money unobligated at the end of that year or subsequently deobligated would not be available for reobligation.

Mr. PASSMAN. The amount of money you did not obligate out of 1961 funds lapsed and the amount you did not obligate out of the 1962 funds lapsed. The amount you do not obligate out of fiscal year 1963 funds will lapse?

Mr. GREENBERG. That is correct.

Mr. PASSMAN. What is the estimated unobligated balance for fiscal year 1963? Can you project it?

Mr. GREENBERG. We are projecting it now. We do not think there will be any unobligated balance at the end of 1963.

Mr. PASSMAN. You do have $25 million to obligate for the final 90 days of the fiscal year 1963?

Mr. GREENBERG. That is correct.

Mr. PASSMAN. Do you come under the law where you have to limit your obligations during the last 30 days?

Mr. GREENBERG. No, sir. Our June obligations are not of such an extent that we would be in the position of having to worry about the law. Most of the $25 million will be obligated before June.

Mr. PASSMAN. That law does not apply to the Peace Corps?

Mr. GREENBERG. No, sir.

Mr. PASSMAN. That you have to limit your obligations to a percentage of the total in the last 30 days?

Mr. GREENBERG. That is correct. It does not apply.

Mr. SHRIVER. It should probably not be applicable to us, Mr. Chairman, because of the fact most of our commitments in any calendar year will necesarily come in March, April, May, and June. We contract

in that period for the training of the vast majority of the people who go into the Peace Corps at all, because most of it is done in the summertime.

Our natural point for the most obligations to take place is in the late spring and early summer of any year. It does not make any difference what year.

VOLUNTEERS IN TRAINING AND OVERSEAS

Mr. PASSMAN. How many so-called volunteers do you have in training at this time?

Mr. WIGGINS. As of March 31, we have 877 volunteers in training. I will give you a later figure, if you like.

Mr. PASSMAN. We want the very latest.

Mr. WIGGINS. As of April 15, in training we had 864.

Mr. PASSMAN. How many employees do you have overseas?

Mr. GREENBERG. As of what date, March 31?

Mr. PASSMAN. The same date as you gave.

Mr. GREENBERG. As of April 19, 150 Americans employed overseas.

Mr. PASSMAN. I am going to stop calling these people volunteers. How many Peace Corpsmen do you have overseas?

Mr. GREENBERG. As of March 31, there were 5,003 volunteers overseas or in training.

There were in training——

Mr. PASSMAN. Break down this figure of 864.

Mr. GREENBERG. The difference sir, is the 4,139; 5,003 less the 864.

Mr. PASSMAN. If Congress should appropriate the same amount of money you received last year, how many Peace Corpsmen could you maintain, 5,003?

Mr. WIGGINS. We would be reducing some. I do not have that precise calculation.

Mr. PASSMAN. I believe you told us last year the Peace Corps spent at various appropriation levels; that if we appropriated $57,064,000, you would have a strength of 8,970?

Mr. GREENBERG. At the time you were considering the appropriation for 1963, I think the testimony showed if we had received various levels of moneys, we could support various levels of volunteers.

Mr. PASSMAN. That is right.

Mr. GREENBERG. I would like to point out that the number of volunteers we can support, depends on the various months in which the volunteers enter into training or service, and whether they are in contract or directly administered projects.

To answer your specific question now, if I understand it, if we were to receive an appropriation of $59 million, how many volunteers could we support? Is that your question?

Mr. PASSMAN. That is correct.

Mr. GREENBERG. I am sorry that I cannot give you that figure, without further analysis.

Mr. PASSMAN. Last year I believe you told us you could support 8,970; is that correct?

Mr. WIGGINS. Yes, sir.

Mr. GREENBERG. I would like to make one more statement, sir. If we approach or if we reach our goal of 9,000 volunteers by the end of our second program year, which is August 31, 1963, we estimate that it will take $81.3 million in fiscal year 1964 to——

Mr. PASSMAN. Let us get to that later.

Mr. GREENBERG. All right.

Mr. PASSMAN. We are going to have a hard enough time getting this money, much less the asking price.

Let us not get yet into the years in the future.

Mr. SHRIVER. It is not a year in the future. This is fiscal year——

Mr. GREENBERG. 1964, Mr. Chairman. I was trying to tell you that if we reached our present goal of some 9,000 volunteers by August 31, 1963, that we would require $81.3 million just to maintain that level in fiscal year 1964 without adding any additional volunteers at all.

I would like, if I might—and I am not trying to introduce anything new—say it must be recognized that 8,970 will be reached by increments during the year and did not cover the full year's service of the 8,970.

Mr. PASSMAN. You now have a total of 5,003 Peace Corpsmen in training or overseas?

Mr. GREENBERG. Yes, sir.

Mr. PASSMAN. That 5,003 will require how much of your total appropriation for fiscal 1963?

Mr. GREENBERG. For fiscal 1963, as of March 31, as I pointed out, to put those 5,003 in service up to date we have obligated $34,880,000.

We projected, again going back to our previous discussion, that if we continued for the balance of the year and reached our total of 9,000 as of August 31, that we would completely obligate our appropriation.

Mr. PASSMAN. Let us forget for the time being about August or any other month of the year.

Mr. SHRIVER. That is important because we cannot really forget about it.

Mr. PASSMAN. You told us last year that for $57 million you would have a strength of 8,970.

Mr. SHRIVER. That is correct.

Mr. PASSMAN. If you maintained, 5,003 of these youngsters for fiscal 1964 and 1965, as long as you wanted to carry it out, what would be the annual cost?

Mr. GREENBERG. $9,000 per volunteer if they were stabilized at 5,000 volunteers.

If there were 5,000 volunteers it would take $45 million.

Mr. PASSMAN. If you moved it up to 6,000 on a permanent basis, how much would that be?

Mr. GREENBERG. $54 million.

Mr. SHRIVER. There is a chart that has all of that in the material presented.

Mr. PASSMAN. I get my information of this nature in the hearings.

For $59 million you could have a Peace Corps of something like 6,500?

Mr. GREENBERG. $54 million would take 6,000; and another $4.5 million——

Mr. PASSMAN. $58.5 million would support a Peace Corps of 6,500?

Mr. GREENBERG. That is right.

Mr. PASSMAN. If the Congress should appropriate $58.5 million, which would be more money than you received this year, then you could increase your permanent strength of Peace Corpsmen from 5,003 up to 6,500?

Mr. SHRIVER. No.

Mr. PASSMAN. That is what you said, 6,500.

Mr. GREENBERG. I would like to try to explain what I was trying to impart. If we maintained a level strength of volunteers and we had a level input and output and the composition of the funding of volunteers remained the same, for any year in which this occurred, we believe we could maintain a volunteer for all costs at $9,000 per volunteer.

Therefore, if we had 6,000, it would be $54 million.

If we had 6,500, it would be $58.5 million.

Mr. PASSMAN. What is the cost per Peace Corpsman?

Mr. GREENBERG. $9,000 per year.

PUERTO RICAN TRAINING CAMP

Mr. PASSMAN. I note that the Puerto Rican Training Camp is estimated to cost $800,000 in fiscal 1963 and the same amount in fiscal 1964; is that correct?

Mr. GREENBERG. Yes, sir.

Mr. PASSMAN. Would you explain the cost? Do you rent the camp?

Mr. SHRIVER. No; we got the land given to us by the Commonwealth of Puerto Rico on a lease that ran for 10 years. It was a contribution of the Commonwealth of the land.

Mr. PASSMAN. They are letting us use it free?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. We shall insert justification data at this point in the record.

(The information follows:)

PUERTO RICO TRAINING CENTER

The Puerto Rico Training Center provides, as nearly as possible, a rugged simulation of conditions the volunteers will meet in the field, not only culturally and economically, but physically, with strenuous outdoor activity comprising a major portion of the center's program.

It is estimated that 35 field positions and $800,000 will be required in 1964 to conduct the programs in Puerto Rico, which are the same level as 1963.

		Estimate, 1963	Estimate, 1964
11	Personnel compensation	$308,000	$263,000
12	Personnel benefits	8,000	8,000
21	Travel and transportation of persons	27,000	27,000
22	Transportation of things	24,000	24,000
23	Rents, communications, and utilities	6,000	6,000
25	Other services	105,000	150,000
	Services of other Government agencies	300,000	300,000
26	Supplies and materials	20,000	20,000
31	Equipment	2,000	2,000
	Total	800,000	800,000

Mr. MINSHALL. That was just for the land?

Mr. SHRIVER. That is right. We got the land for a dollar a year for 10 years.

Mr. MINSHALL. Does that include the building, roads, or swimming pools?

Mr. SHRIVER. No; it involved three buildings that were there. There was a road up to Camp Crozier when we were there, which was donated. It does not include the cost of the tents or any of the buildings.

Mr. PASSMAN. The total cost for the camp is $800,000?

Mr. GREENBERG. This is the cost of operating the training camps.

Mr. PASSMAN. You get the land for $1 per year as a courtesy of the Puerto Rican Government?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. What are the facilities on the land?

Mr. SHRIVER. When we first went there, Mr. Chairman, there were three buildings and actually that was all. It was a forestry camp. It was an ex-CCC camp and since then we have constructed facilities down there to take care of 100 people in each of two camps. We have two camps on that same site now.

They are about 3 or 4 miles, maybe a little more than that, apart, and on those places we have constructed frame wooden camp type buildings in which people sleep—dormitories.

They have a common eating room. They have a common kitchen facility in each one of these camps and there is a swimming tank where we give swimming instruction.

Mr. PASSMAN. How much have you spent in improving the facilities on the land?

Mr. SHRIVER. Howard, what do you have?

Mr. GREENBERG. I would have to supply that for the record.

Mr. PASSMAN. How far is the site from the city limits?

Mr. SHRIVER. It is about 19 miles from Arecibo.

Mr. PASSMAN. How much have you spent improving the roads to get to the camp?

Mr. SHRIVER. Roads to get to the first camp were there from the very beginning, so we did not spend any money.

Mr. PASSMAN. To the second camp?

Mr. SHRIVER. From the first camp to the second camp we put in about 2½ miles of surfacing. I think it was something like $10,000 or $5,000. I cannot remember the exact figure but I think it was $10,000.

This is just a country road. We are just putting a hard surface on it and it is a very narrow road.

Mr. PASSMAN. Could you get us the cost for the record of the facilities and the total cost of the improvements on the land?

What compensation do you get for the buildings when they are returned to the Puerto Rican Government? Do you have that in your contracts?

Mr. SHRIVER. I do not know the answer to that.

Mr. PASSMAN. They may have gotten a pretty good deal out of it. If you spent a lot of money for improvements and then later you turn this back to the government, they are going to get something out of it.

Find out, if you will, what the facilities cost.

Mr. SHRIVER. Yes, sir.

(The information follows:)

There are two camps comprising the Puerto Rico Training Center—Camp Radley and Camp Crozier.

Total capital expenditures at both camps are as follows:

	Camp Radley	Camp Crozier	Total
Sewer and water	$28,106	$11,295	$39,401
Buildings and materials:			
21 buildings	73,803		73,803
22 buildings		43,329	43,329
Roads and parking spaces			23,174
Swimming pool and pumphouse			20,822
Total			200,529

NOTE.—When the Peace Corps decides to leave the camps, all permanent structures will remain and become the property of the Commonwealth of Puerto Rico without reimbursement.

Mr. MINSHALL. Mr. Chairman, may we have a complete breakdown of that, the roads and the swimming pool and everything?

Mr. PASSMAN. The complete facilities, whether they are temporary buildings or permanent buildings, such as brick or marble.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. How long has that lease been in effect?

Mr. DELANO. July 1961.

Mr. PASSMAN. Three years; and it cost you $3, and to break the lease you pay the other $7?

Mr. SHRIVER. Two years.

Mr. PASSMAN. You owe them $8 plus the facilities if you move out?

Do you send all of your trainees through the Puerto Rican camp, or do you also have them in other places?

Mr. SHRIVER. No, sir; we cannot. The camps are not large enough to send all.

Mr. PASSMAN. You do not put them all there?

UNIVERSITY TRAINING CONTRACTS

Where are the other camps located, or do you train them in America?

Mr. KELLY. We have used about 45 or 50 American universities as training sites.

Mr. PASSMAN. Could you give us a list of the universities, the names and locations, and the amounts you are paying?

Mr. KELLY. Very easily. We have a list of the universities in the congressional presentation.

We do not have the costs there but we can give you the costs for the record.

(The information requested follows:)

University training contracts cost per Peace Corps volunteer per week based on original estimated cost of contract

FISCAL YEAR 1961

Contract number	Contractor	State	Estimated cost	Cost per Peace Corps volunteer per week [1]	Overhead percent of direct cost
PC-(W)-8	Texas Western College	Texas	$102,301.00	$213.00	19.0
PC-(W)-10	University of California, Berkeley.	California	70,200.00	121.03	11.0

FISCAL YEAR 1962

PC-(W)-6	University of Notre Dame [3]	Indiana	154,581.00	([2])	18.0
PC-(W)-12	University of Michigan	Michigan	161,000.00	225.17	21.0
PC-(W)-13	Pennsylvania State University.	Pennsylvania	454,511.00	123.17	14.0
PC-(W)-16	President and fellows of Harvard College.[3]	Massachusetts	117,167.00	279.00	22.0
PC-(W)-17	Michigan State University [3]	Michigan	63,670.00	176.00	23.0
PC-(W)-19	The regents of the University of California.[3]	California	137,900.00	137.90	9.0
PC-(W)-21	Northern Illinois University	Illinois	113,715.00	127.00	7.0
PC-(W)-23	Ohio State University	Ohio	72,398.00	201.00	26.0
PC-(W)-25	Colorado State University Research Foundation.[3]	Colorado	105,346.00	244.00	22.0
PC-(W)-39	Teachers College, Columbia University.	New York	75,050.00	214.00	30.0
PC-(W)-40	New Mexico State University.	New Mexico	61,935.00	242.00	13.0
PC-(W)-47	Arizona State University	Arizona	88,285.00	196.00	18.0
PC-(W)-52	University of Oklahoma [3]	Oklahoma	109,335.00	195.00	19.0
PC-(W)-53	Northern Illinois University	Illinois	78,627.22	177.00	7.0
PC-(W)-60	St. Louis University [3]	Missouri	56,110.03	165.00	21.0
PC-(W)-61	Catholic University of Puerto Rico.	Puerto Rico	45,000.00	143.00	18.0
PC-(W)-62	University of Puerto Rico	do	62,938.00	170.00	20.0
PC-(W)-63	Inter-American University	do	118,230.00	152.86	18.0
PC-(W)-66	New York University [3]	New York	87,314.00	195.00	21.0
PC-(W)-68	Indiana University	Indiana	109,370.00	151.00	16.0
PC-(W)-69	University of California	California	139,370.00	139.00	12.0
PC-(W)-70	University of Pennsylvania	Pennsylvania	118,127.00	197.00	23.0
PC-(W)-76	Ohio University [3]	Ohio	62,231.40	138.90	18.0
PC-(W)-78	University of Michigan	Michigan	198,000.00	165.00	30.0
PC-(W)-81	Utah University	Utah	95,890.00	174.00	14.0
PC-(W)-82	Montana State College	Montana	94,737.86	169.17	15.0
PC-(W)-83	University of Puerto Rico	Puerto Rico	73,470.00	154.00	20.0
PC-(W)-84	University of Illinois	Illinois	160,566.00	193.00	27.0
PC-(W)-85	University of Hawaii	Hawaii	134,077.00	164.00	6.0
PC-(W)-86	Syracuse University	New York	65,493.00	234.00	22.0
PC-(W)-87	San Jose State College	California	345,000.00	172.00	15.0
PC-(W)-88	Cornell University	New York	169,765.00	212.00	26.0
PC-(W)-89	University of Wisconsin [3]	Wisconsin	90,406.00	201.00	18.0
PC-(W)-96	University of Kansas [3]	Kansas	69,561.40	212.00	26.0
PC-(W)-97	University of Pittsburgh	Pennsylvania	145,827.00	165.71	20.0
PC-(W)-99	Frederick Burk Foundation (San Francisco State University).	California	170,379.00	208.00	19.0
PC-(W)-101	University of California, Los Angeles.	do	298,536.20	142.00	10.0
PC-(W)-102	Arizona State University	Arizona	112,329.00	208.00	13.0
PC-(W)-104	Northern Illinois University	Illinois	89,460.00	186.00	6.0
PC-(W)-105	Georgetown University	Washington, D.C.	417,195.00	166.00	14.0
PC-(W)-107	University of Minnesota	Minnesota	282,650.00	217.00	23.0
PC-(W)-108	Howard University	Washington, D.C.	166,636.00	177.00	18.0
PC-(W)-109	George Washington University.	do	119,769.00	187.00	14.0
PC-(W)-110	Research Foundation of the State University of New York.	New York	118,160.00	164.00	14.0
PC-(W)-111	University of Maryland	Maryland	192,648.00	177.00	13.0
PC-(W)-112	University of Maine	Maine	71,871.00	199.64	20.0
PC-(W)-113	University College of the West Indies.	Jamaica, W.I.	4,609.24	61.00	0.0

University training contracts cost per Peace Corps volunteer per week based on original estimated cost of contract—Continued

FISCAL YEAR 1962

Contract number	Contractor	State	Estimated cost	Cost per Peace Corps volunteer per week [1]	Overhead percent of direct cost
PC-(W)-115	University of New Mexico	New Mexico	$159,057.45	$160.00	23.0
PC-(W)-117	University of Oklahoma	Oklahoma	257,512.80	161.00	20.0
PC-(W)-118	Washington State University.	Washington	91,209.69	179.00	21.0
PC-(W)-119	University of Puerto Rico	Puerto Rico	53,931.00	199.00	15.0
PC-(W)-120	Catholic University of Puerto Rico.	do	79,683.00	148.00	17.0
PC-(W)-123	Columbia University	New York	6,521.60	65.00	15.0

FISCAL YEAR 1963

PC-(W)-127	University of North Carolina.[3]	North Carolina	95,806.00	$191.61	17.0
PC-(W)-128	University of Hawaii	Hawaii	303,743.00	172.62	7.6
PC-(W)-129	Columbia University, School of Social Work.	New York	70,290.00	195.25	20.0
PC-(W)-132	Teachers College, Columbia University.	do	182,373.00	190.00	16.0
PC-(W)-133	Syracuse University	do	115,794.40	209.00	22.0
PC-(W)-139	University of Minnesota	Minnesota	97,928.00	223.00	24.0
PC-(W)-142	University of Oklahoma	Oklahoma	91,374.00	203.00	20.0
PC-(W)-143	Texas Western College	Texas	118,264.00	158.00	16.0
PC-(W)-144	California State Polytech	California	222,676.16	171.00	15.0
PC-(W)-146	University of Puerto Rico	Puerto Rico	32,655.60	194.38	20.0
PC-(W)-150	University of Massachusetts	Massachusetts	119,196.00	198.66	20.0
PC-(W)-151	University of Washington	Washington	249,906.00	181.74	14.0
C-(W)-153	University of Puerto Rico	Puerto Rico	66,696.00	160.32	20.0
C-(W)-156	New Mexico State University.	New Mexico	84,059.00	168.11	8.5
C-(W)-158	University of Wisconsin	Wisconsin	97,244.00	233.10	17.0
PC-(W)-159	University of New Mexico	New Mexico	1,423,378.00	132.00	15.0
PC-(W)-161	Northern Illinois University	Illinois	118,019.00	107.29	4.2
PC-(W)-162	University of Minnesota	Minnesota	205,821.00	201.78	25.0
PC-(W)-164	Indiana University	Indiana	124,306.00	148.00	20.0
PC-(W)-165	University of California, Berkeley.	California	78,975.00	219.37	17.0
PC-(W)-168	Boston College	Massachusetts	112,797.00	217.00	25.4
PC-(W)-170	Lincoln University	Pennsylvania	85,998.00	181.00	22.0
PC-(W)-172	State University of Iowa	Iowa	117,060.70	215.00	17.0
PC-(W)-173	University of Hawaii	Hawaii	377,790.50	191.00	9.0
PC-(W)-175	University of Oklahoma	Oklahoma	91,113.00	168.72	20.0
PC-(W)-177	University of Calif., Los Angeles	California	102,671,50	192,43	14.6
PC-(W)-180	University of Wisconsin	Wisconsin	122,624.00	194,00	18.0
PC-(W)-181	University of Washington	Washington	121,055.00	201.75	14.0
PC-(W)-184	Georgetown University	Washington, D. C.	82,257.00	214.00	14.9
PC-(W)-188	University of Oregon	Oregon	124,080.00	235.00	13.0
PC-(W)-189	Georgetown University	Washington, D. C.	219,685.00	199.71	14.0

[1] Shortfall in the number of volunteers per individual program would cause a rise in cost/Peace Corps volunteers per week.
[2] Total estimate of cost for 2 programs: (1) 60 Peace Corps volunteers programed Chile, July 1961, and (2) 40 Peace Corps volunteers programed Chile, July 1962.
[3] Estimate of cost, U.S. training only. Contractor also involved in administration of program overseas. Estimated cost per Peace Corps volunteer per week: Chile I, $167 per week; Chile II, $231 per week.

Mr. PASSMAN. How many States are included?
Mr. KELLY. Twenty-five States.
Mr. PASSMAN. In what parts of the country?
Mr. GREENBERG. All over the country.
Mr. PASSMAN. Name a few of them.
Mr. SHRIVER. We had Harvard one time.
Mr. PASSMAN. There are a lot of them.

Mr. SHRIVER. North Carolina, Pennsylvania State, Indiana, Michigan, Arizona, New Mexico, Ohio State, Iowa State, UCLA, Texas Western, Massachusetts, San Jose State, San Francisco State, New Paltz Teachers College, and Northern Illinois.

Mr. MINSHALL. Why did you not take advantage of the university down in Puerto Rico?

Mr. SHRIVER. We have used the universities in Puerto Rico and the University of Hawaii.

Mr. PASSMAN. They are scattering it all over the country.

Mr. SHRIVER. Colorado State.

Mr. PASSMAN. What is the average cost per student?

Mr. SHRIVER. We will put that in the record.

Mr. PASSMAN. Let us talk about this a little bit now.

Mr. KELLY. $200 per week per trainee is the average.

Mr. SHRIVER. Everything; housing, food?

Mr. KELLY. Yes, also teaching, administration, and medical.

Mr. PASSMAN. That is $2,400 for a few days less than 3 months?

Mr. KELLY. A 12-week training program would be $2,400.

If you were figuring a 12-week training program, it would be about $2,400.

Mr. PASSMAN. How does that cost compare with the average tuition in these same schools?

Mr. KELLY. If you figure the average tuition for an academic year on the basis of the fact that a normal student will get 412 contact hours, our students get 600 contact hours. Our costs are about $3.33 a contact hour, compared with about $4.66 a contact hour.

Mr. PASSMAN. Let us get back to the costs. What amount do you pay them?

Mr. KELLY. If you figure a 10-week training program or 12-week training program, it averages out at $200 per week.

Mr. PASSMAN. How much per 90 days?

Mr. KELLY. If in 90 days there are 12 weeks——

Mr. PASSMAN. Whatever amount of training you give them, what does it cost? You say 90 days down in Puerto Rico and I assume it is about the same length of time in a university?

Mr. KELLY. I am not talking about Puerto Rico.

Mr. PASSMAN. I am talking about what you pay per student for the 90-day course.

Mr. KELLY. $200 per week per trainee on the average.

Mr. PASSMAN. How many weeks?

Mr. KELLY. 10 weeks is the average program; 10 to 12 weeks.

Mr. PASSMAN. $2,000?

Mr. KELLY. That is right.

Mr. PASSMAN. What would be the average student cost per semester attending there?

Mr. KELLY. I have a number of universities.

Mr. PASSMAN. Let us take one university.

Mr. KELLY. Why do we not take Vanderbilt, which is in the South? That would cost $1,800 a year.

Mr. PASSMAN. Are you paying $200 more for the Peace Corps people for 90 days than the regular tuition for a student the full year?

Mr. KELLY. That is right. But the $200 includes room, board, everything.

The student at Vanderbilt would only get 412 hours in that year.

Mr. SHRIVER. The question is what you are buying. We are getting a lot more for our money than what you can get in a calendar year.

Mr. PASSMAN. Is that a regular, prescribed course or a special course that you prescribe and that they teach?

Mr. KELLY. Our course is a special course we prescribe.

The point I was trying to make, Mr. Chairman, is that at Vanderbilt a student in the course of an academic year would be exposed to an average of 412 hours; so, per hour at Vanderbilt, he is paying $4.36 for that amount of exposure.

Mr. PASSMAN. Are you trying to get it out of a quart bottle?

Mr. KELLY. No. I am trying to make an equal comparison.

Mr. PASSMAN. You are trying to get him to absorb more than the university previously thought he could absorb?

Mr. KELLY. That is right.

Mr. PASSMAN. Is that why some of these people speak only a few words of these languages?

Mr. KELLY. I was going to say our programs are very intensive.

Mr. PASSMAN. Has the university recommended your formula for all of its students?

Mr. KELLY. I do not know.

Mr. MINSHALL. Would the gentleman yield?

Mr. PASSMAN. Yes.

Mr. MINSHALL. Are all of these courses in all of these colleges basically the same, including the camp in Puerto Rico?

Mr. SHRIVER. Not the camp in Puerto Rico. We have a basic training treatise which outlines the four or five components——

PUERTO RICAN TRAINING CAMP

Mr. MINSHALL. What is the purpose of the camp in Puerto Rico? What do they do that they do not do at the colleges? The purpose of the camp at Puerto Rico is what?

Mr. SHRIVER. The purpose of the camp at Puerto Rico is threefold. I would like to have our General Counsel tell you because he ran that camp for 90 days.

Go ahead, Bill.

Mr. DELANO. I believe the Congressman was there and saw the rock-climbing facilities, the training tank for drown proofing, and the jungle for jungle-trek training. These are the three physical elements in which we train. The volunteers are asked to extend themselves beyond what they may think their limits of mental and physical stamina are. They are taught to be calm, for example, in the water and not to panic.

They are taught that it is not an ability to swim but it is an ability to think in the water that controls whether you drown or not.

Mr. PASSMAN. I am getting mixed up. Do you teach them to sink rather than to swim?

Mr. DELANO. Mr. Congressman, I believe if you saw someone who knows before he came to the camp he could not swim, get confidence in himself in the water——

Mr. PASSMAN. By sinking?

Mr. DELANO. By floating, Mr. Congressman.

To control his mind and when he had his mind controlled make his body obey in the water, I believe you would be impressed, as were some Senators and Congressmen who have visited the camp.

Mr. SHRIVER. The Army has a training school at Fort Benning, Ga. It is called an Infantry Combat School and one of the purposes of it is to try to equip people to face emergencies they never faced before.

When they go into battle, they are told we are going to be confronted with situations they never were confronted before and which nobody can, in advance, tell them about.

We know our volunteers, when they go overseas, are going to be confronted with things they have never experienced.

Mr. DELANO. In every situation they face in Puerto Rico they have unexpected difficulties with themselves. This is just what they face overseas.

No one in this room or at Peace Corps Headquarters can draw a blueprint of the difficulties of serving for 2 years overseas. But if a person gains confidence in himself, he can face an unexpected problem and overcome it, if he tries. We have learned from experience that volunteers gain this confidence in the Puerto Rican outward-bound training. Just learning to cope with the heat and rain and insects is a valuable experience for most trainees before they are sent overseas.

That is, to teach people to control themselves under difficult conditions and overcome whatever obstacles they may face.

There are also elements of language training and perhaps culture shock in a Spanish-speaking culture.

Volunteers spend about 4½ days in a Puerto Rican barrio speaking Spanish. Most of the volunteers who go to Latin America now go through that. Their language learning motivation is increased by this experience.

Mr. PASSMAN. Do you agree that a sponge will hold a certain amount of water and you could pour water on it all day and it could not absorb any more?

Mr. SHRIVER. That depends on the size of the sponge.

Mr. PASSMAN. Suppose you had a sponge the size of the Empire State Building, Mr. Shriver. Once you have filled it up could you get any more water into it?

I withdraw the question if you prefer not to reply.

I yield to the gentleman from Ohio.

Mr. MINSHALL. I believe you implied in your answer to the gentleman's question that these volunteers who go to Puerto Rico get special training for combat rather than service in the Peace Corps?

Mr. SHRIVER. That is exactly wrong.

I drew the analogy to the combat school because you mentioned——

Mr. MINSHALL. You mentioned it. I did not.

Mr. SHRIVER. No; I agree. But I thought you said a while ago you had been in the Army so I thought perhaps you knew about that training.

Mr. MINSHALL. Why is the training at Puerto Rico, where you are sending these trainees, where they meet these people from colleges?

Mr. SHRIVER. It is my personal opinion, but we are trying to prove whether that is right or wrong.

Mr. MINSHALL. You trained a bunch of fishermen at Guatemala to catch fish?

Mr. SHRIVER. It is my personal opinion it would be desirable for all Peace Corps volunteers to obtain this training. We have trained at the same kind of a camp in the Colorado Mountains for groups going to Nepal in south Asia. I think it would be good if we have this training to every Peace Corps volunteer, but I cannot prove that. We are trying to find out through research what the effect of this camp is to improve the performance of the volunteers.

If it turns out it does improve the performance of the volunteers, we might make that mandatory for all volunteers. If it is not, we might discontinue the program. You might disagree, but it is my personal opinion it would be good.

Mr. MINSHALL. It is a matter of opinion whether it is good training for a man to swim two lengths of a pool underwater, it is a matter of opinion whether these Peace Corps volunteers should take compass courses at night and learn to build fire friction. That is a matter of opinion.

Mr. DELANO. The Vice President of the Philippine Islands saw the camp and saw the volunteers who went through the camp. He approved of the training. Those same volunteers have told me, that the camp is the thing they remember overseas when they face a difficult situation, whether it be in a classroom with a Government official, or just living conditions.

They believe in themselves. They think they can get through whatever the difficulties are, and this is what they learn in the water, in the jungle, or on the rocks.

Mr. MINSHALL. Because they feed them well down there. When they get in the field they have to eat rice and beans. One boy lost 17 pounds in Jamaica.

Mr. SHRIVER. The cost per day of feeding the people in the camp is about $1.

Mr. MINSHALL. You are getting a good ration.

Mr. DELANO. Army rations are supplied to us.

CONTRACT COST AT UNIVERSITY OF NEW MEXICO

Mr. PASSMAN. What is the cost of your contract with the University of New Mexico for its year-round training program for community development workers?

Mr. KELLY. The estimate of cost for the University of New Mexico training program is $1,423,378.

Mr. PASSMAN. The amount per student?

Mr. KELLY. The estimate is for the total of 900 that will be trained at that institution; $1,423,378.

Mr. ANDREWS. How much is that per student?

Mr. KELLY. That turns out, as I recall, about $140 per Peace Corps trainee.

Mr. PASSMAN. What is the term of the course you give them?

Mr. KELLY. It is a 12 weeks' course with an input going in every month for a period of a year, so in total under this contract we will train approximately 900 volunteers at that institution.

Mr. PASSMAN. 900 for 90 days each?

Mr. KELLY. Twelve weeks. That is the basic curriculum.

Mr. PASSMAN. How much is that? Is it $1,423,300 for 12 weeks?

Mr. KELLY. For 12-week cycles.

Mr. PASSMAN. You are going to have how many students?

Mr. KELLY. Twelve 12-week cycles, a total of approximately 900 trainees.

Mr. PASSMAN. Now, 900 into $1,432,378?

Mr. SHRIVER. Approximately $132 per week.

Mr. PASSMAN. Let us multiply that by 12.

Mr. SHRIVER. $1,584.

Mr. PASSMAN. Now, let us multiply that by 3.

If you left them there for a school year, which would be 9 months, it would be $4,752?

Mr. KELLY. Yes, sir.

Mr. PASSMAN. Did you have much of a job getting the university to enter into this contract with you?

Mr. KELLY. Let me say this: We had a little difficulty in terms of negotiating the contract.

In terms of comparing the cost of this program with going to the University of Wisconsin——

Mr. PASSMAN. How does that compare to the cost for the average student?

Mr. KELLY. It is a real bargain.

Mr. PASSMAN. At the University of New Mexico?

Mr. KELLY. It is a bargain.

Mr. PASSMAN. Do you know of any colleges where the tuition is $5,000 a year?

Mr. KELLY. You are comparing different things. This includes much more than just tuition.

Mr. PASSMAN. Where do you get the faculty to teach this course?

Mr. SHRIVER. They come from all over.

Mr. PASSMAN. All over what?

Mr. SHRIVER. The United States.

Mr. PASSMAN. They are not the regular faculty of the college?

Mr. SHRIVER. Some are.

Mr. PASSMAN. You are using the regular faculty of the University of New Mexico, are you not?

Mr. KELLY. For the most part.

Mr. PASSMAN. Do you have any Peace Corps teachers there, or AID teachers?

Mr. KELLY. No, sir.

Mr. PASSMAN. Peace Corps teachers?

Mr. KELLY. No.

Mr. PASSMAN. Made temporary members of the faculty?

Mr. KELLY. No. We have some staff members——

Mr. PASSMAN. We know about that.

On the whole, you are using the regular professors, is that correct?

Mr. KELLY. Correct.

Mr. PASSMAN. The same faculty?

Mr. KELLY. By and large.

Mr. PASSMAN. Do they work overtime with this group of youngsters, or do they work a normal workday?

Mr. KELLY. They do not work a normal workday because our work in training is longer than a normal workday.

Mr. PASSMAN. Do you have regular professors who are members of this faculty who get overtime?

Mr. KELLY. No, sir. They have been relieved of their ordinary teaching assignments to work on this program, for the most part.

Mr. PASSMAN. But for the most part, they put in a regular day's work?

Mr. KELLY. The people teaching on this have for the most part been relieved of their normal university duties in order to participate in this training program.

Mr. PASSMAN. Do they work longer, or shorter hours?

Mr. KELLY. I would say they work longer hours.

Mr. PASSMAN. Do you know that?

Mr. KELLY. Yes.

Mr. PASSMAN. Tell us how long they work per day?

Mr. KELLY. I can only tell you our normal training program encompasses 60 hours a week.

That is not the normal university training kind of situation where you have a student involved 60 hours a week.

Mr. PASSMAN. What would happen if you would put these people in and just give them a regular course?

Mr. SHRIVER. They do not have this course.

Mr. PASSMAN. Why do you have to go there and pay such a subsidy to a university to teach them?

You are using the regular faculty to teach them a course that is not regular. How do you know the professors know anything about it?

Mr. KELLY. We have to approve the assignment of every faculty member.

Mr. PASSMAN. Do you have to train them to teach this extra course?

Mr. KELLY. No, sir.

Mr. PASSMAN. This is not a university course?

Mr. KELLY. We do not have to train them. We do not get faculty members who are not fully qualified.

Mr. PASSMAN. You could not take a man teaching surgery and have him teaching agriculture. What kind of a mess is this?

Mr. KELLY. It is very simple.

Mr. PASSMAN. It is not simple. You are paying $4,752 for an equivalent 9-month course.

Mr. KELLY. It is not the equivalent, sir.

Mr. PASSMAN. You use the regular faculty?

Mr. KELLY. By and large.

Mr. PASSMAN. What are you actually teaching these youngsters?

Mr. KELLY. In the way of the components of the course?

Mr. PASSMAN. Yes.

Mr. KELLY. They get courses in American studies.

Mr. PASSMAN. Do they not have that course in the University of New Mexico?

Mr. KELLY. They have a political science department.

Mr. PASSMAN. You are teaching them?

Mr. KELLY. We are teaching them what we call American studies.

Mr. PASSMAN. Is that course taught in the university by the regular faculty to the regular students?

Mr. KELLY. Not the same course, not as intensive.

Mr. PASSMAN. What are you instructing in? Name something they teach there.

Mr. KELLY. Spanish.

Mr. PASSMAN. Let us get the required number of subjects. Take something else.

Mr. SHRIVER. They will get in 12 weeks down there——

Mr. KELLY. 600 contact hours.

Mr. SHRIVER. Which is more than they will get in the whole year in the normal course.

Mr. PASSMAN. The average student attends classes and his study period is how long in a day?

Mr. KELLY. His study period?

Mr. PASSMAN. Yes.

Mr. KELLY. That depends on the individual student. I used to study 1 hour, I had friends who studied 3 or 4 hours a day.

Mr. PASSMAN. What is the required number of classroom hours per day?

Mr. KELLY. The normal college load is about 16 contact hours a week, hours in a classroom.

Mr. PASSMAN. Upon what basis was that established?

Mr. KELLY. I am sorry; I do not know why the universities have made it 16 hours.

Mr. PASSMAN. Have you figured it out that they do not know what they are doing so you have worked out something else for them?

Mr. KELLY. That is not it at all. We have an authority on training, and he is the man who developed the curriculum in terms of number of hours.

Mr. SHRIVER. In World War II, the Navy had been spending 4 years to turn out officers from the Naval Academy, and that was considered the right amount of training a fellow could get. The emergency of war came along and they trained people to become naval officers in 90 or 100 days, and people said it could not be done. It is true many of the officers who served successfully in World War II were people trained under a high pressure, fast training program.

Mr. PASSMAN. I have some doubts as to whether that is a valid comparison with what you are undertaking.

At least for 9 months, for one individual, by this formula you would have to pay $4,752?

Mr. KELLY. By that formula.

Mr. PASSMAN. I say, if you did.

Mr. SHRIVER. We would never do it.

Mr. PASSMAN. Do you have to pay the professor for a special course?

Mr. KELLY. No, sir.

Mr. PASSMAN. What is the overhead fee in this contract? Do you have such a thing?

Mr. KELLY. I can give it to you for the record. I do not have it with me. We do not advance a penny to universities. They spend their own money and seek reimbursement from us. We have obligated $1.4 million on this contract; we have only paid out $112,955.

(The information requested is as follows:)

The overhead billing rate at the University of New Mexico is 15 percent, which will ultimately be resolved to actual for the period of the contract.

Mr. PASSMAN. You have given a contract for $1,423,300. How many volunteers have gone through?

Mr. KELLY. Approximately 900.

Mr. SHRIVER. That is what the contract calls for.

Mr. PASSMAN. How many have gone through already?

Mr. KELLY. 150; it just started in February.

Mr. PASSMAN. Will you tell us what they paid them? These people are making plans to spend $1,423,300 for putting 900 trainees through for a 12-week period at an average cost for 3 months of $1,584; is that correct?

Mr. KELLY. If your mathematics are correct, that is correct.

Mr. RHODES. Mr. Shriver, do you have a basic curriculum for each trainee, or does the curriculum differ according to the part of the world and the type of work the trainee will be doing?

Mr. SHRIVER. The answer is, we have both.

First of all, in our training program, we require every institution to show us their competence and who would do the teaching, and so forth, in American studies, in area studies, in health instruction, in physical instruction, and in the skill that the person is supposed to have when he goes overseas. Everyone has to submit a program showing they can do those specific things. If they are going to train people for the Philippine Islands, they have to show some competence in training people for that place, or for Africa. They have to show competence for training people for Africa.

If we have area studies programs to train people to go to Nigeria, the university has to show they have people qualified to teach people who are to go there.

TRAINING CONTRACTS WITH OTHER UNIVERSITIES

We went to Cornell University to train people for Peru because Cornell had been working in Peru for a number of years. We went to the University of Kansas because the University of Kansas has a junior year abroad with the University of Costa Rica in San José. We used them because they have an expertise in that specific country.

Each one of them has to follow the general format. We do have a basic curriculum, but it is adapted to the area of the world, or the specific country.

Mr. RHODES. Have you done any cost studies on these universities after the fact to determine whether or not the charges they have made are somewhat in accordance with their cost plus a reasonable fee for administrative overhead?

Mr. SHRIVER. We have.

Mr. RHODES. For all the universities with which you do business?

Mr. SHRIVER. Yes, every one.

Mr. RHODES. You have done an after-the-fact cost study?

Mr. KELLY. Every contract is audited.

Mr. RHODES. Who audits it? Do you have people who audit it?

Mr. KELLY. We have used the U.S. Government agency already cognizant of the universities. In most cases they are Department of Defense agencies. We have used the Army, Navy, and Air Force. All our contracts are completely audited by the DOD accountant at the institution.

Mr. SHRIVER. If the Department of Defense had an operation going on with Ohio State for 5 or 10 years, we do not send our auditors out there. We use their auditors.

Mr. KELLY. They are usually in residence there, or nearby.

Mr. RHODES. What percentage of overhead do you allow for administrative expense?

Mr. KELLY. We have no fixed overhead. We only allow actual overhead as audited for the period that our business was in the institution.

Mr. RHODES. You have to assume certain percentages?

Mr. KELLY. We assume certain percentages and establish a billing rate at the outset. The billing rate is in 9 times out of 10 the previous overhead for the previous period, and we make an adjustment at the end of performance based on audit.

OVERHEAD EXPENSES

Mr. RHODES. Can you tell me what average the administrative overhead would be for all of the universities that you have dealt with?

Mr. KELLY. The average over fiscal year 1963 thus far has been running about 16.8 percent of direct costs. That compares very favorably, for instance, with the overhead recently approved by the Congress for NIH grants of 20 percent.

Mr. RHODES. The National Science Foundation is only 15 percent.

Mr. KELLY. This is on grants where they advance them the money. That is a fixed overhead, win, lose, or draw.

Our overhead is computed at actual, so if it were lower than 15 percent, we would recover the money. If it is higher than 15 percent, we would pay.

Mr. RHODES. Could you furnish for the record the comparative percentages and costs per student for the universities with which you have done business so far?

Mr. KELLY. Yes, sir.

(The information requested may be found in the tabulation on p. 152.)

Mr. PASSMAN. You have a right to disagree with my conclusions, but along the way we have found a tremendous amount of built-in subsidy that goes to universities under other contracts under the AID program. This is in the same general category.

At Johns Hopkins University, for example, there was a fantastically high fee we were paying. With relation to one of these contracts, we found individuals were invited to come in and lecture and they had certain AID officials on the list. While this thing was going full steam ahead, we decided to go down and observe a class. I think we found one student, or maybe two, and no professor there. They had it listed, however, as an accredited university teaching one of these superduper courses.

Mr. SHRIVER. I would like to point out for the record that the Peace Corps has had nothing to do with the situation at Johns Hopkins to which you refer. Indeed, the Peace Corps has made a policy of trying to get as many Congressmen and Senators who are willing to do so to visit these training sites while the courses are in progress and to ascertain for themselves, not through me or anyone else, what

is going on. We would welcome a visit from you to our training at New Mexico. We have had a number of Congressmen who have done that.

TRAINING IN PUERTO RICO VERSUS TRAINING IN AMERICAN UNIVERSITIES

Mr. PASSMAN. Could the trainees in Puerto Rico in an emergency do the same type of work as the trainees from the University of New Mexico?

Mr. SHRIVER. The program at Puerto Rico is not the same thing as the program in New Mexico.

Mr. PASSMAN. I asked you if a trainee from Puerto Rico in an emergency——

Mr. SHRIVER. No; they could not. Some could and some could not. Some who go to Puerto Rico have already finished a program at a university. Some at Puerto Rico go there first and they could not in an emergency do what the people could do who have been to a university.

Mr. PASSMAN. What percentage of the trainees leave Puerto Rico and go to their assignments in the foreign countries?

Mr. SHRIVER. I do not know the percentage. That would be after they had had university training. Of the approximate number of 5,000 volunteers, about 560 have proceeded from Puerto Rico to their foreign assignments. All of them had previously received university Peace Corps training.

Mr. PASSMAN. You give them a double shot?

Mr. SHRIVER. That is right. This is additional training.

Mr. MINSHALL. This is over and above the university?

Mr. SHRIVER. This is additional training. This is not a substitute.

Mr. PASSMAN. What do you teach them there other than the course he described?

Do you have books there?

Mr. DELANO. Yes. They have discussion groups.

Mr. PASSMAN. Do you teach them a language?

Mr. DELANO. Yes.

Mr. PASSMAN. Do you find them any more proficient after they have had language training in Puerto Rico than just at the University of New Mexico?

Mr. SHRIVER. It depends on the student.

Mr. PASSMAN. Let us say you are teaching Chinese.

Mr. SHRIVER. We do not teach Chinese.

Mr. PASSMAN. Spanish. Do you find they have been just as well trained out of Puerto Rico as they are out of the University of New Mexico?

Mr. SHRIVER. The training in Spanish would be comparable.

Mr. PASSMAN. You do teach Spanish in New Mexico?

Mr. SHRIVER. That would not mean they are just as well trained, because some would have to come to the camp following training at New Mexico.

Mr. PASSMAN. Would you teach them the same subject at Puerto Rico?

Mr. SHRIVER. If they had learned language at the university and they were going to a Latin American place, we would teach them Spanish.

Mr. PASSMAN. You send them to the field out of Puerto Rico?

Mr. SHRIVER. They have to go through university training in addition to Puerto Rico.

Mr. PASSMAN. What does it cost to keep a trainee in Puerto Rico?

Mr. SHRIVER. $333.

Mr. WIGGINS. They only stay there 26 days.

Mr. PASSMAN. It cost you how much?

Mr. GREENBERG. $333 per volunteer.

Mr. PASSMAN. Do you have, in addition to the physical education people there, a regular faculty?

Mr. SHRIVER. We have some people who teach language.

Mr. PASSMAN. Are they Peace Corpsmen?

Mr. SHRIVER. People who are on the staff of the camp, just like some people teach the camping part of it, or the community development part——

Mr. PASSMAN. They are employed by our Government then? You do not have outside people?

Mr. SHRIVER. I think we have had some that come in from the University of Puerto Rico.

Mr. DELANO. And some from some other universities, and one outside contractor.

Mr. KELLY. We have had from time to time people from outside universities engaged in language training.

Mr. PASSMAN. How about a young man who has already gone through college, do you send him to New Mexico, or do you send him directly to Puerto Rico?

Mr. SHRIVER. No one goes only through Puerto Rico training before they go abroad, no matter whether they have a Ph. D.

Mr. PASSMAN. If a man has a Ph. D. and a master's and bachelor's degrees, he still has to go to Puerto Rico?

Mr. SHRIVER. Not all our people go to Puerto Rico. Only a portion do. Both camps can only hold 200 people per month. But all the people who go through Puerto Rico also get university training.

Mr. PASSMAN. Would he have to go to the University of New Mexico if he had all those degrees?

Mr. SHRIVER. He would have to go to a training program. It might not be New Mexico. It might be Cornell, Ohio State, or Iowa State.

Mr. PASSMAN. If he had a Ph. D., a master's, and all, he would still have to go to the university to get special training in what subjects?

SUBJECTS TAUGHT UNDER THE CORPS TRAINING PROGRAM

Mr. SHRIVER. In four different things.

Mr. PASSMAN. What are the four subjects normally taught?

Mr. SHRIVER. Number one would be the history, the culture, the economics, the traditions of the host country to which he is going, for example, Peru. We would not send a man to Peru if he did not know anything about Peru. He would learn the language of that country. He could have a Ph. D. and not speak Spanish.

Second, health, so he learns how to live and maintain his health in these foreign countries because the conditions of life there are different than the ones he is accustomed to here.

Third, he would get American studies so when he goes over there he is qualified to answer any questions intelligently about American Government and society and politics, and so forth.

Fourth, he gets some instruction, if necessary, additional in the skill that he is to carry out. Let's say he is to be a teacher of English as a second language. He gets practice in doing that specific thing. If he is going to be a civil engineer, he gets training in the specific requirements of civil engineering in the country to which he is going.

Mr. PASSMAN. If you run across a man who possesses all those qualifications, do you send him out, or still give him the course?

Mr. SHRIVER. We have never run across any man who possessed all the qualifications.

Mr. PASSMAN. Would you recommend that the Ambassadors the President appoints be put through this course before they are sent out?

Mr. SHRIVER. I do not make recommendations for Ambassadors.

Mr. PASSMAN. This thing sounds so good, I am wondering if we could not spread it a bit.

Mr. SHRIVER. I think the State Department has a period of orientation for all outgoing officials, including Ambassadors. I think if an Ambassador is appointed, he is expected to go through a period of orientation with the State Department. How long, I do not know.

Mr. MINSHALL. Do any of these other people have to take the survival training like they give them in Puerto Rico, the ambassadors?

Mr. SHRIVER. Not that I know of. Some have gone through this earlier in this life when they were in the Marines, or infantry. The current Ambassador to Ghana did this work in the Army the way you did.

PUERTO RICAN TRAINING CAMP

Mr. MINSHALL. Do you honestly feel this training at Puerto Rico does these trainees some good in teaching them how to swim under water and how to control themselves and not panic?

Mr. SHRIVER. It does.

Mr. MINSHALL. What good does that do someone going to a country like Guatemala, or some other country where they might be assigned? These fishermen you train down there, what good does that training do for them?

Mr. SHRIVER. In answer to your question, I think it does some good.

Mr. MINSHALL. What good?

Of course you do, or you would not have sent them there. I would like more detail.

Mr. SHRIVER. The whole idea of this outward-bound training originated in England. It is used in many countries around the world. A private institution has been started in the Rocky Mountains. People are paying as much as $1,800 just——

Mr. MINSHALL. Here you have a young man who might be going to Jamaica teaching someone how to grow corn, or put American agricultural practices in effect. What good does this training do him?

Mr. SHRIVER. A lot of good.

Many of our people have only had experience in this country where agricultural practices are really a great deal different than they are in northeastern Brazil. If he is going to go to northeastern Brazil, he

is going to come up against situations he never has been confronted with in this country. We are trying to make these people imaginative and adaptable so they can face new situations, so they will have self-confidence to do it, and the knowledge they can do it.

When I was 21 and was in Germany, someone would say we will go on a bicycle trip 100 miles a day. I said to myself I could not bicycle 100 miles a day because I did not think that it was possible for me to do it, but I actually did it. There are plenty of people in our country who are asked to walk 5 miles to school.

Mr. MINSHALL. Fifty miles now.

Mr. SHRIVER. Let's say we did put a teacher in the Philippine Islands where they have to walk 4 miles to schooling in the morning. They say, I cannot do that. If they have been to Puerto Rico they say, of course I can do that.

Mr. MINSHALL. You better give them the diet to go with it. Some of these kids are starving. They could not learn to eat the food. You better train them in the proper diet.

Mr. SHRIVER. We try to train them in that to the extent we can. It is not always possible to give them African chop, or the yak we were eating in Ethiopia. We cannot give them that food here. We do our best to try to acquaint them with the fact they are going to have different living conditions.

It is true some lose weight. Some of the girls put on weight. We have not had a bad record medically, or physically, in terms of the people losing or putting on weight.

Mr. MINSHALL. Do the boys lose weight and the girls gain weight?

Mr. SHRIVER. Yes, but that is a psychosomatic question, and we do not know why.

RESULTS OF THE TRAINING PROGRAM

I want to say I think we can attribute to the good training program the fact the rate of returning volunteers in the Peace Corps of failures is the lowest any agency has ever had, in or out of Government.

Mr. PASSMAN. It depends on how you grade them.

Mr. SHRIVER. The man now in charge of selection for the Peace Corps has been doing that work for the Standard Oil Co. of New Jersey. He tells us that we have been fortunate in having a better record than Standard Oil in having people go out and do the job and come back without blowing up in the process. This is true in part because of the training.

Mr. PASSMAN. How about others?

Mr. SHRIVER. This would be true industrially, he says.

Mr. PASSMAN. I admire you. When you say you outdo Standard Oil, which has spent billions in research and preparation, you sound very convincing.

PERSONNEL ON LOAN FROM OTHER AGENCIES

Mr. RHODES. Do you have any people on loan from other agencies?

Mr. SHRIVER. Yes, we do. We have a number who are on loan to us from the State Department, Foreign Service officers who are TDY to the Peace Corps.

The medical program of the Peace Corps is handled by U.S. Public Health Service. That was one of the most important things we were able to accomplish, that the Public Health Service would be responsible for the medical health of the volunteers around the world. All of the doctors who are Peace Corps doctors, not volunteers, are from the U.S. Public Health Service. We pay the Public Health Service, but the number of personnel are covered in their report on the Public Health Service.

Mr. RHODES. Where do the salaries appear?

Mr. SHRIVER. All the expenditures are in our statement.

Mr. RHODES. The home department?

Mr. SHRIVER. Yes.

IMPACT PROJECTS

Mr. PASSMAN. How many impact projects do you have in operation, or planned, for fiscal year 1964?

Mr. SHRIVER. We could not classify our projects by impact, or non-impact. I do not know what you mean.

Mr. PASSMAN. We get the "impact" designation from your books.

Mr. SHRIVER. I read them.

Mr. PASSMAN. I read from your book at page II 28:

This is an "impact" program, and that, in turn calls for assigning enough volunteers to a specific program to make a basic difference in an important national goal—in this case helping to improve the quality of the Philippine public school system, especially in the less developed, or more rural areas.

Should we take out "impact"?

Mr. SHRIVER. That is not a way of defining a project, that is a way of defining the result of this project.

Mr. PASSMAN. It says this is an impact project.

Mr. SHRIVER. That is right.

Mr. PASSMAN. That prompted me to ask the question, how many impact projects do you have in operation, or planned, for 1964?

Mr. SHRIVER. I think it is like saying we have a worthwhile project. How many worthwhile projects do we have? We have a lot.

Mr. PASSMAN. If that is the way you want to answer. If you did not know it was in the book, all right. You said there it was an "impact" project.

PROGRAM IN PHILIPPINES

Let me read from a clipping:

PEACE CORPS ZEAL COOLS IN PHILIPPINES

U.S. Peace Corps volunteers are becoming disillusioned over their mission in the Philippines.

The editorial says: "The average Peace Corps volunteer arrives in the Philippines with idealistic zeal, but his zeal soon wears off because he cannot understand why, if he is willing to give up comforts of stateside civilization just to help Filipinos, the local teachers are not willing to do the same."

Would not that indicate this is an "impact" project? We are referring specifically to the Philippine Republic public school system.

Mr. SHRIVER. If I understood the word "impact," I think that would show it is having an impact.

Mr. PASSMAN. Is it running the Filipino teachers into other jobs?

Mr. SHRIVER. That is not what it says.

Mr. PASSMAN. There are hundreds, perhaps thousands, of Filipino teachers who would rather work as clerks in the big cities than teach in the village schools.

Mr. SHRIVER. That does not mean we ran them in there. There are plenty of teachers in our country today who are qualified to teach in American schools and who have never taught a day in any school because they would rather be a clerk in a shoe store in St. Louis.

Mr. PASSMAN. So it is not a question of qualified teachers in the Philippines, but a question of teachers who could teach out there but would rather go into the cities where it is more attractive to them? And it costs us $9,000 to give this course to get them out there.

Mr. SHRIVER. Unforunately, that is not true either. The problem we are addressing ourselves to is the teaching of English, and they do not have the qualified teachers of English. They have qualified teachers in other subjects, but they do not have people who speak English as a native language, or can teach it. That is one of their problems.

Mr. PASSMAN. Mr. Shriver, if anything appears to be unfavorable to the Peace Corps is seems that it is immediately discredited. If it is favorable, it seems to be all right.

I did not create this paragraph that it is an "impact" project. I am not going to press the point. You do not let it apply. I am reading about the Peace Corpsmen being disillusioned.

Mr. SHRIVER. I could read you a lot about this. This is from Ghana:

The Peace Corps is a war corps. The real boss of the Peace Corps is not Shriver or the State Department, but the CIA. Shriver admits it in one of his speeches when he says he is working very closely with J. Edgar Hoover.

That is here.

This is a quotation from a Ghana newspaper.

Mr. PASSMAN. What are you reading from there?

Mr. SHRIVER. This is what you have. This is what you read from.

Mr. PASSMAN. No. I read from the *Manila English News*.

Mr. SHRIVER. I read from *The Spark*, which is a Ghana newspaper.

Mr. PASSMAN. I read this paragraph, and I read about the disillusioned teachers out there.

Mr. SHRIVER. You said we do not put anything out that is detrimental to the Peace Corps, so I am quoting you some:

To put it bluntly, the Peace Corps is an instrument of direct penetration of these countries, a branch of the special services which will promote certain U.S. policies.

That is from Nigeria, from the West African Pilot. I am pointing out there is plenty of material in here against the Peace Corps.

Mr. PASSMAN. There is no "impact" project as this book describes it?

Mr. SHRIVER. I did not say there was no impact project.

Mr. PASSMAN. How many "impact" projects do you plan for fiscal year 1964?

Mr. SHRIVER. My answer, sir, is that we do not define projects as either impact or nonimpact. Impact is used as an adjective. What we are saying is, this particular project will, we believe, have a great influence, or impact, in that country. That does not mean we classify——

Mr. PASSMAN. Thank you.

I am going to read from page 28, volume II, of the Peace Corps publication:

A new American overseas, the story of Peace Corps volunteers.

This is what it says, and I quote:

This is an "impact" program, and that, in turn, calls for assigning enough volunteers to a specific program to make a basic difference in an important national goal—in this case helping to improve the quality of the Philippine public school system, especially in the less developed, or more rural areas.

COMPLAINTS FROM VOLUNTEERS OVERSEAS

Have you had any complaints from the volunteers in the Philippines?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Is the article I read from the Manila News characteristic of the type of complaints?

Mr. SHRIVER. I would not say it was typical of the complaints, no. One of the problems we have had in the Philippine Islands is the fact that some people find it difficult to work in a situation where they do not have everything scheduled out for them, where they have to show a great personal and private initiative they find it difficult to work under those circumstances, so some of our volunteers, when they are assigned to a barrio, and they have to have enough drive and imagination to work out their own work in addition to what they would do in the school, they find that a rather unsettling experience, so they sometimes become temporarily discouraged. So we have had complaints their work was not sufficiently scheduled each hour of the day all day long. We have had frequently in the Philippine Islands, the problem of getting those people to understand this is not an organization where everyone is told exactly what to do every minute; that they have to use imagination on their own, and even after their work, they should participate in community activities. They should get the Boy Scouts or the Girl Scouts going so they will become an influence in the community.

To a lot of people this is something new and different and it causes a problem. We have had complaints of that nature.

Mr. PASSMAN. How about this article I read from the Manila English News?

Mr. SHRIVER. I would not say that has been a complaint from the Peace Corps volunteers in any substantial number that I have heard.

Mr. PASSMAN. You would not consider this comment favorable to the Peace Corps?

Mr. SHRIVER. I would consider that a lot better than what the Communists say about us. I could read you a lot worse things about what the Communists say.

Mr. PASSMAN. But this is not the Communists. This seems to be a friendly paper pointing out some of the troubles they are having there.

Mr. SHRIVER. We have a whole volume here of quotations against the Peace Corps.

Mr. PASSMAN. I asked if you had received any complaints from the volunteers in the Philippines. You made a nice speech. I tried to bring in something we should all be interested in. If these people are disillusioned, we should not gloss it over.

Mr. SHRIVER. Some people are disillusioned in any work.

Mr. PASSMAN. This is something you cannot gloss over when it is carried in a friendly nation in an accredited newspaper. I think it is something that should be checked into.

Mr. SHRIVER. Here is something from Santiago, Chile. It says:

Twenty assorted spies, belonging to that intelligence service of Yankee imperialism, the so-called Peace Corps, arrived in Santiago (Chile) from the United States. They come as representatives of the "Alliance for Progress" which, instead of the longed-for dollars the official decadent circles dream about, sends its well-trained servants. These individuals will perform their "job" in the San Gregorio housing district, and this will undoubtedly aggravate the pollution of the air * * *.

Mr. PASSMAN. These Peace Corps people in the Philippines are either disillusioned or not. We should find out.

Mr. SHRIVER. Could I ask for permission to put a part of this article which has just been handed to me in the current issue of the Saturday Evening Post into the record?

Mr. PASSMAN. Surely, what is it about?

Mr. SHRIVER. About the Filipinos in part. I have not seen it before myself.

This is an article. I will take up the particular paragraph. It says:

The best example of this is the Peace Corps, which has been a resounding success. Indeed, it is quite without parallel in history. To Americans it is a dramatic demonstration of our capacity in world politics. In those countries which receive Peace Corps volunteers, the impact is startling. Not only are foreigners pleased to see Americans living among them (previously, Americans always lived in some distant "golden ghetto" and sallied forth in great automobiles), but the aid from the Peace Corps grows out of the needs of the community. Furthermore, the Peace Corps does not give anything away. In the Philippines, for example, the Peace Corps volunteers have persuaded Filipinos to donate time, material, and money for such things as a hospital or a summer camp for city children. The Filipinos are somewhat astonished at their own capabilities—and pleased. They are starting various projects on their own. Often they are small things. But multiplied a thousand times, they create a new American impact. They release a kind of energy and flair which did not exist in the Philippines before. We may be immodest, but it is a source of great pride to us that a majority of Peace Corps volunteers indicated that their first interest in foreign affairs came from reading "The Ugly American."

This is in the current issue of the Saturday Evening Post. I never saw it before. It is not something we wrote.

This happened to be written by Eugene Burdick and William Lederer. Those are the ones who wrote "The Ugly American." I do not think we wrote that article.

I would like to read you, just to indicate——

Mr. PASSMAN. Are you reading from the Peace Corps bluebook?

Mr. SHRIVER. From the Rockford (Ill.) Star.

Mr. PASSMAN. I am asking you if you are reading out of volume I of this Peace Corps congressional presentation. What volume?

Mr. SHRIVER. I am reading from volume III, page 47.

Mr. PASSMAN. Of the Peace Corps presentation?

Mr. SHRIVER. Presentation to Congress.

Mr. PASSMAN. By the Peace Corps to Congress?

Mr. SHRIVER. In which the Rockford Star calls the Peace Corps the most overrated, overpublicized, and oversold travel club in the world.

That is another criticism of the Peace Corps which appears in our own presentation.

Mr. PASSMAN. Thank you, gentlemen.

We shall adjourn until 1 o'clock tomorrow.

MONDAY, MAY 13, 1963.

Mr. PASSMAN. The committee will come to order.

I have an article from U.S. News & World Report, page 37, March 25, 1963, "Washington Whispers," which reads as follows:

VOLUNTEERS IN VENEZUELA

Complaints heard in Venezuela are that the Peace Corps is becoming just another foreign-aid program and that youthful members of the Corps are being permitted to run wild, causing some offense among natives who are described as quite prim in their personal relationships.

Did you see this item?

Mr. SHRIVER. I think I did.

Mr. PASSMAN. Have you had an opportunity to check into this report since it was published in U.S. News & World Report?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Is there any foundation, in your opinion, for it?

Mr. SHRIVER. I think there is some indication down there that some of the volunteers were not behaving in a proper way and as a result several of them were removed from that country and the man in charge of the program there was dropped and a new person was put in his place.

VOLUNTEERS IN BRAZIL

Mr. PASSMAN. I think that is sufficient confirmation of the report.

One state in Brazil asked you to get the Peace Corps men out. Did you accommodate them and bring them out?

Mr. SHRIVER. Not exactly, Mr. Chairman. What happened was this. The then-governor of that state who is not too friendly to America found out we had six volunteers in his state and demanded their withdrawal. It happened that 6 days after he demanded their withdrawal his term of office expired. So, in fact, we never actually took them out for that reason. It happened that when he made the charge we had them out of there. They weren't in there, they were at a meeting. But after he left office they went back in and they are there now.

Mr. PASSMAN. At some level the statement was made, either in Washington or there, and I paraphrase, "All right, if you don't want them we will get them out."

Mr. SHRIVER. We are always willing to do that, Mr. Chairman.

Mr. PASSMAN. Did you by chance read that statement?

Mr. SHRIVER. I don't remember but it could easily have been and it wouldn't be wrong.

MEMBER OF NATIONAL ADVISORY COUNCIL

Mr. PASSMAN. This comes from the Monroe, La., News-Star. The heading is "Background Hard to Defend," and the article is by Fulton Lewis, Jr. I quote:

A Presidential appointee, named to the Peace Corps National Advisory Council, has a record of Communist front activity on file in Washington.

He is the Rev. James H. Robinson, a Presbyterian clergyman. Peace Corps officials are defensive about his background. Assistant Director Bill Moyers told this reporter:

"Anyone who thinks the President would name a Communist to this Council is so naive he does not deserve to be called adult."

The President of the United States would never purposely name a Communist to such a position. But he could name one, not knowing enough about his background. Such things have happened, where appointments were made and were later withdrawn for various reasons.

Could you give us a brief explanation as to this charge?

Mr. SHRIVER. Yes, sir. Before anybody is appointed to the National Advisory Council for the Peace Corps, like all other national appointments, they have to be fully checked out by the Civil Service Commission and the FBI. In this case it turned out that former President Eisenhower had cited this particular man. His name is Rev. James Robinson. President Eisenhower cited him for achievement. Senator Dodd of Connecticut looked into the record and apparently was satisfied. Reverend Robinson has been cleared by the State Department and now holds a passport. Many people in the Negro community at times have been members of organizations which were very strong for civil rights. Sometimes those organizations contained members who were either extreme leftwingers or actual card-carrying Communists, I think. But there is nothing in the record which was given to us by the FBI which would indicate this man was a Communist, a card-carrying Communist, or a fellow traveler, and I took the trouble of looking into it. I also checked with Congressman Walter of Pennsylvania to get his reaction.

Mr. PASSMAN. Let us hope that he is not.

Mr. SHRIVER. Could I say one thing, Mr. Passman?

Mr. PASSMAN. Go right ahead.

Mr. SHRIVER. I agree with you we would not want to have anybody of that type on such a committee. There also is the fact, however, that the National Advisory Council to the Peace Corps never comes in contact even with confidential information, let alone secret or top secret on anything. So it isn't as if they were, let us say, being cleared to work on a scientific advisory council about an armament item or something of that kind.

Mr. PASSMAN. I know that is true.

However, as we know from experience, checks are not always infallible.

Continue to quote:

No one has called Robinson a Communist, although in 1949 he did sign a Communist Party nominating petition for Benjamin Davis, who would later be convicted under the Smith Act.

For the information of Mr. Moyers, Robinson was an official of the American Youth Congress, a group labeled Communist and subversive by Attorney General Tom Clark. He was active in American Youth for Democracy, another group termed "Communist and subversive" by the Attorney General.

According to the Daily Worker of March 17, 1943, Robinson that day sponsored a mass meeting of the Communist Party. One week later he addressed a "Forum for Victory" at the party's ninth assembly district headquarters in New York.

During the Hitler-Stalin pact, Robinson was an official of the Citizens Committee To Defend America by Keeping Out of War, a group cited by the Special House Committee on Un-American Activities as a Communist front.

Three years later, while Hitler and Stalin fought each other, Robinson demanded "cooperation with Russia and unconditional surrender for Germany." He did that in a statement published in the Daily Worker by the Citizens Committee of the Upper West Side. Attorney General Tom Clark called the organization subversive, one "which seeks to alter the form of government of the United States by unconstitutional means."

Robinson was a member of the executive board of the American Committee To Save Refugees, a Communist front. He spoke before rallies of the Communist-

controlled American Labor Party. He signed a petition of the Citizens Committee to Free Earl Browder, Communist leader. In the Daily Worker he defended the executions of Victor Alter and Hendrik Ehrlich, leaders of Poland's Social Democrat Party who were killed by the Communists.

Robinson signed a petition, demanding abolition of the House Un-American Activities Committee, that was sponsored by the National Federation for Constitutional Liberties, a cited front.

He signed letters to Presidents Truman and Eisenhower urging clemency for Julius and Ethel Rosenberg, convicted atom spies. He affixed his signature to a statement that called for retention of the Communist Party on the ballot.

He sponsored a testimonial dinner for Ferdinand C. Smith, Communist labor leader. He signed a "friend of the court" brief for the Reverend William Howard Melish, accused as a Communist, though he swore he had never been.

Addressing a meeting of New York leftists only a fortnight ago Robinson wisecracked: "Peace Corps Director Sargent Shriver has been told I'm a Communist or fellow traveler, so I'm in good company tonight."

Peace Corps spokesmen say they have "no idea" what Robinson was talking about.

Do you have to take people such as this into your program or could you not find people with a better record for these jobs?

Mr. SHRIVER. I am sure any of the information in this article would have been included in the FBI report. What I am trying to say is that it is because of charges of that type that we went into the record and found out what President Eisenhower had done, what the State Department did, what Senator Dodd thought, what Congressman Walter thought.

Mr. PASSMAN. That does not make him any better. I am talking about the record now.

Mr. MINSHALL. Is this gentleman still with the Peace Corps?

Mr. SHRIVER. He is a member of the National Advisory Council which has met three times in the 2½ years the Peace Corps has been in existence.

Mr. MINSHALL. How many are on that Council?

Mr. SHRIVER. Twenty-four.

Mr. MINSHALL. How are these people chosen? Who proposed them in the first instance?

Mr. SHRIVER. Various people proposed them.

Mr. MINSHALL. Did you pick them out yourself?

Mr. SHRIVER. We picked the ultimate list; yes, sir.

Mr. MINSHALL. In other words, Robinson was one of those you picked. Who proposed Robinson himself?

Mr. SHRIVER. I can't remember specifically.

Mr. MINSHALL. Could you find that out for the record and find out who pushed him forward into this position?

Mr. SHRIVER. Well, to tell you the truth I will try to but I am not actually certain, because at that time——

Mr. MINSHALL. Did he just come off the street and walk into your shop?

Mr. SHRIVER. He is at the head of an organization called Crossroads Africa, which is a rather conspicuous organization working in the exchange of students between this country and Africa. He didn't come up off the street.

Mr. MINSHALL. Who handpicked him for this job, Sargent Shriver?

Mr. SHRIVER. If anybody is responsible for picking the people it would have to be me, for the people on the committee.

Mr. MINSHALL. I realize you cannot pick everyone in your entire office, Mr. Shriver, or even all of them that you should. Again, what

individual or individuals singled out this man for the position that he now holds?

Mr. SHRIVER. I am not trying to avoid the answer. I don't happen to know the specific human being who first proposed his name but I would say, Congressman, there were a large number of people who probably proposed his name because he is a very well-known, conspicuous person in student exchange work. In that way, he is like a fellow like Gordon Boyce of the Experiment in International Living who would probably be proposed by half a dozen different people.

(The following information was supplied later:)

NOTE.—A search of Peace Corps records does not show any specific individual as recommending that Rev. James H. Robinson be made a member of the Peace Corps National Advisory Council. We have made inquiries among the persons advising Mr. Shriver at that time and have concluded that Reverend Robinson's name was recommended for consideration by at least the following:

1. F. Gordon Boyce, president, Experiment in International Living.
2. Albert G. Sims, Executive Vice President, Institute of International Education.
3. Harris L. Wofford, special assistant to the President on Civil Rights.

It is also a fact that among all the people in the United States in January and February of 1961 conversant with volunteer operations overseas, Rev. James H. Robinson, because of his successful Operation Crossroads in Africa, was a natural nominee for a position on the Peace Corps Advisory Council.

Mr. MINSHALL. I am amazed that if these charges recounted by our chairman, if they are one-tenth true, that the FBI didn't know anything about them.

Mr. SHRIVER. I am sure the FBI knew all about the charges, including those or any others. I don't personally remember whether each one of these were in the FBI report. But the FBI report made two exhaustive investigations about this man, and they have taken his name off of the list of people about whom they are actively concerned. I am not saying that they are right or that anybody is wrong. All I am saying is that the FBI has looked into this case several times and, although they don't clear and they don't approve people, they have taken it out of the active investigation file. In other words, that would indicate to somebody in my position that the FBI is not concerned, at least at this time, about this man.

Mr. PASSMAN. This man, as questionable as he is, is still serving in the same capacity, is he not?

Mr. SHRIVER. Yes, sir, he is.

Mr. PASSMAN. What is the reason you keep him?

Mr. SHRIVER. I tried to explain a minute ago——

Mr. PASSMAN. But you have not explained it satisfactorily to me or to this subcommittee either. Why do you keep a man in any connection, where he has anything to do with the policy of the Peace Corps, who is as muddied up as this one is?

Mr. SHRIVER. No. 1, because he is one of the outstanding experts in this country on student exchange. No. 2, because all these charges and allegations were looked into by the FBI and the FBI has taken him out of any active consideration, leading a person in my position in the executive branch to conclude that he must no longer be a person who is "all smeared up." Now, people can——

Mr. PASSMAN. When they say, "I am no longer addressing these Communist groups," or "I am no longer a sympathizer, I no longer belong to these organizations who sympathize, I am good and clean, now," is that sufficient?

Mr. SHRIVER. Not what they say, but it is of interest to me when, as I said before, the previous administration, President Eisenhower, gave special praise to this man, when the FBI takes him out of the active file, when his passport is cleared by the State Department. Those types of things are also on record about this man and seem to me to merit some consideration.

Mr. PASSMAN. What warranted Mr. Eisenhower to say he was all right?

Mr. SHRIVER. I would have to get the actual text of the letter. I don't have it in my mind. I am sorry.

Mr. PASSMAN. Mr. Shriver, I find myself puzzled as well as concerned. It appears that, at least in the opinion of some who are in authority, these people in the Peace Corps can do no wrong.

I remember an incident down in Miami. Certain people in your organization—you may have been one of them—were somewhat belligerent over the suggestion that you drop from your rolls this beatnik-type fellow who was removed bodily from a Rotary Club meeting. I had a call one night when we were marking up the bill and it was only then you let the man go. Those are some of the things that worry us about this organization. I read again:

> Addressing a meeting of New York leftists only a fortnight ago, Robinson wisecracked: "Peace Corps Director Sargent Shriver has been told I'm a Communist or fellow traveler, so I'm in good company tonight."
>
> Peace Corps spokesmen say they have "no idea" what Robinson was talking about.

Evidently you folks did know that he had been charged with all these things.

Mr. SHRIVER. I don't understand what that statement is that he is quoted to have made there.

Mr. PASSMAN. All this stuff about him being charged with being a Communist.

Mr. SHRIVER. That is not what the Peace Corps spokesman is referring to. I think he is referring to that quotation which I don't understand myself right now.

Mr. PASSMAN. I am not going to pursue it. If that is the kind of people you want in the Peace Corps, it will fall a lot quicker as a result.

SELECTION OF VOLUNTEERS

Mr. SHRIVER. With regard to the situation you alluded to a moment ago, when I was queried about that particular case 2 years ago, this particular fellow, Mr. Kamen, was in training, which is a part of the selection process for the Peace Corps. My position then was just the way it is now, that the selection process for the Peace Corps should be a professional procedure which is not interfered with in the middle of the process.

Now, I was asked to step into the middle of that process and as the Director should, arbitrarily, on my own initiative, pick a fellow up and throw him out of the Peace Corps. The alternative would be to put somebody into the process.

We run that through professionals. My position is that they should run it. In fact, this particular candidate that you were talking about

was rejected by the selection people for service abroad without any intervention by the Director of the Peace Corps at all.

Now, I think that the integrity of the selection process, which is not subject to political pressure or pressures of other types, is in the best interest of keeping good people in the Corps.

Mr. PASSMAN. You can defend them any way you want to. That is your business. You are the Director of the Peace Corps. But when you attempt, in my opinion, to indicate that this fellow is all right, and just because the FBI does not tell you to throw him out, well—it is your judgment that decides whether or not this man will be retained in this capacity, is it not?

Mr. SHRIVER. That is right, but it is the FBI's judgment as to whether this man is sufficiently "dangerous," let us say, to be under active consideration by them. When they decide, Mr. Chairman, that he is not, I assume, and I think it is accurate to assume, that the FBI doesn't lend much credence or doesn't give much weight at this time to the charges in the record.

Mr. PASSMAN. Would you think that would be an asset to the Peace Corps to have publicity such as that going all over the United States? Would you not think it would be a lot better for the Peace Corps and for America if you would just get rid of a person such as that and replace him with someone who does not have such a smudgy record?

Mr. SHRIVER. I certainly agree with you, Mr. Chairman, that it is not to the advantage of the Peace Corps to have publicity of this type.

Mr. PASSMAN. I am talking about this individual. Do you have any idea of getting rid of this fellow or do you intend to keep him?

Mr. SHRIVER. His term of office expires this year and he will go out automatically.

Mr. PASSMAN. You are going to keep him until his time is up?

Mr. SHRIVER. Which is this year.

Mr. PASSMAN. He will automatically go out?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Why do you not help America and help the Peace Corps and help this subcommittee by kicking him out now?

Mr. MINSHALL. What procedures do you follow, Mr. Shriver, in selecting your Peace Corps people, whether it be for advisory committees or Peace Corps men themselves? They are given an FBI check—you say they are picked by a professional staff?

Mr. SHRIVER. Yes, sir; everybody who works for the Peace Corps staff here or overseas or who is a volunteer has to go through a full field investigation by the Civil Service Commission. If during that investigation any items come up impinging or reflecting on the possible loyalty of that person which would make it into a security case, that file goes to the FBI and a full field investigation by the FBI is made.

Out of the first 550 volunteers that we had in the Peace Corps, all of them got full field investigations by the FBI. And then the FBI asked us to stop that. They asked us to start the procedure which we now have, whereby the Civil Service Commission starts it and only those cases where a loyalty or security item is involved go to the FBI.

Mr. MINSHALL. I can remember so well at the inception of the Peace Corps, the very first Corps man you picked from Cleveland, Ohio, they front paged it, "First Peace Corps man picked in Cleve-

land." The next afternoon in a small column, "First Peace Corps man found to have police record."

Mr. SHRIVER. That is right, that fellow had been fined for drunken driving. He had paid a $35 fine when he was 17 years old. That is correct. That boy was later dropped from the Peace Corps.

Mr. MINSHALL. But he had to be chosen, though.

Mr. SHRIVER. Yes, sir; we are not able to make the full field investigation of everybody who applies to the Peace Corps because it currently costs $350 for an investigation. Now, we have over 50,000 people applying. If we went out and investigated everyone——

Mr. MINSHALL. It wouldn't cost you $350 to get an ordinary police check—go down to the police department and check the records. They do that routinely for military clearance.

Mr. SHRIVER. You have to understand nobody gets in the Peace Corps simply because they have been selected to go to training. It is at that time we start spending the taxpayers' money to find out all this background information. We don't spend the money until we at least know we want this fellow to go to a training camp.

VOLUNTEERS IN PERU

Mr. PASSMAN. I think you have read this article from the Washington Star. It says:

Chimbote is a new city of dead fish and swollen slums on the arid north coast of Peru. It is also the new home of 17 young men and 5 young women of the U.S. Peace Corps. Their task: to help give modern identity to a city of fishmeal factories which has mushroomed from a population of 10,000 to 110,000 in less than 5 years.

It is the kind of grassroots program which has made the Peace Corps the prize protege of the Alliance for Progress in Latin America. Older U.S. diplomats look downright sheepish when they relate how their younger compatriots have captured the popular imagination.

But these volunteers in Chimbote have a different tale to tell. They see their psychological impact evaporating in daily frustration over actually getting anything done.

FEEDING PROGRAM HELD UP

"The greatest frustration is not adjusting to poverty," exclaimed Nancy Norton, attractive coed from Berkeley, Calif. "It is dealing with these Peruvian authorities day in and day out."

Nancy is 1 of 3 girls working in the school lunch program which—beginning this month—was supposed daily to feed 7,200 children a glass of milk or cup of cocoa, 2 rolls, and a bowl of corn mush. In March the Peruvian ministry still had not provided any budget or detailed program. Before February, an interim feeding program had been held up because of political infighting in the coordinating council in Lima.

"It makes you want to paint 'Land or Death' (a local revolutionary slogan) on your door," said Nancy. Others seated around the floor in the college-like "bull session" agreed. The girls wore pedal pushers or summer dresses and sandals in the heat; the fellows wore dungarees and long hair.

"When I go to Lima and see how the rich live in their swanky suburbs," said one member of the group, "I just want to knock on their doors and tell them what the barriadas (slums) are like."

In Chimbote, the odor of dead fish hangs over everything like a suffocating blanket. Day and night, low smokestacks from 46 fishmeal factories belch forth white clouds of anchovy smoke. Gallons of useless blood from millions of tiny pressed fish are continuously piped into the polluted bay.

PLUS FOR ECONOMY

Two hundred and fifty miles to the south in Lima, officials praise this industrial complex as a gigantic new "plus" for the Peruvian economy. Fishmeal for fertilizer has become the fourth largest export. Last year it brought 49.8 million precious dollars into the country.

But the results of those dollars do not show in Chimbote. One garbage truck services the whole city. Two Peruvian nurses serve the health needs. A new hospital is empty of equipment, doctors or patients. The steel mill—the only one in Peru and an object of national pride—has never shown a profit, despite a discriminatory 150 percent tax on imported steel.

Still, the people keep coming to Chimbote. They scramble for scarce factory jobs which pay between $1 and $2 a day. Every afternoon the dilapidated railway station is packed with reunited Indian families fleeing the misery of the high Andes.

They exchange one misery for another. Barriadas of straw shacks and adobe huts sprawl in all directions along the sandy wastes of the Pacific coast. They multiply faster than the plans for containing them. A group of 20 huts in January had grown to 7,000 by March. In the older barriadas families can get their water in 7-gallon cans from public faucets. In new ones they use bicycles to haul the buckets from distant outlets.

EPIDEMICS RAGE

Measles epidemics rage through the slums like forest fires, killing off the youngest and most helpless inhabitants. Two Peace Corps nurses go from barriada to barriada giving children doses of polio vaccine.

The Corps hopes to open a clinic in the new living quarters and "community center" which the male volunteers are building, but this project seems to symbolize their frustration. Its site has already been shifted once since their arrival in December.

Out in the open compound the crude concrete blocks (mixed on site) seem to be creating a miniature mausoleum. It crouches against a hot sandy hillside which now serves as a lonely cemetery and public latrine.

In theory, the new building is for "demonstration effect." The aim is to show the Peruvians how they can better their lot themselves. Plans call for 400 model concrete houses—financed by a $500,000 U.S. loan and built by local homeowners and Peace Corps together—to replace the shacks in the surrounding barriada.

"People have no civic pride here," said Bob Ross, young civil engineer from Fort Dodge, Iowa. "They have no sense of saving. When they earn more money. beer consumption simply doubles."

SEEN RUNNING IN CIRCLES

Not only are the Peruvian authorities disorganized in getting deeds and building materials for the housing project, but the Peace Corps volunteers themselves seem to be running around in circles.

There's no one with specialized training and clear seniority to take charge. Their meetings break up into undirected gabfests. The fact that most are clearly dedicated and enthusiastic about the idea of progress only adds to the disillusion.

"This project certainly should explode some of the myths of the Peace Corps," groaned one volunteer. "We are tired of all that hooey about being patriots," said another. "No matter what we do, Washington headquarters keeps saying we are wonderful."

By consensus one of the myths exploded is that Peace Corps projects are well planned.

"We came here thinking we were supposed to give technical advice and supervise self-help operations," said Mike Escalante, an American of Mexican descent from Ajo, Ariz. "Instead, we are doing the designs, we are doing the work, we are doing all the organization."

ASSAILS TRAINING

He attacked the training the Peace Corps had given during 4 months in Puerto Rico. "All those hikes and lessons to prevent drowning were fun, but what good are they here? Here we have to lay bricks and build walls but we did not have one course—not one—in anything to do with that.

"All those courses in American history and communism which any schoolboy should know—Hell, I have not met one Communist here yet, and even if I do, he is not going to change my mind, and I am not going to change his.

"Dedication doesn't last long if you don't know what you are doing," he finished.

Peace Corps officials in Lima are worried, but not too much so about this bitterness. They ascribe it to the inevitable "cultural shock" of colliding head on with backward societies.

"If you don't have a sense of humor down here, you might as well pack up and go home," said Gregory Labuza, a pharmacist student from Perth Amboy, N.J.

Fortunately, the volunteers do retain a sense of humor.

They joke about brushing their teeth in beer because their temporary quarters have no water. They smile about a colleague who cracked up under the strain: He kept reserving rooms for his fiance at the local hotel. They laugh about the "chica," deadly home-brewed corn alcohol which they have to drink to win the Indians' confidence. They chuckle over "quotable quotes" from letters and hometown newspapers which are pasted on the bulletin board in the grass hut.

PRIVACY IS SCARCE

"I'm trying to be broadminded," read a letter from a mother to her daughter, "but it seems strange to think of you being the only girl living in a hut with four men."

It was the greatest joke of all. The girl, in fact, does live with another girl behind a hanging straw mat in one of the makeshift rooms of the hut also shared by four boys. Privacy is a scarce commodity.

"Back in Connecticut they simply cannot comprehend how primitive things are here," the girl explained. She had the air of a combat soldier patiently explaining life to a recruit.

For all concerned, the punchline came in the last sentence of her mother's letter: "Remember, dear, no matter where you are there are social standards you must uphold. By the way, what is a barriada?"

If the Peace Corps accomplishes nothing else in Latin America, it certainly is producing a breed of young people who will return to the United States able to answer that question.

Did you read this article?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Should those young people not be brought home rather than left in that kind of a mess?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. You defend their living under those conditions where they have the boys and girls in the same straw hut with maybe some vines or a curtain hanging between them?

Mr. SHRIVER. I don't defend the detail as described there, but I do defend the project in Chimbote, Peru, and I want to put in the record a letter received in my office dated the 2d of May from the mayor of Chimbote who happens to be a graduate of the Virginia Military Institute. His name is Jorge Sarmiento. I won't take up the time of the committee with the details but I can assure you that he does not share the opinion of this newspaper article.

(The letter referred to follows:)

CONCEJO PROVINCIAL DEL SANTA,
Chimbote, May 2, 1963.

Mr. FRANK MANKIEWICZ,
Peace Corps Director,
American Embassy, Lima, Peru.

Dear Mr. MANKIEWICZ: It is my pleasure to inform you of the work that your Peace Corps volunteers are doing in Chimbote. They are achieving great results in this town of which I have the honor to be mayor.

I would like to congratulate you as Peace Corps Director in Peru for organizing and coordinating such an effective program. Chimbote is a difficult, booming town as you know but it is no surprise to me that your volunteers are working well since I am familiar with the hard and sincere way Americans work when it comes to helping others.

I would like to make the following report on the jobs that some of the volunteers are doing here:

1. Bob Ross has helped to design and estimate the cost of a youth recreation center; he will help with technical assistance on its construction. This project will cost about a million and a half soles. His aid saves us 50,000 soles. He is going to help us organize and put into effect the job of leveling all the streets of Chimbote. He will supervise the operation and maintenance of heavy road equipment.

2. Jim Collins is working in a housing development project that will provide 800 homes for laborers. He helped in elaborating the architectural design for a boardwalk 2,500 feet long. Without his help, the boardwalk would have cost us 60,000 soles more. The boardwalk will provide the only place in town for the leisure time of thousands who have nowhere to go on a Sunday.

3. Jon McDonald and Jerry Neff have helped in the building of four playgrounds in the slum areas. This project was undertaken, as you remember, to give something to the children of Chimbote at Christmastime. Jon is currently working on other playgrounds in new slums. These two boys have taught English to municipal employees and others, thereby enabling some to obtain better jobs.

4. Margaret Orrantia, Martha Iwaski, and Nancy Norton are in charge of feeding 5,000 schoolchildren in some 40 schools. They were told that their program didn't have a chance of beginning before this month. However, they have been engaged in this activity since last October and are doing more every day.

5. Gregory Labuza, Mary Lee Page, and Kathy Peck have started a small clinic at 21 de Abril. They have already given polio immunizations to 1,500 people. They are expanding their program as much as they can with their meager means.

6. T. H. Little, John O'Brien, Neal Van Dyke, and Bob Font are working on construction in the housing program to expand 21 de Abril.

I would like you to ask the people who are living in the areas where the Peace Corps is operating if they are pleased. I'm sure that you would receive an enthusiastic yes. All the boys and girls live in the same conditions as these people in the slums; the slum dwellers admire them for this. I need not repeat at this time reports on the work of the rest of the volunteers.

It has come to our ears that some of Chimbote's volunteers have been quoted as saying that they found their jobs frustrating. May I say that I, too, found my job frustrating at the beginning, but working in a hard and rapidly growing town like Chimbote is trying to any man and even more so to an honest and sincere person who only wants the good of his fellow man. The population of this town is very heterogeneous and only 10 percent of the area meets a low urbanistic requirement. Besides, there are several extremist groups that do not want any progress for this city or this country, and their agents will do everything possible to hinder the good work of any Peruvian or other national. On account of all this, it should come as a surprise to no one that working here is hard.

It is my firm conviction and that of my councilmen and a very large group of citizens of Chimbote that the United States could send no better ambassadors than these volunteers who come to our countries in Latin America with their hearts in their hands. They come ready to help and share in the hardships and poverty that still exist in some of our yet undeveloped areas. To these young men and women we pay our most respectful homage.

It was on account of what I have mentioned in this letter that during my recent trip to Washington, on official business to obtain loans for my city, I made a special visit to Mr. Sargent Shriver to thank him for sending the Peace Corps volunteers to Peru. I expressed to him the opinion of many of my countrymen that this is one of the best programs undertaken by the U.S. Government. I also informed him about the real work and benefits of the program, with the idea that it might be satisfying for him to hear a report from someone from a country where success is being achieved.

Hoping that you will come to Chimbote soon where I will have the pleasure of seeing you again, with my warmest personal regards I remain,

JORGE SARMIENTO S.R.,
Alcalde, Concejo Provincial del Santa, Chimbote.

Mr. PASSMAN. Does he share the opinion of your Peace Corpsmen down there?

Mr. SHRIVER. He does not and if you would like me to I would be happy to put in the record a letter which I received from the Peace Corps girl that is quoted in this article. Her name is Nancy Norton.

Mr. PASSMAN. You may put the letter in the record.

(The letter follows:)

NOTE FROM NANCY B. NORTON, PEACE CORPS VOLUNTEER IN CHIMBOTE, PERU

MAY 11, 1963.

How does one appraise the effectiveness of a Peace Corps program? One way is to sit in on a bull session with some of the volunteers working in a site. This way it is easier to gain quotes from a group of PCV's who are tired, hot, hungry, and perhaps discouraged; discouragement of a day or in some cases even longer. Why discouraged? Because we can't give more, do more, help more, or see more of the end of our work. Sarcasm comes easy at times like this. Sarcasm quoted without the softening cushion of a smile, or a shrug of the shoulders or the comment of a PCV's personal happiness; the delight with the incountry people with whom he works; the warm feeling he gets watching a child gulp a cup of hot cocoa. Maybe, just maybe, a better way to judge Peace Corps programs is to talk to the people of the town involved, not just the volunteers.

The nutrition program is going well in Chimbote. School has been in session only 1 month and already more breakfasts are being served than in the 2 months' operation of the program last year—this means 3,000 breakfasts in 18 schools. So in 18 schools there are commitees of mothers and big sisters who get up at the crack of dawn to fix mush and milk for their children and those of their neighbors. There will be more soon—as soon as water supplies are established, more committees are formed, equipment delivered.

Peru is frustrating. The life of a volunteer is frustrating. But we know that if things went smoothly here there would be no frustrations and no need for the Peace Corps. Chimbote as a mushrooming urban center even has problems and frustrations not present in other areas of Peru. But it is places like this which need the help of volunteers, and the volunteers give it gladly. What we don't need is the damnation of the press. We do need to have our problems understood.

NANCY B. NORTON.

Mr. PASSMAN. If you would say, "We are going to try to straighten this out, this is wrong."

Mr. SHRIVER. I do not defend all of this. This boy, Mike Escalante, has been removed from Chimbote. He has been moved to a uni-

versity where his graduate degree proved very helpful in his teaching there and I think I can assure he will run into a number of Marxists because Latin America universities are alleged to have a number of them.

When this article was written this group had been in this location only 6 weeks.

Mr. PASSMAN. They still did not have to sleep in the same place on straw mattresses, male and female, with nothing but a bamboo curtain, or something, hanging between them, did they?

Mr. SHRIVER. Let me say, Mr. Chairman, they were not sleeping in the same room.

Mr. PASSMAN. According to this article here——

Mr. SHRIVER No, sir. It was the same house.

Now, they did have the houses in the slums, in a place like Chimbote. Lots of them are built out of straw because the people are poverty stricken there. They build a large house out of straw and between these two sections they have a straw wall which is what the whole house is made out of.

Mr. PASSMAN. I quote:

The girl, in fact, does live with another girl behind a hanging straw mat in one of the makeshift rooms of the hut also shared by four boys. Privacy is a scarce commodity.

Mr. SHRIVER. It is a scarce commodity in any slum. That is where we have to work, in a slum, with the people who are getting the wrong ideas about the United States, because the only people working in those slums now are the Communists. If we surrender——

Mr. PASSMAN. This man said he had not met a Communist since he had been there.

Mr. SHRIVER. I understand he hasn't and I told you what happened to him.

Outside of Rio—two-thirds to three-quarters of all the people in Rio live in these slums. The same is true in Lima. If we just forget the people who are two-thirds or three-quarters of the population I think we can forget South America.

VOLUNTEERS COMPLETING SERVICE

Mr. PASSMAN. Next, the justification on pages I.48 and I.49 and III.76 indicates that during the next 15 or 16 months approximately 3,500 volunteers will be returning to the United States.

What countries will be deprived of the services of these Corpsmen?

Mr. SHRIVER. Perhaps Mr. Wiggins would like to comment on that.

Mr. PASSMAN. Just tell us what countries you are bringing them home from, the first 3,500.

Mr. SHRIVER. They are not just being brought out of the country. They are finishing their term of service and will probably be coming from the first 12 countries.

Mr. PASSMAN. This is the first group who have finished their 2 years and you are returning them?

Mr. WIGGINS. The countries where the volunteers will complete 2 years of service by August 31, 1964, follow:

RETURNING VOLUNTEERS

(Approximate completion dates through Aug. 31, 1964, for country programs)

Separation date	*Program*
June (1963)	Colombia.
	Nigeria.
	Tanganyika.
June–July	Sierra Leone.
June–August	Ghana.
July	Chile.
	St. Lucia.
	Philippines.
	Pakistan.
August	Philippines.
	Pakistan.
October	Malaya.
	Thailand.
	India.
December	Nigeria.
	Philippines.
January (1964)	Brazil.
	Philippines.
February	El Salvador.
March	Bolivia.
	Brazil.
	Dominican Republic.
April (1964)	Chile.
	Philippines.
	Somalia.
	Venezuela.
May	Peru.
June	Ceylon.
	Ecuador.
	Honduras.
	Iran.
	Ivory Coast.
	Liberia.
	Philippines.
	Sierra Leone.
	Thailand.
July	Brazil.
	Cameroon.
	Chile.
	Colombia.
	Ecuador.
	Pakistan.
	Tanganyika.
	Tunisia.
August	Brazil.
	Dominican Republic.

Mr. WIGGINS. This does not finish our job in these countries, but those are the countries from which the first volunteers will return after 2 years.

Mr. PASSMAN. Does this mean the projects are completed in those particular countries, the projects they are working on, or will you send out replacements?

Mr. WIGGINS. In most of these countries we will have additional volunteers going in at roughly the same time these are coming out.

Mr. PASSMAN. Are the replacements going to pick up the same subjects that these people you are bringing out are teaching?

Mr. WIGGINS. It varies from country to country, sir.

Mr. PASSMAN. It could be that for some of the projects they have been working on, there will be no replacements to go to those particular projects?

Mr. WIGGINS. There will be some villages and some classrooms where there will be no replacement; that is correct.

Mr. SHRIVER. The idea there is in some cases, Mr. Chairman—excuse me. Perhaps you do not want to hear.

Mr. PASSMAN. I want to hear everything you wish to say, Mr. Shriver.

Mr. SHRIVER. What I was saying was in some places where we take a teacher out of a school we do replace that teacher with the next installment of personnel going into that country. Where we send some to work in village development we do not place them in the same village, we may place them in the next village.

VOLUNTEERS IN TANGANYIKA

Mr. PASSMAN. When will a project be completed, if ever?

Mr. SHRIVER. Some of the projects are already completed. For example, in Tanganyika, the civil engineers and the surveyors have completed their work there but frankly, Mr. Chairman——

Mr. PASSMAN. What kind of work did they do? What did they survey and what did they engineer, including the names of the projects and the degree of accomplishment?

Mr. WIGGINS. As of February, the Peace Corps volunteer geologists had geologically mapped approximately 7,500 square miles of Tanganyika.

Mr. PASSMAN. Mapped it?

Mr. SHRIVER. Geological mapping.

Mr. PASSMAN. Did you replace some established map of the country?

Mr. SHRIVER. No, sir, we were building a new geological map. It had not been done before.

Mr. PASSMAN. What did they survey?

Mr. SHRIVER. As of February, the Peace Corps volunteer surveyors had surveyed about 3,000 miles of roads in all parts of Tanganyika. They also had surveyed other things.

Mr. PASSMAN. How many miles?

Mr. WIGGINS. About 3,000 miles of roads.

Mr. PASSMAN. Has any construction work started on those roads?

Mr. SHRIVER. Yes, sir, I can answer there. I was there and saw it.

Mr. PASSMAN. How much have you spent on the road?

Mr. SHRIVER. We don't spend anything on the road. I think most of the aid in Tanganyika comes from the British.

Mr. PASSMAN. They are protecting their markets, so the record indicates from last year. They have their trade agreements and their interests.

Mr. SHRIVER. They are a member of the British Commonwealth.

Mr. PASSMAN. Are the maps presently being printed?

Mr. WIGGINS. I do not know the extent of that.

Mr. PASSMAN. Do you have a rough draft that the committee can see, one of the pieces of their work? We would like to see examples of some of their work, some of their maps, the name of the project, the length of the road, what it is going to cost, the width of the road, whether it is dirt, gravel, or blacktop. Could you help us?

Mr. SHRIVER. Sure, we can help you.

Mr. PASSMAN. Do you know whether they are going to take the Peace Corpsmen's map recommendations?

Mr. WIGGINS. On the geological map? Yes, sir.

Mr. PASSMAN. Will it be printed in this country or over there?

Mr. WIGGINS. For the Tanganyikans it wouldn't be printed here, sir.

Mr. PASSMAN. Do they have the know-how to follow through advantageously on this survey?

Mr. WIGGINS. Yes.

The map is in the department there and our people have been out on what they call a safari developing the characteristics.

Mr. PASSMAN. Could you get us a rough draft copy of this map?

Mr. WIGGINS. We will get whatever you want, sir.

(NOTE: A copy of the new geological map was supplied to the committee.)

Mr. MINSHALL. Nothing has been done prior to this in the way of surveying? Don't they have their own crew to do this work?

Mr. SHRIVER. There are two different things. One is surveying roads and the other is doing geological mapping.

Mr. MINSHALL. What were you doing?

Mr. WIGGINS. Both.

Mr. MINSHALL. Don't the Tanganyikans do both of those?

Mr. SHRIVER. They were lacking somewhat in both. For example, in a large part of this country the geological surveys and maps had never been made. That is why they wanted us to come in. Second, with respect to a large number of feeder roads, the feeder roads had never been surveyed.

Mr. MINSHALL. What is accomplished by surveying the road? What are you going to do now with the survey?

Mr. WIGGINS. The Tanganyikans go in and build the feeder road. We have to lay the roads out.

Mr. MINSHALL. They are actually building these roads now?

Mr. WIGGINS. Yes. Peace Corps volunteer civil engineers have been in charge of or second in command on the supervision of all major road construction.

Mr. MINSHALL. How many miles of roads have they built?

Mr. WIGGINS. I don't know exactly the number of miles of roads that have been built but I do know before you build any road you have to have a plan and that is what we have been doing, making the plan.

Mr. MINSHALL. Is it a 1-mile road or a hundred feet?

Mr. SHRIVER. I personally saw them building a section about 85 miles long.

Mr. PASSMAN. Did they start construction before the Peace Corps went in?

Mr. SHRIVER. No, sir, the Peace Corps surveyors were surveying parts of the road system where they needed new roads that they could not start constructing until they had the survey. Others of

our people were working on the improvement of the existing roads, broadening, leveling grades, and so on. Some of our people were in charge of a group of possibly 150 or 250 Tanganyikans who were working on improving existing roads. Trying to bring the road up to an all-weather road. Some of them wash out in the rainy season. So our men would go in there and straighten out the road, change the elevation, put in culverts. Our civil engineers designed the culverts and the small bridges and these things are built by Tanganyikans. We do not build them.

Mr. PASSMAN. How old are these engineers and surveyors?

Mr. SHRIVER. I would guess the average age of the volunteers in Tanganyika would be 26 or 27, something like that. I am sorry, but that's a guess.

Mr. PASSMAN. You don't know how much of the roads have been constructed so far?

Mr. SHRIVER. No, sir. They are probably building some right now.

(The following information was subsequently provided:)

Over 500 miles of main roads, semimain roads, and feeder roads, have already been constructed in Tanganyika and more are now under construction.

Mr. PASSMAN. You have agreed with me, I believe, in the statement that the Peace Corps' success would not always be sufficient to get money.

Mr. SHRIVER. I couldn't agree with you more. As a matter of fact, if you would like to have the head of the department of public works of Tanganyika come here and testify I am sure he would be happy to do it.

Mr. PASSMAN. If he will come at his own expense we would like to meet him.

Mr. SHRIVER. Fine. He was here once before at his own expense.

DOMESTIC SERVICE CORPS

Mr. PASSMAN. Mr. Shriver, what effect will the passage of the domestic service corps bill have on your recruitment efforts if such a bill should be enacted into law?

Mr. SHRIVER. It is only a guess. Nobody can be sure. My personal opinion is if the so-called National Service Corps is passed into law by Congress it would not have any substantial effect on application for the U.S. oversea Peace Corps.

Mr. PASSMAN. Could they complement each other?

Mr. SHRIVER. I think, Congressman, whenever people do voluntary work, whether it is with a governmental agency like ours or with the YMCA or others, that the work is complementary. They both attempt to accomplish things comparable and complementary.

VOLUNTEERS VERSUS GOVERNMENT EMPLOYEES

Mr. PASSMAN. We keep talking about volunteers. When we say, "volunteers," that actually covers a lot of things, doesn't it?

Mr. SHRIVER. Well, it specifically means a very accurate thing in connection with the Peace Corps volunteers. This question came up, Mr. Chairman, as you will remember, when we were here before. I took the liberty of sending to several committee members who were

interested in it an analysis of some of the benefits Government employees get which Peace Corps volunteers do not get, and vice versa. I would be glad to put that in the record.

Mr. PASSMAN. Please put it in the record.

(The document follows:)

Section 5(a) of the Peace Corps Act, as amended, states:

"* * * except as provided in this Act, volunteers shall not be deemed officers or employees or otherwise in the service or employment of, or holding office under, the United States for any purpose."

STATUTES FOR WHICH VOLUNTEERS ARE CONSIDERED GOVERNMENT EMPLOYEES

The statutes for the purpose of which volunteers are deemed United States Officers or employees as provided in the Peace Corps Act, as amended, are as follows:

(1) Federal Employees' Compensation Act, 5 U.S.C. 751 et seq. (by virtue of section 5(d) of the Peace Corps Act; however, this section also provides that a volunteer's entitlement to disability benefits under the FECA does not commence until after termination of his service);

(2) Federal Tort Claims Act, 28 U.S.C. 2671 et seq. and "any other Federal tort liability statute" (by virtue of section 5(h) of the Peace Corps Act);

(3) Section 1 of the Act of June 4, 1920, as amended, 22 U.S.C. 214 (relating to passport fees) (by virtue of section 5(h) of the Peace Corps Act);

(4) Subchapter II of the Social Security Act, 42 U.S.C. 401 et seq. (relating to Federal old-age survivors and disability insurance benefits) (by virtue of section 27 of the Peace Corps Act).[1]

STATUTES FOR WHICH VOLUNTEERS ARE NOT CONSIDERED GOVERNMENT EMPLOYEES

In contrast with the four statutes just listed, there are a great many other statutes for the purposes of which volunteers are not deemed officers or employees of the United States Government. The following is a list of twenty of the more important of these statutes.

1. Annual and Sick Leave Act of 1951, 5 U.S.C. 2061 et seq. (which provides for annual and sick leave benefits to Government employees).
2. Lloyd-La Follette Act, as amended, 5 U.S.C. 652 et seq. (which provides for job protection rights for Government employees).
3. Veterans Preference Act, as amended, 5 U.S.C. 851 et seq. (which provides for particular job protection rights for Government employees who are Veterans).
4. Federal Employees Health Benefits Act of 1959, 5 U.S.C. 3001 et seq. (which provides for health benefits plans and a health benefits fund for Government employees and for Government contribution thereto).
5. Retired Federal Employees Health Benefits Act, 5 U.S.C. 3051 et seq. (which provides benefits similar to those of the Federal Employees Health Benefits Act for retired Government employees).
6. Federal Employees Group Life Insurance Act, as amended, 5 U.S.C. 2091 et seq. (which provides for Group Life and Accident Insurance for Government employees).
7. Federal Employees Pay Act of 1945, as amended, 5 U.S.C. 901 et seq. (which provides for compensation for overtime and night and holiday work by Government employees and for certain increases in and regulation of their compensation).
8. Subchapter XV of the Social Security Act, as amended, 42 U.S.C. 1361 et seq. (which provides for unemployment compensation for Government employees).
9. Foreign Service Act of 1946, as amended, 22 U.S.C. 801 et seq. (which has the purpose of ensuring an effective Foreign Service and provides for salaries, allowances and benefits for members thereof).

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[1] In addition, sec. 5(f) of the Peace Corps Act, as amended, provides that Peace Corps service shall receive credit similar to U.S. Government civilian employment in connection with Government retirement systems and other rights and privileges in Government employment based on length of service.

10. Overseas Differentials and Allowances Act, 5 U.S.C. 3031 et seq. (which provides for allowances and differentials for Government employees in foreign areas).

11. Independent Offices Appropriation Act of 1949, 5 U.S.C. 118h. (which provides for allowances and differentials for Government employees stationed outside of the Continental United States).

12. Civil Service Act, as amended, 5 U.S.C. 631 et seq. (which provides for the covering of Government employees into a classified civil service).

13. Civil Service Retirement Act of 1956, as amended, 5 U.S.C. 2209 et seq. (which provides for retirement benefits for Government employees).

14. Classification Act of 1949, as amended, 5 U.S.C. 1071 (which provides for classification of Government employees so as to ensure that they receive equal pay for equal work).

15. Government Employees Incentive Awards Act, 5, U.S.C. 2123 et seq. (which provides for cash awards in honorary recognition of achievements by Government employees).

16. Administrative Expenses Act of 1946, 5 U.S.C. 73b–1 et seq. (which provides, among other things, for travel and transportation expenses of Government employees).

17. Act of June 26, 1930, c. 622, 5 U.S.C. 118a (which provides for a living quarters allowance for Government employees stationed in foreign countries).

18. Federal Employees International Organization Service Act, 5 U.S.C. 2331 et seq. (which provides for retention of all rights and benefits by Government employees transferred to international organizations).

19. Performance Rating Act of 1950, 5 U.S.C. 2001 et seq. (which provides for performance rating of Government employees so as to ensure recognition of their merits).

20. Government Employees Training Act, 5 U.S.C. 2301 et seq. (which provides for training of Government employees at Government and non-Government facilities).

Mr. PASSMAN. I think we agreed earlier that the act itself says they are not under the Federal Government—not employees of the Government—and two paragraphs down they say they are employees of the Federal Government, and these lawyers came up—what do they call that in law?

Mr. NATCHER. A series of negative pregnants.

Mr. SHRIVER. We found, Mr. Chairman, there are about 20 major comprehensive Government statutes which are for the benefit of Government employees, the benefits of which do not accrue to Peace Corps volunteers and there are only 4 which do. I would be happy to insert that in the record.

Mr. PASSMAN. We know they are employees of the Government. They are not coming out of your checking account and they are not paid from voluntary contributions. They are paid by the American taxpayer, out of the U.S. Treasury.

Mr. SHRIVER. That is right. Also you point out there were some 48 million who get money out of that Treasury.

Mr. PASSMAN. About one out of every two adults.

But, regardless, the Peace Corps men are being paid by the American taxpayer and we can call it anything we want to.

Mr. SHRIVER. I have before me this report of Congressman Selden with reference to Peru.

Mr. PASSMAN. It is a House report so we shall not put it in this particular record. You may include some excerpts.

Mr. SHRIVER. We would like to do that.

(The information follows:)

[Excerpts from H. Rept. 223 (88th Cong., 1st sess.) dated Apr. 23, 1963 (item 6, p. 7)]

THE PEACE CORPS HAS JUSTIFIED THE FAITH OF ITS SUPPORTERS

Of the 5 countries visited, 197 Peace Corps volunteers were on duty in Peru; 159 in Ecuador, 164 in Colombia. Additional volunteers have arrived in Latin America since our visit.

We were deeply impressed by the warmth with which the volunteers are regarded by the Latin American people with whom they live and work. We were also impressed by the manner in which the volunteers have adjusted to rugged and often primitive living conditions. The American people can be justly proud of these men and women who are carrying on our best traditions of humanity with an indomitable frontier spirit.

MEMBER OF THE NATIONAL ADVISORY COUNCIL

Mr. MONTOYA. Mr. Chairman, before you go into another subject I have some questions.

Mr. PASSMAN. Please proceed, Mr. Montoya.

Mr. MONTOYA. Mr. Shriver, with respect to the questioning relating to the Rev. James Robinson, I don't know whether you stated for the record how this man was originally taken into the Peace Corps. If you did, will you review it just briefly for me?

Mr. SHRIVER. Yes, sir. I was not able, in response to Congressman Minshall's questions to give the committee the name of a specific person who first proposed this man's name, but I did point out that this Rev. James Robinson is the head of an organization called Crossroads Africa which is a large student exchange program that sends students back and forth between the United States and Africa. He is a very prominent person in that work and I think that a number of persons probably recommended him as a possible member for the National Advisory Council.

Mr. MONTOYA. Will you state, if you know, who those prominent members might have been or were?

Mr. SHRIVER. I would be glad for the record, but I don't happen to have them right offhand.

Mr. MONTOYA. Do you recall any in particular?

Mr. SHRIVER. Well, I would have thought that nearly anybody around the office at that time might have been suggesting names. It might have been Gordon Boyce, who is chairman of the Experiment for International Living, or Al Simms, who is vice president of the Institute on International Education, or Harris Wofford who was a special assistant to the President of the United States.

Mr. MONTOYA. Would you put in the record the names of those who might have recommended him?

Mr. SHRIVER. That is what I was trying to do. These are some of the people who might have recommended him initially.

Mr. MONTOYA. I want to know the ones who actually recommended him.

Mr. SHRIVER. I will be glad to do that, too, if my records are that accurate. I am not sure they are.

(The information requested may be found on page 174.)

Mr. MONTOYA. Now, in view of what Mr. Fulton Lewis, Jr. has stated, if he is correct, then we can probably assume that the file which was collected on this individual certainly would reflect his previous associations with leftist organizations. Could that be true?

Mr. SHRIVER. I think the file, which was an FBI file, would have included his association with all kinds of organizations.

Mr. MONTOYA. Did you see this file at any time?

Mr. SHRIVER. Yes, sir.

Mr. MONTOYA. Before he was chosen?

Mr. SHRIVER. Yes, sir.

Mr. MONTOYA. Tell me what steps were taken by your organization to satisfy in your own mind that this man was not a security risk.

Mr. SHRIVER. Well, first of all we went, as I said earlier, Congressman, to the official record where it was indicated that President Eisenhower had given high praise to this particular man for work that this man had done during the Eisenhower administration.

Mr. MONTOYA. What position did he have with the Eisenhower administration?

Mr. SHRIVER. I don't know that he had a specific position. He gave him praise for work that was done, not necessarily as a part of the administration, but during the time when President Eisenhower was President. President Eisenhower wrote this man a letter thanking him for work that was done. I can't remember exactly the text of that letter but I can easily get it. I don't have it now.

Mr. MONTOYA. Was it work connected with Government?

Mr. SHRIVER. I am not sure of that, Congressman. Secondly, Senator Dodd of Connecticut who had been interested in this type of thing made an inquiry and we made information available to him and Senator Dodd's subsequent conduct indicated to us that he was not overly concerned, to put it in the negative, about this man.

Mr. MONTOYA. Did he write a letter to that effect?

Mr. SHRIVER. No, sir.

The third thing we did was review the FBI file and we found out they had placed this man's record in what we call the inactive status which meant, at least to me, that they no longer felt that this person was of sufficient present concern that they wanted to keep people, you might say, watching him all the time.

Mr. MONTOYA. Did your agency refer the investigation of this man's background to the FBI?

Mr. SHRIVER. Yes, sir. We do that for everybody. We didn't pick this man out.

Mr. MONTOYA. Was this one of the first 550 who were automatically referred to the FBI?

Mr. SHRIVER. No, sir, those were Peace Corps volunteers. This man is not a volunteer. He is a member of the Peace Corps National Advisory Council. The Council has met three times.

Mr. MONTOYA. Does this referral fall into that category which you mentioned a few minutes ago to the effect that if you found anything relating to an applicant's background that might warrant scrutiny, then you would refer it to the FBI?

Mr. SHRIVER. Yes, sir.

Mr. MONTOYA. Did he fall into this category?

Mr. JOSEPHSON. I believe technically all Presidential appointees receive a full field investigation by the FBI.

Mr. MONTOYA. Was this man a Presidential appointee?

Mr. JOSEPHSON. All members of the National Advisory Council are appointed by the President.

Mr. MONTOYA. What transpired by way of analytical consideration before this man was finally certified for this appointment?

Mr. SHRIVER. First of all, before anybody can be certified for an appointment he has to be cleared by the security people in the State Department and this man was so cleared. In addition to that, this man holds a passport from the U.S. Government, and in that case it is my understanding they have to be cleared by the security people of the Department of State.

Mr. MONTOYA. How were these affiliations repelled by your analytical consideration? Namely, that he had been an official of the American Youth Congress, a group labeled Communist and subversive by the Attorney General? How was that taken care of in your analytical consideration?

Mr. SHRIVER. I think that, as I said earlier, Congressman, that a number of Negro people from time to time in their struggle for civil rights have become identified with organizations which were primarily interested in that type of work. They have signed statements along with others that sometimes perhaps they shouldn't have signed. but they did do these things all during the 1930's and 1940's and maybe some even in the 1950's.

Mr. MONTOYA. Was there any investigative report by any agency of the Government indicating the fact that Mr. Robinson was an official did not necessarily implicate him as an active or affiliated Communist?

Mr. SHRIVER. I think that the record would show, since it was cleared, as I say, by the State Department on a couple of occasions, that this man was not an active Communist. Nor even, let us say, an inactive Communist.

Mr. MONTOYA. Was he active in Communist causes or of being an active Communist?

Mr. SHRIVER. I wouldn't know for sure, Congressman. All I do know is that when a full-field investigation report comes in from the FBI it has to go through the security people in the Department of State.

Mr. MONTOYA. Do you know whether or not he had been turned down for other Government employment because of his previous affiliations or activities?

Mr. SHRIVER. So far as I know he was never turned down for other Government employment.

Mr. MONTOYA. Had he been an active applicant for employment with other agencies?

Mr. SHRIVER. Not so far as I know.

Mr. MONTOYA. Then am I to deduce from your testimony that those dealing with employment and passing upon employees were satisfied with this man's loyalty and that he had no Communist affiliation?

Mr. SHRIVER. I think that when they clear it through the security people in the Department of State that is the conclusion that an administrator like myself can accurately reach.

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Mr. MONTOYA. Since this article appeared have you had any reappraisal of your position with respect to this man?

Mr. SHRIVER. Today is the first time that I have had this article called to my attention.

Mr. MONTOYA. Had anyone ever questioned this man's loyalty or brought it to your attention?

Mr. SHRIVER. Yes, sir; Senator Dodd questioned the proposed appointment and we went and talked to Senator Dodd about it and I think that Senator Dodd looked into the record himself and subsequently we never heard from him again.

Mr. MONTOYA. Upon what basis did he express concern about this man's qualifications to serve in this capacity?

Mr. SHRIVER. I am not sure on what basis but I suppose Senator Dodd had material like this or similar to it brought to his attention by sources of his own.

Mr. MONTOYA. Then are you satisfied that he is not a Communist?

Mr. SHRIVER. I was, on the basis of the security clearance issued by the State Department, satisfied he was not a Communist.

Mr. MONTOYA. A fellow traveler?

Mr. SHRIVER. Yes, I would assume the State Department would not clear somebody for a Presidential appointment who was a fellow traveler.

Mr. MONTOYA. Is your satisfaction in this respect derived from the fact that they did not mention anything derogatory about his previous leanings or was it a specific finding by the FBI to that effect?

Mr. SHRIVER. No, the FBI never makes a specific finding like that so far as I know. What the FBI does is collect the evidence and then it is up to the executive branch to reach a conclusion based on the factual material given to the executive branch by the FBI.

Mr. MONTOYA. Did the State Department ever indicate to you specifically that they were satisfied that this man was not a security risk?

Mr. SHRIVER. Yes, sir. They have to sign a statement.

Mr. JOSEPHSON. It is a certification under Executive Order 10450 which applies to the whole Government. They certify there has been an investigation of the applicant in accordance with the provisions of Executive Order 10450 and that the requirements of the order with respect to employment for sensitive or nonsensitive positions, whichever the case may be, have been met.

Mr. SHRIVER. The National Advisory Council of the Peace Corps meets once a year or so to give comments and criticisms and suggestions about the work of the Corps. They are not privileged to any confidential, secret, top secret, or supersecret information. Consequently, as we do with the Peace Corps itself, we don't exercise the same degree of requirement over people in that kind of work that we would naturally want to exercise over somebody, let us say, who was working on something very confidential such as atomic research, armaments, or the deployment of military forces or anything like that. We don't get into that level of business at all.

Mr. MONTOYA. What specifically are the duties of this man?

Mr. SHRIVER. Mr. Josephson shows me the Peace Corps Act in which it says in section 12 that the President may appoint to membership persons who are broadly representative of educational institu-

tions, labor unions, voluntary agencies, and so forth to advise and consult with the President with regard to the policies and programs of the Peace Corps. They shall receive no compensation for their services but they can get $50 per diem, not to exceed 20 days in any fiscal year, in the case of time spent away from their home or regular place of business if they are engaged in this work as a National Advisory Council member.

We have had three meetings of the National Advisory Council. Those meetings last 1 day. They are held here in Washington. So we have been in business now about 26 months and these people have worked 3 days.

Mr. MONTOYA. So in effect this man has only acted in this capacity 3 days out of the entire period?

Mr. SHRIVER. In fact he has only been at one of the meetings.

Mr. MONTOYA. Has he ever been abroad as an official of the Peace Corps?

Mr. SHRIVER. No, sir.

Mr. MONTOYA. That is all I have on the subject.

Mr. PASSMAN. Mr. Shriver, from my point of view, it is not a question of how often he attended meetings of the Peace Corps National Advisory Council, but it is a question of the fact that he is still employed in that capacity. As of this time he is still a member of the Council, is he not?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I would be the last one to say that people do not change their convictions. However, you heard me read from this article. As far as you personally know he may have been a member of these organizations. He may have participated as indicated in the article. You merely have supported his position on the basis that he was cleared by the security people?

Mr. SHRIVER. Yes, sir. I am not contesting the accuracy of those charges. I think, however, that they do not represent the full story.

Mr. PASSMAN. So my point is still valid, that there is no use having people with reputations as questionable as this man's, at least in the past, taking any active part in Government. Furthermore, when only recently he—

addressed a meeting of New York leftists only a fortnight ago and wisecracked "Peace Corps Director Sargent Shriver has been told I am a Communist or fellow traveler, so I am in good company tonight."

You might want to check further on that last meeting.

Mr. SHRIVER. Yes, sir, I will be glad to.

Mr. PASSMAN. I am not directing the Peace Corps but if I were I would get rid of that individual if I had the right to do it.

Mr. MONTOYA. Mr. Shriver, would you run a recheck in view of this article on this man and refer back to the committee on it?

Mr. MINSHALL. I think we should have the complete FBI report on this gentleman made a part of the record.

Mr. SHRIVER. I would be glad to submit it. As I say, I haven't seen that until today and the date on it is just 2 or 3 days ago.

VOLUNTEERS BY COUNTRY AND TYPE OF PROJECT AND ESTIMATED COST

Mr. PASSMAN. On page I–16 it indicates as of April 1, 1963, you had overseas or in training 5,003 volunteers; is that correct?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Will you furnish for the record a table showing the country, type of project, and the number of volunteers involved and the approximate cost of each project?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. Page I–16 also indicates that you expect to have between April 1 and August 31 approximately 4,473 volunteers in training. Would you submit a table for these 4,473 volunteers similar to the one I just requested for the 5,003 volunteers?

Mr. WIGGINS. We will submit that, sir.

(The information requested follows:)

Volunteers by country, type of project, and estimated cost as of Apr. 1, 1963

	Numbers in training and overseas Apr. 1, 1963	Estimated numbers entering training Apr. 1 through Aug. 31, 1963	Estimated 2-year volunteer costs
Total, all regions	5,003	4,473	$131,981,728
Africa	1,518	1,396	40,586,192
Cameroon	40	61	1,406,728
Education, secondary	40	49	
Rural community action		12	
Ethiopia	278	182	6,406,880
Education, secondary	276	98	
Health	2	36	
Education, university		48	
Gabon	41	22	877,464
Public Works	41		
Education, secondary		22	
Ghana	139	130	3,746,632
Education, secondary	108	110	
Education, vocational	18		
Public works	13	20	
Ivory Coast	52	20	1,002,816
Education, secondary	36	15	
Education, adult	8		
Education, physical	8	5	
Liberia	143	250	5,473,704
Education, secondary	59	200	
Education, elementary	84		
Urban community action		50	
Morocco	56	68	1,727,072
Education, secondary	22		
Rural community action	34	40	
Education, physical		28	
Niger	16		222,848
Education, secondary	7		
Agricultural extension	9		
Nigeria	297	345	8,941,776
Education, secondary	275	293	
Education, university	22	52	
Nyasaland	42		584,976
Education, secondary	42		

Volunteers by country, type of project, and estimated cost as of Apr. 1, 1963—Con.

	Numbers in training and overseas Apr. 1, 1963	Estimated numbers entering training Apr. 1 through Aug. 31, 1963	Estimated 2-year volunteer costs
Africa—Continued			
Senegal	33	67	$1,392,800
Education, secondary	3	30	
Education, physical	9	7	
Rural community action	21	30	
Sierra Leone	123	168	4,053,048
Education, secondary	91	118	
Rural community action	32	50	
Somali Republic	41		571,048
Education, secondary	41		
Tanganyika	61		849,608
Public Works	34		
Health	27		
Togo	45		626,760
Education, secondary	19		
Agricultural extension (fisheries)	7		
Health	19		
Tunisia	111	63	2,423,472
Public Works	42	43	
Education, Physical	19		
Health	27	20	
Agricultural extension	23		
Regional lawyers		20	278,560
Near East and South Asia	581	800	19,234,568
Afghanistan	43		598,904
Education, secondary	34		
Multipurpose	9		
Ceylon	38		529,264
Education, secondary	38		
Cyprus	23		320,344
Rural community action	23		
India	136	96	3,231,296
Agricultural extension	25	55	
Rural community action	62	41	
Education, university	49		
Iran	41	52	1,295,304
Education, secondary	34		
Education, university	7		
Educational, vocational		52	
Nepal	69	42	1,546,008
Agricultural extension	12		
Education, secondary	36		
Education, university	21		
Rural community action		42	
Pakistan	192	205	5,529,416
Agricultural extension	18		
Rural community action	55	61	
Education, secondary	13	39	
Health	33		
Multipurpose	56		
Public works	17	105	

Volunteers by country, type of project, and estimated cost as of Apr. 1, 1963—Con

	Numbers in training and overseas Apr. 1, 1963	Estimated numbers entering training Apr. 1 through Aug. 31, 1963	Estimated 2-year volunteer costs
Near East and South Asia—Continued			
Turkey	39	132	$2,381,688
Agricultural extension	8		
Education, secondary	31	90	
Health		22	
Education, adult		20	
Programs under consideration		273	3,802,344
Latin America	1,711	1,552	45,447,064
Bolivia	112	74	2,590,608
Rural community action	57		
Health	55		
Education, university		30	
Agricultural extension		44	
Brazil	192	128	4,456,960
Agricultural extension	54	43	
Rural community action	138	50	
Health		35	
British Honduras	32		445,696
Education, elementary	5		
Education, secondary	24		
Education, vocational	3		
Chile	100	83	2,548,824
Rural community action	61	35	
Urban community action	39		
Education, elementary		27	
Agricultural extension		21	
Colombia	312	304	8,579,648
Rural community action	184	205	
Urban community action	74		
Education, physical	28	30	
Education, university	26		
Education, adult		19	
Health		50	
Costa Rica	26	50	1,058,528
Education, secondary	26		
Rural community action		50	
Dominican Republic	147	106	3,523,784
Rural community action	126		
Education, secondary	21	35	
Health		25	
Agricultural extension		21	
Urban community action		25	
Ecuador	159	301	6,406,880
Agricultural extension	90	100	
Rural community action	26	76	
Urban community action	21		
Education, secondary	22		
Education, vocational		75	
Education, physical		50	
El Salvador	23	57	1,114,240
Agricultural extension	23		
Rural community action		57	
Guatemala	28	48	1,058,528
Agricultural extension	28	48	

Volunteers by country, type of project, and estimated cost as of Apr. 1, 1953—Con.

	Numbers in training and overseas Apr. 1, 1963	Estimated numbers entering training Apr. 1 through Aug. 31, 1963	Estimated 2-year volunteer costs
Latin America—Continued			
Honduras	25	50	$1,044,600
Rural community action	25	50	
Jamaica	32	12	612,832
Education, vocational	32		
Rural community action		12	
Panama	43	25	947,104
Rural community action	18	25	
Health	25		
Peru	379	161	7,521,120
Rural community action	53	53	
Urban community action	181	52	
Health	99		
Education, vocational	26		
Education, university	20	56	
St. Lucia	14	26	557,120
Agricultural extension	14		
Education, vocational		26	
Venezuela	87	40	1,768,856
Agricultural extension	32		
Urban community action	15		
Education, secondary	11		
Education, university	29		
Education, physical		40	
Programs under consideration		87	1,211,736
Far East	1,193	725	26,713,904
Indonesia	21		292,488
Education, physical	21		
Malaya	190	85	3,830,200
Education, elementary	9		
Education, secondary	50	44	
Education, university	16		
Education, vocational	25		
Rural community action	33	16	
Health	57	25	
North Borneo/Sarawak	108		1,504,224
Education, elementary	10		
Education, secondary	41		
Education, vocational	2		
Health	16		
Rural community action	39		
Philippines	628	285	12,716,264
Education, elementary	536	200	
Education, secondary	30	45	
Education, university	40	40	
Rural community action	22		
Thailand	246	50	4,122,688
Education, secondary	132	50	
Education, university	48		
Rural community action	38		
Health	28		
Programs under consideration		305	4,248,040

VOLUNTEERS IN BRITISH TERRITORIES

Mr. PASSMAN. In how many British oversea territories do you have Peace Corps volunteer projects?

Mr. SHRIVER. Five. We have them in North Borneo, Sarawak, St. Lucia, British Honduras, and Nyasaland.

Mr. PASSMAN. Do you have to get the same type agreement with the British Government to permit the Peace Corps as we do in giving foreign aid to the territories?

Mr. SHRIVER. Not exactly the same.

Mr. PASSMAN. But you do have to get an agreement with Great Britain before you can send Peace Corpsmen into their territory; is that correct?

Mr. JOSEPHSON. Great Britain usually sends——

Mr. PASSMAN. I asked if you had to get British consent before you could start a Peace Corps project in one of their possessions.

Mr. JOSEPHSON. Yes, sir.

Mr. PASSMAN. Would you name the type of project, or projects, number of volunteers, and the approximate cost of the Peace Corps projects in the British territories, or possessions?

Mr. SHRIVER. Do you want us to do that right now?

Mr. PASSMAN. You may insert the information.

Mr. SHRIVER. We can do it now if you want it.

Mr. PASSMAN. What is the cost?

Mr. SHRIVER. We will have to get it for each country.

Mr. PASSMAN. Please insert it in the record, then.

(The information referred to follows:)

Programs in British territories (volunteers overseas or in training as of Apr. 1, 1963

Country	Number Peace Corps volunteers	Field of activity	Estimated total 2-year direct cost
Nyasaland	42	Secondary education	$584,976
British Honduras	32	Education	445,696
St. Lucia	14	Agricultural extension	194,992
North Borneo/Sarawak	108	Education, health, rural community action	1,504,224

PROGRAMS IN COUNTRIES INELIGIBLE FOR FOREIGN AID

CEYLON

Mr. PASSMAN. Do you have Peace Corps projects in any country which is ineligible to receive assistance from the AID agency?

Mr. SHRIVER. I think we do in Ceylon. We have had Peace Corps volunteers in Ceylon since September, 1962.

Mr. PASSMAN. Are they still there?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. When are they not eligible to receive other types of U.S. aid?

Mr. JOSEPHSON. It is the Hickenlooper amendment on expatriation, section 620(e) of the Foreign Assistance Act of 1961, as amended, which applies to assistance under that act.

Mr. SHRIVER. Under that act 3 or 4 months ago AID had activities in Ceylon that were terminated because of what happened. What did they do?

Mr. JOSEPHSON. There was an expropriation of oil company properties and negotiations with respect to the compensation of the oil companies broke down. The United States insisted that the Ceylon Government recommence those negotiations in good faith and was not satisfied with the subsequent action taken by Ceylon.

Mr. PASSMAN. I do not see how our Government could take a position they are not entitled to any type of aid and then permit the Peace Corps to go in.

Mr. SHRIVER. We have had a difference of opinion about that since we started the Peace Corps, when I maintained——

Mr. PASSMAN. Not as broad as it is at this time, because you figured on going into Indonesia.

Mr. SHRIVER. Yes, sir. What I mean we have always maintained, as you know, is that the Peace Corps is not foreign aid and that, therefore, just because AID does not give money to a certain country, that does not mean it would be in the best interests of the United States to remove Peace Corps volunteers who might be teaching in the schools of the country, et cetera.

For example, in the case of Ceylon, Communists are screaming bloody murder trying to get the volunteers out of there.

Mr. PASSMAN. You have mentioned that several times. I want to say, Mr. Shriver, as to these Peace Corpsmen we have scattered around, if the Peace Corps can accomplish the things you indicate for them then our seasoned diplomats can be brought home.

AID TO INDONESIA

Your statement on Indonesia was a strong endorsement.

Mr. SHRIVER. Quite a statement. That same day I showed Congressman Minshall a cablegram that had come in from Indonesia, I think substantiating pretty much what I said.

Mr. MINSHALL. I have forgotten exactly what you said, but I still cannot understand, and it is far from me to understand how 21 Peace Corpsmen, I think that is the number, will persuade nearly 100 million Indonesians, 65 percent of whom are illiterate and those illiterate do not speak English.

Mr. PASSMAN. At the same time you consummated this deal with Sukarno—you went over there yourself——

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. He had his application in for a lot of other aid. Anyway, do you have any other countries——

Mr. SHRIVER. It might be interesting for some of you, maybe you might like me to put these in the record.

Mr. PASSMAN. Put what in?

Mr. SHRIVER. What they are saying in the Malaya Straits Settlement Times.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. SHRIVER. Here is what the Indonesia Member of Parliament says, that "attacked the Parliament decision as dangerous policy the plan to bring in the Peace Corps."

Mr. PASSMAN. Who said that?

Mr. SHRIVER. A Member of Parliament over in the Indonesian Government. This man's name is Mr. Siswoho.

"Experience in several Asian and Latin American countries has shown that the Peace Corps men are actually spies of U.S. imperialism." That has been publicized very extravagantly, I think, Mr. Chairman.

Mr. PASSMAN. I remember what you said in the on-the-record remarks.

In how many other countries do you have Peace Corps members where they are not eligible for other foreign aid?

Mr. SHRIVER. The only one that I know of is Ceylon.

NO PROGRAMS IN FRENCH TERRITORIES

Mr. PASSMAN. Do you have Peace Corpsmen in any of the French possessions?

Mr. SHRIVER. We do not have them in any French possessions; no, sir.

Mr. PASSMAN. Territories?

Mr. SHRIVER. No, sir. We have them in countries that used to be French colonies like the Ivory Coast.

Mr. PASSMAN. I am asking direct questions.

Mr. SHRIVER. No, sir. We do not have them in any existing French colonies or territories.

Mr. PASSMAN. Any other foreign colonies or territories that you know of, other than the British?

Mr. SHRIVER. No, sir. I do not think so. Do we?

Mr. WIGGINS. No, sir.

Mr. PASSMAN. Surinam?

Mr. SHRIVER. We are not in Surinam, British Guiana, any of the French territories, nor in any of the Portuguese or Danish territories.

Mr. PASSMAN. You are familiar with the present trouble we are having with Afghanistan, in our AID program, on the border of Pakistan?

Mr. SHRIVER. I am not familiar with all the details. We have the Peace Corps in Afghanistan.

Mr. PASSMAN. You have nine, I think, in Afghanistan and propose to increase it by 34, and they are to be teachers for secondary schools?

Mr. SHRIVER. I think that figure is correct, yes, sir. We are in several countries right along the Communist border of Red China and Russia, like Nepal and Afghanistan and Thailand and Pakistan.

NUMBER OF COUNTRIES HAVING PEACE CORPS PROGRAM

Mr. PASSMAN. Yes. In a short time you have gone into 46 countries.

Mr. SHRIVER. We always said we would go into about 50 countries.

Mr. PASSMAN. I thought you said, "Let's try this thing out."

Mr. SHRIVER. Yes——

Mr. PASSMAN. If you did well, all right; if you did not, stop it. You did not give Members of Congress an opportunity to decide. You have been doubling your request every year. I suppose I have traveled just about as many places as the others, and I have met some nice young fellows out in the various countries. I met nine of them in——

Mr. SHRIVER. Bangkok.

Mr. PASSMAN. Bangkok, and I did not observe your "setting the woods on fire" out there. Nevertheless, I was in hopes that after you got this thing started, you would maybe hold it down to a minimum until you could actually show some real accomplishments.

VOLUNTEERS IN BOLIVIA

What did you do with the volunteer nurses, that you sent to Bolivia to work with the Public Health Agency, which began disbanding shortly after the nurses arrived?

Mr. SHRIVER. Yes, sir. Warren, would you answer that question about the public health program in Bolivia?

Mr. WIGGINS. They were reassigned in Bolivia.

NO PEACE CORPS SCHOOLS

Mr. PASSMAN. Last year you testified that your volunteer teachers would be integrated within the school system, working alongside the national teachers, and in no case would you have a total responsibility for the school. This year, on page I–35 of the justifications, you state that in some schools the Peace Corps provides the only teachers. One statement conflicts with the other. How do you reconcile the two statements?

Mr. SHRIVER. The original one—I am sorry, Mr. Chairman; would you repeat the statement please.

Mr. PASSMAN. Last year you testified that your volunteer teachers would be integrated within the school system, working alongside the national teachers, and that in no case would you have a total responsibility for a school. This year, on page I–35 of the justifications, you state that in some schools the Peace Corps provides the only teachers.

Mr. SHRIVER. I am sorry to say, Mr. Chairman, I think that statement is in error.

Mr. PASSMAN. Which is in error, last year or this year?

Mr. SHRIVER. I think the statement this year, "in some schools the Peace Corps provides the only teachers" is incorrect. I do not personally know of any case.

Mr. PASSMAN. If it is incorrect we accept it as such.

Mr. SHRIVER. I think it is incorrect.

Mr. PASSMAN. Thank you.

Mr. SHRIVER. But I would like to have the opportunity to double-check to make sure I am right because I am testifying from memory. There may be a school somewhere in the Peace Corps——

Mr. PASSMAN. You will find that, yes; but I was thinking about policy, last year's policy and last year's statement and this year's statement. It indicated a clear policy last year. We were wondering if you had changed the policy.

Mr. SHRIVER. No, sir. We have not. Actually, as we testified last year, Congressman Gary asked, "Do you operate any schools as Peace Corps schools" and Mr. Wiggins testified, "No, we do not," and that is true now. We do not operate any schools as Peace Corps schools.

Mr. PASSMAN. You are scattering all over the world. We have to borrow the money. There is no assurance we can pay it back. We will be forced to repudiate it by inflation if we spend every year

more than we take in. We know that Afghanistan, possibly Indonesia, Burma, I do not know whether you have gotten out there yet——

Mr. SHRIVER. No, sir, we are not in there yet.

Some schools are named Peace Corps schools by the local people.

(Discussion off the record.)

TRAINING IN CONNECTION WITH COLOMBIAN PROJECT

Mr. PASSMAN. In connection with the Colombian project, I note that 30 Colombians were brought to New York for training with the Peace Corps volunteers.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Who paid their expenses?

Mr. SHRIVER. That comes under the AID participant training program, does it not, Warren?

Mr. WIGGINS. Under the AID program, yes, sir.

Mr. PASSMAN. They paid the expenses of Colombians and the Peace Corps men?

Mr. SHRIVER. Just the Colombians.

Mr. PASSMAN. Who paid the Peace Corps salaries?

Mr. SHRIVER. The costs of training of the volunteers in this project were defrayed just like the costs of any other Peace Corps training program.

Mr. PASSMAN. Did you not bring in 30 of the Peace Corps men, too?

Mr. SHRIVER. Yes, sir.

I think we had more than 30 Peace Corps volunteers.

Mr. PASSMAN. Thirty Colombians were brought to New York for training. How many volunteers did you bring into New York with them?

Mr. SHRIVER. I think we brought more than 30. Mr. Wiggins will get the exact figure.

Mr. WIGGINS. I will have to look it up.

Mr. SHRIVER. It was 30, 40, or 50.

Mr. PASSMAN. If you say 30, 40, 50, that is a big spread.

Mr. SHRIVER. I know there were at least 30. We will get you the specific figure.

(The information requested follows:)

There were 92 trainees accompanying the Colombians in training at Columbia University.

Mr. PASSMAN. Did all of these Peace Corps men live in New York?

Mr. SHRIVER. No, sir. Peace Corps volunteers come from all over the country. They train in one place.

Mr. PASSMAN. You manage to get them from all over the country, but I wondered if all of the Peace Corps men you brought to New York happened to be New Yorkers?

Mr. SHRIVER. No, sir. They did not happen to be New Yorkers.

Mr. PASSMAN. You do not know how many you brought in? I wonder how you know they were not New Yorkers. How can you be so positive about one answer and not about the other?

Mr. SHRIVER. I can easily explain why. There was quite a bit of newspaper publicity in New York about this group, and several of the people were quoted in the paper as saying they had not realized what

the slums in New York were like, because they came from outside New York.

Mr. PASSMAN. That is not going to be the policy, to bring all Peace Corps men back during the 2-year tenure, is it?

Mr. SHRIVER. No volunteer was brought back from overseas for this project if that is what you are trying to say.

Mr. PASSMAN. Where were they from?

Mr. SHRIVER. Iowa, Mississippi.

Mr. PASSMAN. You brought in 30 Colombians and 30, 40, 50, or whatever the number was Peace Corps men for training in New York.

Mr. SHRIVER. Trainees.

Mr. PASSMAN. To be trained with the Colombians?

Mr. SHRIVER. That is correct.

Mr. PASSMAN. Is that kind of a new approach to this whole thing?

Mr. SHRIVER. This was not the first time we have done that, nor do I hope it will be the last. It was very effective.

Mr. PASSMAN. The AID agency financed the cost of bringing them?

Mr. SHRIVER. We said that; yes, sir. The cost of bringing the Colombians to New York was financed by AID.

Mr. PASSMAN. By the AID agency?

Mr. SHRIVER. By the participant training program of the AID agency.

Mr. PASSMAN. How long do you keep them up here?

Mr. SHRIVER. How long were they here, Warren?

Mr. WIGGINS. I believe about a month, sir. I am not absolutely positive.

Mr. SHRIVER. Let's find out. How long were they there? Four weeks.

Mr. PASSMAN. What did it cost the AID agency to bring them up?

Mr. SHRIVER. $18,109.

Mr. PASSMAN. Is that the cost of transportation and maintenance?

Mr. WIGGINS. Yes, sir. It is the cost of transportation. It was also the cost of their participation in the training program at Columbia University.

Mr. PASSMAN. That is for 4 weeks. How much is that per Colombian?

Mr. SHRIVER. We do not know how many Colombians there were yet. Is it exactly 30?

Mr. WIGGINS. I believe 30 is the number of Colombians that came up.

Mr. SHRIVER. Let's say it is 30. It would be $600 according to this.

Mr. PASSMAN. Did they ride first or tourist class?

Mr. SHRIVER. Tourist class, I believe, sir.

REASONS FOR PEACE CORPS PARTICIPATING IN AID PARTICIPANT TRAINING PROGRAM

Mr. PASSMAN. Isn't that kind of a new wrinkle on an old buck's horn? You have Peace Corps men to go out in the countries to show them how the cow ate the cabbage. Now you bring them from there back here.

Mr. SHRIVER. I think this is a very good development.

Mr. PASSMAN. You have just about every type of program.

Mr. SHRIVER. No, sir.

Mr. PASSMAN. You have just about every type of exchange imaginable.

Mr. SHRIVER. This is part of the AID program, Mr. Chairman.

Mr. PASSMAN. I do not see why you would need the Peace Corps with this kind of program.

Mr. SHRIVER. I will tell you why. Here is the good part about it. Under the participant training program, as a rule, our country has brought to the U.S. people who could speak English. They learn English well enough so they can go, let's say, to Cornell or some place like that. The participant training program has never been able to reach down to the level of people in the societies, overseas, where they did not have the kind of schooling or the background where they knew English well enough to study here. First of all AID brings here under this program Colombians, and I hope people from other countries, who are at a different economic and educational level. They speak Spanish. We do not care whether they speak English because we want them to work with the volunteer trainees in learning Spanish. That is No. 1.

Mr. PASSMAN. From what educational levels are they selected?

Mr. SHRIVER. They are picked down there and I am sure they are all high school graduates or more. I cannot guarantee that.

Mr. PASSMAN. I hope they can take back something that will be helpful to the poorer people.

Mr. SHRIVER. That is one of the reasons we bring them, because they are of this group. The second thing, when they go back—this is a joint Colombian-United States operation.

Mr. PASSMAN. The American Peace Corpsmen, the AID agency and Colombians are all mixed up?

Mr. SHRIVER. No, sir. These Colombians and Peace Corps volunteers go back and work together in the slums of Colombia—for example, in Bogotá.

Mr. PASSMAN. Are you getting this thing started out on a program of matching each of these Corpsmen with one or two people from foreign nations, training them together, and sending them back together? If we do that, this thing will really skyrocket.

Mr. SHRIVER. No, sir.

Mr. MONTOYA. If the chairman will yield, who organized the Colombian Peace Corpsmen?

Mr. SHRIVER. That is organized by the Colombian Government, Accion Communal, with whom we and CARE work in community development with the Government of Colombia.

Mr. MONTOYA. Who pays the Colombian trainees?

Mr. SHRIVER. These were brought up under the AID participant training program.

Mr. MONTOYA. Does AID pay them, when they go out into the field?

Mr. SHRIVER. No, sir.

Mr. MONTOYA. Who pays them?

Mr. SHRIVER. Accion Communal of the Colombian Government.

Mr. PASSMAN. Do you know how they are paid? We do not keep the books of all these countries where you have Peace Corps men. Do you have a copy of the contract?

Mr. SHRIVER. I happen to know about that particular small division of that country.

Mr. PASSMAN. You may know about the 30, because this may be just a pilot project, and it is, is it not?

Mr. SHRIVER. I am not sure what you mean by a pilot project.

Mr. PASSMAN. How many projects do you have similar to this now?

Mr. SHRIVER. Let's see. We have some coming up from Central America——

Mr. PASSMAN. Let us speak to——

Mr. SHRIVER. I am trying to.

Mr. PASSMAN (continuing). Whether this is just one and it is going to lead into others.

Mr. SHRIVER. About 6 or 8 months ago AID brought people from the Dominican Republic over to Puerto Rico and they trained with our people and then went back to the Dominican Republic. That was one. Colombia was two. Brazil?

Mr. WIGGINS. Only one, so far.

Mr. SHRIVER. No, two.

Mr. MINSHALL. Does the record show what these Colombians will do after they receive their training and go back?

What do they do after they get back?

Mr. SHRIVER. They work in the slums of Bogotá, Colombia. In other words, the problem in many of these South American countries is the slum dweller who lives in the urban slums.

Mr. MINSHALL. I thought the idea of our Peace Corps was to train those people and show them how we live, not to train them here. This thing is going both ways.

Mr. SHRIVER. No, sir; the Peace Corps is exactly what you just described. AID has a large-scale program that has been going on for 15 years called participant training.

Mr. MINSHALL. This is duplication of effort.

Mr. SHRIVER. No, sir; it is the other effort. This is a part of the participation.

Mr. MINSHALL. They are both doing the same thing.

Mr. SHRIVER. No, sir.

Mr. PASSMAN. Who thought of the Peace Corps first, you or the people down there?

Mr. SHRIVER. The participant program of AID has been bringing people for training in this country for the past 15 or 16 years.

Mr. PASSMAN. You have not called them Peace Corpsmen.

Mr. SHRIVER. We do not call them Peace Corpsmen now.

Mr. MONTOYA. That was under the technical cooperation program.

Mr. SHRIVER. Yes, sir; the AID is following the same policy. They are bringing people over here and training them, just as they have always brought them, trained them and sent them back.

We are getting more for the taxpayers' dollar in this way. We put them together with a group of Peace Corps volunteers who are training and when they have completed this training they go back together and we work with them. We make sure we get our money's worth out of them.

Mr. PASSMAN. This point 4 technical aid program was supposed to have been one of the finest programs ever devised by the mind of man.

Mr. SHRIVER. It was a good program.

Mr. PASSMAN. That is what they say.

Mr. SHRIVER. It was.

Mr. PASSMAN. Now, it seems, you are trying to establish that what has gone before is no longer any good.

Mr. SHRIVER. No——

Mr. PASSMAN. Now we have to do it differently. Now we find out that we are going to start bringing them in from other countries as we have to some extent in the past—not under the technical aid, so much, as under other programs—but now we are going to match these people we bring up with some member of the Peace Corps and make a team, a U.S. citizen and a foreign national, and send them back together.

We are having to borrow the money for this experiment. We are going to have it on the cuff. We are not collecting enough taxes to pay for it. We will increase the public debt by that much. At least that is my understanding.

PROJECT ON INTEGRATION OF INDIAN POPULATION IN PERU

How many volunteer anthropologists do you have in Peru?

Mr. SHRIVER. How many volunteer anthropologists?

Mr. WIGGINS. I am not positive, sir, but I doubt if any of the volunteers are Ph. D. anthropologists, although there might be one or two. We would have to check that one.

(The information requested follows:)

There are four Peace Corps volunteers in Peru doing work in or allied with anthropology.

A total of 45 volunteers are working with the Government of Peru in the national plan for integration of the Indian population. Cornell University initiated the idea at Vicos, which is now a self-governing community. These volunteers are working with several communities all the way from the Bolivian border to Cuzco, Peru.

Mr. PASSMAN. Let us go to your page number here.

Mr. SHRIVER. What is it, II–11?

Mr. PASSMAN. That is the trouble——

Mr. SHRIVER. We are working in Vicos, where there is an anthropological project in Peru. We have a group of about 45 volunteers working in a program which was begun by Cornell University.

Mr. WIGGINS. Something like that. I do not know.

Mr. SHRIVER. Let's say about 45 of our people. We can get the number for you. I do not have them right now. There are about 8 Peace Corps volunteers working in the community of Vicos in Peru, on a project which was started by the Cornell Anthropology Department, but now directed by the Peruvian Government, and is called the National Plan for the Integration of the Indian Population. We have an anthropologist on our staff named William Mangin, who is particularly conversant with this problem.

Mr. PASSMAN. Why don't you let these people train the faculty at Cornell? It is a project of Cornell University, is it not?

Mr. SHRIVER. This is Cornell.

Here is the House Foreign Affairs Committee study mission report.

Mr. PASSMAN. We do not need that report in the record.

Mr. SHRIVER. I was just going to quote from this document about the Vicos project.

Mr. PASSMAN. That is all right. What is the university?

Mr. SHRIVER. Cornell University program at Vicos.

Mr. PASSMAN. Are your people working with the Cornell group?

Mr. SHRIVER. Yes, sir. They are working in a project which was started by Cornell University, but which is now directed by the Government of Peru.

It is supposed to be one of the best programs in Latin America with the Indians.

Mr. PASSMAN. Let us say it is the best project. Why did you not let Cornell finish it without getting the Peace Corps men mixed up in it?

Mr. SHRIVER. The Government of Peru wanted to take it from one town, Vicos, and spread it to other Indian settlements in the Andes. They asked us to help. This is a big project in Latin America, one that Cornell and we and others are trying to do something about.

Mr. PASSMAN. I imagine Cornell would have gotten along pretty well without the Peace Corpsmen.

You are bringing some of these people, are you not, from Colombia to the University of New Mexico?

Mr. WIGGINS. We anticipate having AID bring Colombian coworkers there.

Mr. SHRIVER. What do you mean, which people from Colombia?

Mr. PASSMAN. I do not know. I suppose it is these people, the same as you sent to New York, whether it be a different group——

Mr. SHRIVER. Are you talking about ex-Peace Corps volunteers? What are you talking about?

EMPLOYMENT OF EX-PEACE CORPSMEN ON STAFF OF PEACE CORPS

Mr. PASSMAN. That opens up a new field. Are you bringing the ex-Peace Corps personnel in now to teach in the University of New Mexico?

Mr. SHRIVER. As we said last year, we are going to employ, where we can do so, ex-Peace Corps volunteers on the staff of the Peace Corps. We are going to do this rather than hire people who do not know anything about the Peace Corps. We want to use the people who know the most about it.

Mr. PASSMAN. Instead of going out and getting new converts you are going to take those converted who have served 2 years and bring them back and give them a job in the Peace Corps? Have I said that in my way correctly?

Mr. SHRIVER. If I may take exception to the word "converting." We never converted anybody into being a Peace Corps volunteer.

Mr. PASSMAN. From all the statements you have made it would indicate they have been converted.

Mr. SHRIVER. They volunteered. You remember we always use that word.

Mr. PASSMAN. I know you do. I am very careful not to use it.

I yield to Mr. Montoya.

Mr. MONTOYA. Mr. Shriver, I am interested in this Cornell project in Peru. What is the nature of the project? Somebody else told me about it. That is why I am asking you this question.

Mr. SHRIVER. This is what the House committee said.

Mr. MONTOYA. In your own words, briefly what is it?

Mr. SHRIVER. This is U.S. Congress House Report 223, American Study Mission to Peru, Costa Rica, Mr. Selden of Alabama, chairman. Cornell University at Vicos began a program involving some 2,000 Quechua speaking Indians who lived there in abject poverty. Cornell took over the lease in 1952.

Mr. MONTOYA. Just briefly, is it a farm operation?

Mr. SHRIVER. Yes. It is a basic effort to bring the rural Andean Indians out of the abject poverty and ignorance which they have been in, bring them into the full life of the people of Peru. It is called the reintegration, or integration of the Indians, or the aboriginal population, as they call it, into the economic life of Peru.

Mr. MONTOYA. It is through the medium of a hacienda.

Mr. SHRIVER. Yes, sir. The program began through one hacienda called Vicos.

Mr. MONTOYA. How many acres are on this hacienda?

Mr. SHRIVER. I am sorry, I do not know.

Mr. MONTOYA. Is it a big farming operation?

Mr. SHRIVER. Yes, sir. The Indians have bought it. The first hacienda now belongs to the Indians. That was the first time that had happened. Just last week as a result of the Peace Corps the Indians on the next hacienda have been able to buy that hacienda. This is the first time the Indians have owned the land.

Mr. MONTOYA. That is what I have heard.

Cornell University is directing this operation?

Mr. SHRIVER. No, sir. Not at this time. They give advice to the community of Vicos which is now self-governing.

Mr. MONTOYA. They are going to direct the operation on the second hacienda?

Mr. SHRIVER. No, sir. Although they may give advice to this community also.

Mr. MONTOYA. Are they under contract with AID or any other agency of our Government to do this or are they doing it on their own, with their own foundation funds?

Mr. SHRIVER. I am sorry. I do not know whether they are or not, or under whose contract they are, sir.

Mr. MONTOYA. Where does the Peace Corps come in and what are you doing in this operation?

Mr. SHRIVER. The Peace Corps comes in to, you might say, multiply the effect in other haciendas of the original progress made at Vicos by the Cornell people.

They have now brought that progress of the first hacienda to the second hacienda. I am told that this has never been done before in Peru. Now as soon as the second hacienda Indians own their land and can produce something we will then go to the third hacienda, fourth hacienda. The Indians get ownership of their own lands, begin to farm their own lands.

Mr. MONTOYA. What specific results or accomplishments do you have with respect to the first hacienda by way of stimulating production and improving their own well being?

Mr. SHRIVER. I cannot answer that question.

Mr. PASSMAN. But you are dealing with a project that was originated by Cornell?

Mr. SHRIVER. I think that is true, Congressman, yes. I think they did originate it.

Mr. PASSMAN. And they were operating the project before you assigned Peace Corps men?

Mr. SHRIVER. No question about that, yes, sir.

Mr. PASSMAN. How long had Cornell been in Peru with this project?

Mr. SHRIVER. They had been in there about 10 years and during that 10-year period they had learned enough in their judgment so that the knowledge they had acquired in 10 years could now be carried on to other haciendas.

Mr. PASSMAN. I am not questioning that matter, Mr. Shriver. I wondered why the Peace Corps had to be dabbling where Cornell was already in there, maybe with a faculty.

Mr. SHRIVER. That is right.

Mr. PASSMAN. And just why the Peace Corps was there.

Mr. SHRIVER. The reason is this: The knowledge that they gained in this first hacienda can now or has now reached a point of development so that it can be carried into other haciendas.

Mr. PASSMAN. Is it to be supplemented with the knowledge of the Peace Corps men?

Mr. SHRIVER. No, sir. The Peace Corps volunteers will carry into the next adjacent hacienda the know-how and the knowledge, et cetera, which was developed in this first program over a 10-year period.

Mr. PASSMAN. Could it well be that Cornell would have gone into this next program?

Mr. SHRIVER. No, sir. It could not well have been. That is the reason why Cornell was anxious for us to come in.

Mr. PASSMAN. The Peace Corps men there are not imparting knowledge to the faculty of Cornell?

Mr. SHRIVER. No, sir.

SIZE AND COMPLETION OF PROJECT

Mr. MINSHALL. How many Indians are there?

Mr. SHRIVER. In the first one there are 2,000 Indians on the one. On the next one, well, let's just guess there is probably a comparable size and the next one will be the same comparable size.

Mr. MINSHALL. How many haciendas are there?

Mr. SHRIVER. I am sorry, I do not know.

Mr. MINSHALL. There must be hundreds of thousands or millions.

Mr. SHRIVER. I would not say millions of haciendas.

Mr. MINSHALL. Millions of individuals.

Mr. SHRIVER. I do not know how many Andean Indians there are in Peru.

Mr. MINSHALL. You are going to convert all of these people with your program?

Mr. SHRIVER. No, sir. I would not say we hope to convert them.

Mr. MINSHALL. You have how many Peace Corpsmen over there now?

Mr. SHRIVER. I will estimate, but I will get it accurately—there are about 20 in the project.

Mr. MINSHALL. Based on the same level of work you are doing there now you have a thousand-year project.

Mr. SHRIVER. No, sir. We could stop the program tomorrow.

Mr. PASSMAN. You could stop it tomorrow?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. You could stop it because of lack of funds?

Mr. SHRIVER. I have stopped them on my own. It is not a million dollars or a hundred thousand or anything like that, Congressman.

Mr. MINSHALL. My guess is as good as yours. I say a thousand years and a billion dollars.

Mr. SHRIVER. Let me tell you why I think perhaps the professional homebuilder who has been running it might not agree with either of us. He might think things are done too quickly and maybe we do it too slowly. They started there 10 years ago and they have a lot of information on the hacienda, the anthropology, customs, et cetera, of the Indians. It is essential to the development of Peru for the Indians to get into the economic life and culture of Peru.

Mr. MINSHALL. How much has the Peace Corps accelerated the work?

Mr. SHRIVER. Doubled it.

Mr. MINSHALL. It is getting nowhere in the development of the whole country.

Mr. SHRIVER. No, sir.

Mr. MINSHALL. You are talking about 2,000 people and you have millions.

Mr. SHRIVER. Once this thing begins to duplicate itself it becomes like a chain letter. It can go 4, 8, 16.

Mr. PASSMAN. If this thing works out that way——

Mr. SHRIVER. It is going to be great.

Mr. PASSMAN. I hope that you are elected President for a 20-year term. I do not want any 4-year term for you.

Mr. MINSHALL. He has the modesty to blush.

Mr. PASSMAN. He is one of the most personable people I have known. If we can cash in on his imagination we will have struck onto something that we will all be making a living without working.

Mr. SHRIVER. That we will never be doing.

Mr. PASSMAN. If your imagination for the accomplishments of the Peace Corps can be brought into realities, I want the President to vacate in your favor and the people to elect you and give you a 20-year term.

VOLUNTEERS IN NIGERIA

Mr. Shriver, how many teachers do you expect to have in Nigeria this fall?

Mr. WIGGINS. I think it is about 400-plus.

Mr. PASSMAN. "About" makes it uncertain, and "plus" makes it uncertain. Give us one or two direct answers, please.

Mr. SHRIVER. While he is getting the figure, could I explain why it is really impossible to give a specific figure that is not subject to change? We do not know how many people will go into training or how many people will be selected at the end of the training so that the actual figure, even though we say what we would like to do, generally speaking does not end up by being exact.

Mr. PASSMAN. I know, but you frequently say "about."

Mr. SHRIVER. The reason we do it is because it is impossible to predict how many people will be finally selected and sent. We can tell you what we would like to do.

Mr. PASSMAN. We do not want what you would like to do.

Mr. SHRIVER. What we plan to do.

Mr. PASSMAN. Do you have a tentative figure as to the number of teachers you expect to have in Nigeria this fall?

Mr. WIGGINS. Yes, sir. It was furnished in the record in the last testimony. I would like to give exactly the right one.

Mr. PASSMAN. Now you are saying it will be exact. That is what we like.

Mr. WIGGINS. We submitted it for the record in the last hearing. I was looking for that figure. It is 610 on board; that means overseas or in training, by August 31, 1963.

Mr. PASSMAN. So it is not "about." It is exact?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. That is the number that you are projecting?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. What will the cost be for fiscal year 1964?

Mr. WIGGINS. I do not have a precise figure for the cost of that 610.

Mr. PASSMAN. The approximate cost, then?

Mr. WIGGINS. Fiscal year 1964.

Mr. PASSMAN. Yes, sir.

Mr. WIGGINS. The 297 that are on board now would have to be calculated out separately. I can do it in a couple of minutes and come back to it.

Mr. PASSMAN. Come back to it, then.

(The information supplied follows:)

The estimated cost is $2,450,000 in fiscal year 1964.

AID ACTIVITIES IN EDUCATION IN NIGERIA

Mr. PASSMAN. What is AID doing in the educational field in the same area in fiscal year 1964?

Mr. SHRIVER. In the area of supplying teachers? I do not think they are supplying teachers.

Mr. PASSMAN. In the field of education.

Mr. SHRIVER. They could be building schools. That is all I meant.

Mr. PASSMAN. What kind of schools?

Mr. SHRIVER. They could be building schools. I think maybe Mr. Merrill has the figure.

Mr. PASSMAN. I have them, but I thought you would like to know. You are furnishing the teachers.

Mr. WIGGINS. There are three areas which U.S. aid is assisting in Nigeria.

Mr. PASSMAN. Off the record.

Mr. WIGGINS. I am aware of three general areas.

Mr. PASSMAN. There are, I think, 17 areas of aid going into Nigeria.

Mr. WIGGINS. The general areas I am aware of that AID is working in Nigeria concern university expansion, teacher training, and secondary education.

Mr. PASSMAN. My statement had to do with all types of aid, the different facets.

Mr. WIGGINS. Related to your question——

Mr. PASSMAN. Do you know what the AID agency is estimating for fiscal year 1964?

Mr. WIGGINS. I do not know their particular country figure for education in Nigeria; no, sir.

Mr. PASSMAN. The figure given to me is $7,200,000.

Do you coordinate your efforts with those of AID?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. You both have teachers in the same schools occasionally?

Mr. WIGGINS. I think there may be some personnel that are in the same schools and there may be some teachers with different sorts of function.

Mr. PASSMAN. Maybe one teaching the fifth grade and another teaching the sixth?

Mr. WIGGINS. No, sir.

Mr. PASSMAN. What do you mean "different functions"?

Mr. WIGGINS. AID is in the function of giving advice and teacher training whereas the Peace Corps is in the general function of classroom teaching.

Mr. PASSMAN. Advice?

Mr. WIGGINS. Yes.

Mr. SHRIVER. Administration, for example, how to administer a university. They might send over a high-level university administrator.

Mr. PASSMAN. Do they not also assign personnel out of their technical aid program for many of these schools and universities?

Mr. SHRIVER. Not as teachers.

Mr. WIGGINS. They have a contract with Michigan State University to provide technical advice and assistance in establishing a land-grant-type university.

Mr. PASSMAN. In many parts of the world they do have these instructors right in the schools instructing, conducting classes, do they not?

Mr. WIGGINS. Are you speaking of AID now?

Mr. PASSMAN. Yes; under the technical aid of Oregon State College, I recall, was in Thailand.

Mr. SHRIVER. They were thrown out of there, were they not?

Mr. PASSMAN. They were.

Mr. SHRIVER. I do not think in general, Congressman, there are many, if any, cases where AID is actually supplying teachers, let's say, in a school where the Peace Corps is also supplying teachers. AID, for example, in Thailand, does have technical advisers who give advice to the teacher training institutions, of which there are 12.

I think they might have two fellows that do that kind of technical advice about curriculum, teaching materials, that kind of thing. We will have two teachers in each of those places.

Mr. MINSHALL. May I ask a question?

Mr. PASSMAN. Of course.

VOLUNTEERS IN THAILAND

Mr. MINSHALL. You mentioned Thailand. It brings up a thought pertinent to what we have been talking about. How many teachers do you have in Thailand at the present time? Just a ballpark figure.

Mr. WIGGINS. Presently teaching English as a second language in Thailand we have 88, and physical education teachers, we have 14; vocational agricultural and education, 13; and then we have other peo-

ple, a laboratory technician, entomology and community development.

Mr. MINSHALL. I had the pleasure of being in Thailand several years ago. You have a lot of military personnel over there. I went over there as a member of the Defense Appropriations Subcommittee. You have literally thousands of dependent wives who would be willing to take on these teaching jobs. Did you ever consider putting them in the position rather than bringing people from the States?

Mr. SHRIVER. I think they tried to get that done.

Mr. MINSHALL. I talked to some of the wives. They would be more than willing to do it.

Mr. SHRIVER. I am sure they would. The places where the Peace Corps teachers teach in the large part are not in places where the U.S. Army is located with their wives. I think since you were there, the Army has been taken out of Thailand. There is a Marine detachment there.

Mr. PASSMAN. MAAG personnel are there.

Mr. SHRIVER. You would know more about it than I do. The MAAG group, Military Advisory Group?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Yes, but that is not thousands of people.

VOLUNTEER TEACHERS IN PEACE CORPS

Mr. ANDREWS. Could you supply for the record the total number of teachers employed by the Peace Corps?

Mr. SHRIVER. Yes, sir. We gave that the last time. I have it right here. As of April 1, there were 2,381, of which 263 have teaching certificates in the United States. That is 46 percent of the total number of Peace Corps volunteers abroad, 11 percent of whom have teaching certificates. The rest are not certificated teachers in the United States.

Mr. ANDREWS. A total of 2,381.

Mr. SHRIVER. 2,381, yes.

Mr. PASSMAN. If they are below the quality that we accept in the United States, do they or do they not maybe create a bad impression among the educated people of those countries?

Mr. SHRIVER. No, sir. They do not create a bad impression.

The reason for that is clear. In many countries the people who teach in the elementary, even the high schools have not even graduated from high school.

Mr. PASSMAN. I said the educated people.

You do have a few of them in all countries. Even in Latin America, many of the upper crust people get their degrees in this country.

Mr. SHRIVER. We are not worried about the upper crust.

VOLUNTEERS IN GHANA

Mr. PASSMAN. You should worry about them, and especially so in the very country we are going to talk about next, Ghana.

I notice that you have 113 of these Corpsmen in Ghana and, in addition, 26 are in training. The justifications indicate you propose to send an additional 130 to Ghana in the fall. How can you justify this expansion program when analysis of the current situation indicates relations with the United States have been anything but good? There are rather violent anti-American propaganda attacks in the

press and on radio in Ghana. Would it not be better if you should assign them where the people are appreciative and more friendly, if the Peace Corps is accomplishing even part of what you believe it is?

Mr. SHRIVER. Well, Mr. Chairman, I was over there 2 weeks ago and I would say that the people of Ghana are very appreciative of what the Peace Corps is doing and that would include the principal of the schools, where the Peace Corps volunteers are teaching, the headmaster, counterpart teachers, even the expatriate people who are still there.

Mr. PASSMAN. How about the anti-American propaganda attacks in the press and on the radio of Ghana? If that be true, are the people listening to the Peace Corps or are they listening to the people of Ghana?

Mr. SHRIVER. As is sometimes true with the newspapers——

Mr. PASSMAN. I am not reading this from the newspapers.

(Discussion off the record.)

VOLUNTEER TEACHERS IN ETHIOPIA

Mr. PASSMAN. On page 18 of the justifications you indicate 276 teachers in the Ethiopian project supplemented a force of about 470 secondary school teachers, including a number of the expatriate teachers; is that correct?

Mr. SHRIVER. I think those figures are probably correct, yes. There were a substantial number of expatriate teachers. The Ethiopians were paying for them. They were broke. They could not pay for any more expatriate teachers in Ethiopia.

Mr. PASSMAN. So they are in the Peace Corps because they could not pay the teachers?

Mr. SHRIVER. That is not the only reason.

Mr. PASSMAN. I did not say the only reason. Would it be the main reason?

Mr. SHRIVER. No, sir; that would not be the main reason.

Mr. PASSMAN. You said they were broke and did not have money to pay the teachers.

Mr. SHRIVER. I said they could not expand the number of expatriate teachers in the country because an expatriate teacher in the country usually gets a salary anywhere from 30 to 60 percent more than a local person is able to command. This has been traditional in Africa for a long time, that people from abroad get a very high living allowance, a nice place to live in and a salary that is more than the local teachers get. We agreed that we would have our people go over there and live in the same way as an Ethiopian teacher, in the same housing and at the same level.

Mr. PASSMAN. You say you are supplementing the 470. I thought you were replacing them.

Mr. SHRIVER. The fact we went there did not mean we were throwing the expatriate teachers out of jobs.

Mr. PASSMAN. I thought you said they did not have the money to pay for them.

Mr. SHRIVER. To pay for more. They had 470 expatriate teachers and they had a certain percentage of their students of high school age in high schools. They built a lot more high schools. They want to put a lot more students in the high schools. They do not have the

teachers. They cannot hire more and more expatriate teachers because they do not have the money to do that, because expatriate teachers cost a lot more than the Ethiopian teachers. That is one of the reasons they talked to us. It was far from being the only reason. We can send a teacher there who, because he volunteers his service, does not require the salary the expatriate teacher requires. We add to the total number of teachers in Ethiopia. As of today I would estimate that the Peace Corps is teaching maybe 30 to 40 percent of all the people in high school in Ethiopia. We are today in Ethiopia teaching students in every high school.

Mr. ANDREWS. What is the language?

Mr. SHRIVER. There are two languages. Amharic is the native language and they use English as the language of instruction.

Mr. PASSMAN. We have given Ethiopia out of the mutual security spigot a total of $185 million.

Mr. SHRIVER. It is the biggest country in east Africa.

Mr. MINSHALL. Thirty or forty percent, how many is that in numbers? What is the total population of the country?

Mr. SHRIVER. The total population of Ethiopia is 20 million.

Mr. MINSHALL. You are teaching about how many?

Mr. SHRIVER. I am sorry, I do not know exactly how many we are teaching.

Mr. MINSHALL. Give us an educated guess.

Mr. SHRIVER. The thing is that the population figures are pretty deceptive.

Mr. MINSHALL. I would like to know how many people are coming into the classrooms that our Peace Corps men are actually supervising.

Mr. SHRIVER. Let me try to come up with an educated guess.

Mr. MINSHALL. Then you can supply an accurate answer for the record. We would like one now just for the purposes of discussion.

Mr. SHRIVER. Really, this is not a very well educated guess, but I would say that it must be somewhere around 65,000.

Mr. MINSHALL. How many Peace Corps men do you have teaching?

Mr. SHRIVER. We have 275 there.

Mr. MINSHALL. How many to a class?

Mr. SHRIVER. I have been in a lot of those classes. I was figuring they must run somewhere around 40 to 50 people a class. These volunteers teach four or five classes a day in the regular schools and then they teach adult education at night, so it is really difficult to give what you want, an educated guess, but it must be somewhere around 50,000 to 70,000.

Mr. MINSHALL. In Ethiopia?

Mr. SHIVER. Yes, sir. This would be a substantial proportion. I would say it would be 40 percent, 50 percent, maybe more of the high school kids in Ethiopia.

Mr. MINSHALL. Give us an accurate statement for the record, will you, please?

Mr. SHRIVER. I would be glad to. I am sure we have it at the office. I am sorry we do not have it with us.

NUMBER OF PUPILS BEING TAUGHT BY PEACE CORPS MEN

Mr. MINSHALL. You might also include how many people your Peace Corps men are teaching throughout the world, country by country.

Mr. SHRIVER. We will be glad to try to do that as well as we can.

Mr. MINSHALL. What the size of the classes are and a little discussion of it.

Mr. SHRIVER. I will be glad to try to do that.

(The information supplied follows:)

The 276 Peace Corps secondary teachers in Ethiopia constitute one-third of Ethiopia's secondary school teaching force and are teaching in 32 out of 35 secondary schools. Although at this time the Education Ministry has not obtained the exact figure, the estimated enrollment will double from 6,000 to approximately 12,000 this school year. As the PCV's teach more than 16 different subjects, it is probable that they are teaching almost all of the students in at least one course.

On the basis of a sample of seven countries in which Peace Corps volunteers are serving as teachers, it is assumed that every volunteer teacher has an average of 150 students. Accordingly, it is assumed that the 2,683 volunteer teachers who are overseas or in training as of April 1, 1963, are teaching a total of over 400,000 students. A detailed breakdown of this figure cannot be provided in less than several weeks.

POULTRY PROJECT IN INDIA

Mr. PASSMAN. Mr. Shriver, the poultry project in India seems to have received favorable attention. I refer you to page II–21.

Mr. SHRIVER. Did you have some particular thing?

Mr. PASSMAN. Yes.

Mr. SHRIVER. It is written up in here.

Mr. PASSMAN. I want to ask some questions on it. How many Peace Corpsmen were assigned to the poultry-growing project in India? How many were there?

Mr. SHRIVER. Warren, could you take this? I am sorry I do not know the exact number.

Mr. WIGGINS. Initially, I believe it was four volunteers.

Mr. PASSMAN. How many do you have on the project at this time?

Mr. WIGGINS. Approximately the same number, I believe, but I would have to check that, Mr. Passman. We started out with four who have done most of the work.

Mr. PASSMAN. How much money did the AID agency spend in this area prior to this incident and how much money did AID contribute to the volunteer project?

Mr. WIGGINS. The main contribution of the AID agency to the project was through one technician that they had there, plus the work of previous people in preparing a handbook on poultry production in India.

Mr. PASSMAN. Was this a going project?

Mr. SHRIVER. No, sir.

Mr. PASSMAN. Was it established and financed by the AID agency?

Mr. SHRIVER. No, sir. This project was started by the Peace Corps. It was dependent on previous work done by AID there and received the assistance of a technician there but AID did not have a project, per se, to my knowledge in the area where our four volunteers were working.

Mr. PASSMAN. How did they ever write a book on poultry growing in India——

Mr. SHRIVER. AID?

Mr. PASSMAN. Certainly AID—without some experience?

Mr. WIGGINS. No, sir.

Mr. PASSMAN. With reference to a book on poultry growing in India, written by Agency for International Development specialists, before they could write this book would it not have been necessary to have some experience?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. You say, "Yes." Then you say they had no project, and you could not tell us the cost of it. How did they ever develop information to write a book if they did not have a project?

Mr. WIGGINS. I believe I misunderstood in terms of what project you were speaking about.

Mr. PASSMAN. I referred to the page number. I will ask the question again: Did AID specialists write a book on poultry growing in India from experience?

Mr. WIGGINS. To my knowledge, the book was prepared from experience by AID technicians.

Mr. PASSMAN. From experience with growing poultry in India?

Mr. WIGGINS. I cannot testify as to the particular experience.

Mr. PASSMAN. You were in on the project with Peace Corpsmen?

Mr. WIGGINS. The project—this is where we might not be talking about the same thing.

Mr. PASSMAN. The AID agency, or a specialist, one or more, wrote a book——

Mr. WIGGINS. That is right.

Mr. PASSMAN. Dealing with poultry growing in India.

Mr. WIGGINS. That is right.

Mr. PASSMAN. We want to know how old this project is, how you got in on it.

Mr. SHRIVER. They could have written a book, it could have been sold all over India.

Mr. PASSMAN. I am trying to find out what experience the AID people had with poultry in India, concerning the laying of eggs and raising of chickens.

Mr. SHRIVER. They did not have any activity with respect to this Peace Corps effort. They wrote a book. Great.

Mr. PASSMAN. Based upon what experience?

Mr. SHRIVER. Upon their knowledge of poultry.

Mr. PASSMAN. How did they gain that knowledge?

Mr. SHRIVER. They could have gained it in this country and over there.

Mr. PASSMAN. You would not learn very much about growing poultry in India by growing poultry in this country, would you?

Mr. SHRIVER. I think if you were in animal husbandry, yes, you would learn a lot about it.

Mr. PASSMAN. You do not seem to know much about the matter, yet you have Peace Corps men assigned to it.

Mr. SHRIVER. We know quite a bit about it.

Mr. PASSMAN. Tell us what you know about it.

Mr. WIGGINS. AID produced a book. The Peace Corps produced a project. I think that is the distinction we would like to make in this particular case.

Mr. PASSMAN. What if you find someone—say he is downtown—say he wrote this book, and his book was wrong?

Mr. WIGGINS. I guess the eggs would not hatch, sir.

But we found out that was an excellent book.

Mr. PASSMAN. An excellent book?

Mr. WIGGINS. Yes, sir; very valuable.

Mr. PASSMAN. If you had a good project going or if you had a good book, based upon experience, why do you want to try to supplement it with two or three Peace Corps men?

Mr. WIGGINS. The idea is even though there was a good book, there was not a good poultry industry in this part of India.

Mr. PASSMAN. You do not know whether they had a project for growing poultry in which they gained experience to write the book?

Mr. WIGGINS. I do not know.

Mr. PASSMAN. You will decide whether the book is right by your experience?

Mr. WIGGINS. We have learned that. From the book we produced the handbook.

Mr. PASSMAN. How many people are assigned there?

Mr. WIGGINS. Four.

Mr. PASSMAN. How long have they been raising chickens out there?

Mr. WIGGINS. I believe this project has been going about 12 months now.

Mr. PASSMAN. Where are they located?

Mr. SHRIVER. They are in Nabha. Other volunteers working on poultry farming in India are located in Batala, Ludhiana, Dhoolbaugh, Rajendranagar, and Allahabad.

Mr. PASSMAN. How many chickens and eggs did they produce in fiscal year 1963?

Mr. WIGGINS. I would like to give it as of March 1963, which is not all of fiscal 1963. We have now some 75 good poultry units, each of which produces an average of 50 eggs per day, as indicated in the presentation.

Mr. PASSMAN. That would be 500 eggs?

Mr. WIGGINS. No, sir; I do not believe 75 times 50 is 500.

Mr. PASSMAN. 3,750 eggs.

Mr. MINSHALL. It takes care of each of the 400 million people in India?

Mr. PASSMAN. That is the extent of the project at this time, that you have 75 poultry units, each one producing an average of 50 eggs per day; is that right?

Mr. WIGGINS. That is right, but that is not the extent of it.

Mr. PASSMAN. That is 3,750 eggs per day?

Mr. WIGGINS. Yes, sir.

Mr. PASSMAN. Is it only for eggs or do they sell chickens?

Mr. WIGGINS. The whole idea of the project is not so much to just get the chicken or the egg. Rather, we hope by this project to influence others to grow chickens and to produce eggs and really to do that. The AID technicians' book, which was having no impact in the Punjab, we took that and translated that into a method of raising poultry for Indians in that area.

Mr. ANDREWS. I read on page 22 that in March 1963 the Peace Corps representative in India wrote Washington, "Eggs and meat poultry may well become a surplus commodity in 1963."

Mr. PASSMAN. Become what?

Mr. ANDREWS. A surplus commodity in 1963.

On page 22 of volume 2 you say that when the poultry program received attention in the American press, the volunteers objected on the grounds that their results were being unduly magnified.

Mr. SHRIVER. Right. We get that quite often. I think that was Time magazine that wrote that up. Sometimes the American press and other press overglorifies or overemphasizes what goes on, and the volunteers do not like it.

Mr. ANREWS. It seems to me they would be proud of what they are doing.

Mr. SHRIVER. They are proud, but they want it reported accurately all the time.

Sometimes they do not think it is reported accurately.

Mr. ROONEY. Will the distinguished gentleman yield?

Mr. ANDREWS. Yes.

Mr. ROONEY. On page 22 it is indicated that the protein intake of the Punjab's 20 million people is not going to be affected noticeably by the activities of our Peace Corps volunteers. We are talking about only four volunteers all through this, are we not?

Mr. SHRIVER. That is right.

Mr. PASSMAN. You can drain water from the biggest tank in America a few drops at a time. This is a supplement to the work previously done by the AID agency?

Mr. SHRIVER. I think it certainly could be said, Mr. Chairman, that we are carrying forward, building on the basis of work that has been done before.

Mr. PASSMAN. Would this be supplementary to AID's work?

Mr. SHRIVER. I do not know what you mean by "supplementary to."

Mr. PASSMAN. If they have a project going at this time, possibly many of them, in the same area in which you are working.

Mr. SHRIVER. No.

Mr. PASSMAN. If you go in, take the Peace Corps money in the same area, are you not——

Mr. SHRIVER. Duplicating?

Mr. PASSMAN. You may use whatever word you like. I would say "supplementing," that you are adding to these projects that are going under the AID agency now.

Mr. SHRIVER. Yes, sir; we are working in areas where they have not worked. As Congressman Minshall points out, India is a big place. May I give an example?

Mr. PASSMAN. Yes.

Mr. SHRIVER. AID very expertly, I think, produced some textbooks for the schools in Ethiopia. Those books are now in the process of being printed and made available for students in Ethiopia. When those books are in the classrooms our teachers will be using them. Therefore, you can say we would be supplementing the work of AID. To that extent we are. We are using the books which the technical experts, the AID educational experts, created. I think that is terrific, because otherwise sometimes those books might have been produced and not used to the maximum of our ability.

Mr. PASSMAN. I would just as soon put it that you are duplicating if that fits better.

Mr. SHRIVER. I thought that is what you might be implying, and I do not think we are doing that.

Mr. PASSMAN. I do not know what you are doing, to be frank with you. Maybe you are, maybe not. If you say you are not, it is good enough for me; but wherever you find one area that has been active in the past, we find Peace Corpsmen in the same area, just as in this chicken raising. Maybe there is a reason for it.

PROGRAM IN INDIA

Mr. MINSHALL. How many Peace Corpsmen are there in India all together, including chicken raisers?

Mr. SHRIVER. Right now there are 136.

Mr. MINSHALL. For 400 million people?

Mr. SHRIVER. Not quite that spread out. I was anxious from the beginning to concentrate them in one or two areas. In fact, I tried to get the Indian Government to let us put them all in Punjab or Madras. It is not easy to do things just as you might like in dealing with that Government, just as it is with dealing with governmental institutions here.

Mr. MINSHALL. What are they accomplishing there? I plead ignorance, being a new member of this committee. Aside from this chicken raising, what are these 136 people doing with the 400 million people of India? Are they converting them to our way of life?

Mr. SHRIVER. They are not working with 400 million people. In the Punjab they are doing mostly agricultural work and teaching in agricultural schools. To the extent that they are able, they obviously are having beneficial effect in that area of India. They are not attempting to affect 430 million people. Obviously, that is impossible. You could not possibly do that with 136 people.

Mr. MINSHALL. How many people are they affecting? What is the population of the Punjab?

Mr. SHRIVER. 27 million people in the Punjab. Punjab is more populous than New York State, which is why I thought it would be a good idea to stay in one area. The Government of India did not think they could do that as a political matter. (Approximately 1 Peace Corpsman for each 200,000.)

Mr. MINSHALL. To say you are spread pretty thin is an understatement.

Mr. SHRIVER. I think that is correct. I would like more concentration, but the extent you can get concentration depends on the host country's desires as well as our desires.

VOLUNTEER IN IRAN

Mr. PASSMAN. I note in volume 3, page 32, that you have a city planner in Iran.

Mr. SHRIVER. Yes, sir, that is what it says. I have not been to Iran. I do not know that particular city planner.

Mr. PASSMAN. The AID agency spent $1,400,000 and over 6 years on a city planning project in Thailand. We just wonder now if the AID people ever had a similar project going in Iran.

Mr. SHRIVER. I am sorry, I do not know. I could find it out. As a matter of fact, the man from India is going to be here, and the man in charge of the Near East should come and testify on Iran.

Mr. PASSMAN. It is one country, I believe, where they do not have a budget, as such, and they refuse to have a budget or accounting system.

Mr. SHRIVER. Iran?

Mr. PASSMAN. Iran. One or two of these youngsters out there would probably have a rather difficult job setting up a bookkeeping system to record receipts and expenditures in a country where it would appear the policy is they do not want a good accounting system.

Mr. SHRIVER. I do not think we are trying to set up an accounting system for Iran.

Mr. PASSMAN. If you have a city planner there, it would lead into it. What is he planning?

Mr. SHRIVER. Perhaps I misunderstood, but I thought city planning had to do with layout of city, sewage, transportation, housing, parks, et cetera.

Mr. PASSMAN. It could have to do also with the financial end——

Mr. SHRIVER. Administration?

Mr. PASSMAN. The administrative end, how you work out a budget and keep this budget, if you go out and plan——

Mr. SHRIVER. I do not think——

Mr. PASSMAN. You do not think one is related to the other?

Mr. SHRIVER. I do not think the title of city planner includes administrative planning.

Mr. PASSMAN. I would not know. You have city managers and city planners, and usually they work together.

Mr. SHRIVER. As to city planning, schools of city planning that I know about are places that produce architects and designers of city layouts, like the man who designed the city of Washington, who planned this city, the Frenchman. That is usually what schools of city planning produce. This is not administration.

Mr. PASSMAN. I comprehend that you understand fully what a city planner is. How many city planners do you have in Iran?

Mr. SHRIVER. I think it says one.

Mr. PASSMAN. What does he do? What is he planning?

Mr. WIGGINS. He is teaching, as far as I am aware.

Mr. PASSMAN. He is a planner, a city planner. What is he planning?

Mr. WIGGINS. I believe——

Mr. SHRIVER. We do not have the actual answer to that question.

Mr. WIGGINS. Our volunteers there are teaching. I think all of them are teaching.

Mr. PASSMAN. Mr. Shriver just said they had one that was a planner, and he explained what a city planner does.

Mr. WIGGINS. I presume he is teaching city planning.

Mr. SHRIVER. He is teaching the Iranians city planning.

Mr. PASSMAN. Is he Iranian or American?

Mr. SHRIVER. He is an American citizen because we only have American citizens in the Peace Corps.

Mr. PASSMAN. How old is he?

Mr. SHRIVER. I do not know.

Mr. PASSMAN. I imagine he has quite a task?

Mr. WIGGINS. I do not know enough about his particular task to answer the question, sir.

Mr. PASSMAN. I know that is a factual statement. I want to thank you.

Mr. ROONEY. Mr. Chairman, may we have the facts with regard to this gentleman and city planning at this point in the record?

Mr. PASSMAN. Have the what?

Mr. ROONEY. Have the facts.

Mr. PASSMAN. The facts are needed.

Mr. MINSHALL. I would like to have his background and training in there also.

Mr. PASSMAN. Yes, and where he got his degree.

Mr. SHRIVER. Do you want it just for this one fellow?

Mr. ROONEY. At this point we are talking about one certain man. Let us find out about him at this point in the record.

(The information supplied follows:)

Yes, we do have a city planner in Iran, through an unusual combination of circumstances.

He is Frank Pavich, age 30, a highly qualified, all-around type. He has a B.S. in public administration from the University of Southern California. His specialty is city planning and public administration. He was also a star athlete in college and has been trained in physical education. He was an assistant planner in zoning and planning in the city of San Francisco, and also an assistant planner for Mountain View, Calif., for 3 years.

Mr. Pavich went to Iran as a Peace Corps volunteer to instruct in physical education at Ahwaz College, where he became assistant in the physical education program. He was able to utilize his professional skills to a limited extent in helping plan the layout of new buildings on the campus and supervising the new construction.

At that time the Iran Muncipal Association lost their one master planner. The municipal association, which is under the Ministry of the Interior, is a struggling organization trying to give advice and help to a hundred odd municipalities in the country in such things as drawing plans, establishing technical codes and setting up zoning regulations, as well as training Iranian counterparts to take over the technical aspects of this work.

The Ministry of the Interior requested that Mr. Pavich be reassigned to the municipal association. Peace Corps concurred with the consent of the college as an opportunity for Mr. Pavich to make a maximum contribution of his highest skills. He is doing an outstanding job on this assignment.

TRAINING AT UNIVERSITIES AND COLLEGES

Mr. PASSMAN. Mr. Shriver, how many universities and colleges have conducted training programs for your agency?

Mr. SHRIVER. I think it is 55 now.

Mr. PASSMAN. In how many States?

Mr. KELLY. Fifty-five universities in twenty-five States, Puerto Rico, and the District of Columbia.

Mr. PASSMAN. Would you list in the record the names of the universities, the States, and the amount of funds for those you have under contract?

Mr. KELLY. Yes, sir.

Mr. PASSMAN. You have contracts with 55 universities in 25 States, Puerto Rico, and the District of Columbia?

Mr. KELLY. We have had contracts with 55 different universities.

Mr. PASSMAN. Give the amount, not by contract but the total to each university and the State, and whether they are being taught the regular course by the university or a course especially prescribed by the Peace Corps agency. However, could you tell us now whether or not all of them are teaching a special course?

(The information requested follows:)

University training contracts by State

State and university	Contract No.	Estimated cost
Arizona:		
Arizona State University	PC-(W)-47	$88,285.00
Do	PC-(W)-102	112,329.00
Total, Arizona		200,614.00
California:		
University of California, Berkeley	PC-(W)-10	70,200.00
Do	PC-(W)-69	139,370.00
Do	PC-(W)-165	78,975.00
Total, Berkeley		288,545.00
University of California, Los Angeles [1]	PC-(W)-19	137,900.00
Do	PC-(W)-101	298,536.20
Do	PC-(W)-177	102,671.50
Total, Los Angeles		539,107.70
San Jose State College	PC-(W)-87	345,000.00
Frederick Burk Foundation (San Francisco State)	PC-(W)-99	170,379.00
California State Polytechnic	PC-(W)-144	222,676.16
Total, California		1,565,707.86
Colorado: Colorado State University Research Foundation,[1] total	PC-(W)-25	105,346.00
Hawaii:		
University of Hawaii	PC-(W)-85	134,077.00
Do	PC-(W)-128	303,743.00
Do	PC-(W)-173	377,790.50
Total, Hawaii		815,610.50
Illinois:		
Northern Illinois University	PC-(W)-21	113,715.00
Do	PC-(W)-53	78,627.22
Do	PC-(W)-104	89,460.00
Do	PC-(W)-161	118,019.00
Total, Number Illinois		399,821.22
University of Illinois	PC-(W)-84	160,566.00
Total, Illinois		560,387.22
Indiana:		
Ind iana University	PC-(W)-68	109,370.00
Do	PC-(W)-164	124,306.00
Total, Indiana University		233,676.00
University of Notre Dame [2]	PC-(W)-6	154,581.00
Total, Indiana		388,257.00
Iowa: State University of Iowa, total	PC-(W)-172	117,060.70
Kansas: University of Kansas,[1] total	PC-(W)-96	69,561.40
Maine: University of Maine, total	PC-(W)-112	71,871.00
Maryland: University of Maryland, total	PC-(W)-111	192,648.00
Massachusetts:		
President and Fellows of Harvard [1]	PC-(W)-16	117,167.00
University of Massachusetts	PC-(W)-150	119,196.00
Boston College	PC-(W)-168	112,797.00
Total, Massachusetts		349,160.00
Michigan:		
University of Michigan	PC-(W)-12	161,000.00
Do	PC-(W)-78	198,000.00
Total, University of Michigan		359,000.00
Michigan State University [1]	PC-(W)-17	63,670.00
Total, Michigan		422,670.00
Minnesota:		
University of Minnesota	PC-(W)-107	282,650.00
Do	PC-(W)-139	97,928.00
Do	PC-(W)-162	205,821.00
Total, Minnesota		586,399.00

Footnotes at end of table, p. 225.

University training contracts by State—Continued

State and university	Contract No.	Estimated cost
Missouri: St. Louis University,[1] total	PC-(W)-60	$56,110.03
Montana: Montana State College, total	PC-(W)-82	94,737.86
New Mexico:		
New Mexico State University	PC-(W)-40	61,935.00
Do	PC-(W)-156	84,059.00
Total, New Mexico State		145,994.00
University of New Mexico	PC-(W)-115	159,057.45
Do	PC-(W)-159	1,423,378.00
Total, University of New Mexico		1,582,435.45
Total, New Mexico		1,728,429.45
New York:		
Columbia University, Teachers College	PC-(W)-39	75,050.00
Columbia University	PC-(W)-123	6,521.60
Columbia University, School of Social Work	PC-(W)-129	70,290.00
Columbia University, Teachers College	PC-(W)-132	182,373.00
Total, Columbia University		334,234.60
Syracuse University	PC-(W)-86	65,493.00
Do	PC-(W)-133	115,794.40
Total, Syracuse University		181,287.40
Cornell University	PC-(W)-88	169,765.00
New York University [1]	PC-(W)-66	87,314.00
State University of New York	PC-(W)-110	118,160.00
Total, New York		890,761.00
North Carolina: University of North Carolina,[1] total	PC-(W)-127	95,806.00
Ohio:		
Ohio State University	PC-(W)-23	72,398.00
Ohio University [1]	PC-(W)-76	62,231.40
Total, Ohio		134,629.40
Oklahoma:		
University of Oklahoma [1]	PC-(W)-52	109,335.00
Do	PC-(W)-117	257,512.80
Do	PC-(W)-142	91,374.00
Do	PC-(W)-175	91,113.00
Total, Oklahoma		549,334.80
Oregon: University of Oregon, total	PC-(W)-188	124,080.00
Pennsylvania:		
Pennsylvania State University	PC-(W)-13	454,511.00
University of Pennsylvania	PC-(W)-70	118,127.00
University of Pittsburgh	PC-(W)-97	145,827.00
Lincoln University	PC-(W)-170	85,998.00
Total, Pennsylvania		804,463.00
Puerto Rico:		
Catholic University of Puerto Rico	PC-(W)-61	45,000.00
Do	PC-(W)-120	79,683.00
Total, Catholic University		124,683.00
University of Puerto Rico	PC-(W)-62	62,938.00
Do	PC-(W)-83	73,470.00
Do	PC-(W)-119	53,931.00
Do	PC-(W)-146	32,655.60
Do	PC-(W)-153	66,696.00
Total, University of Puerto Rico		289,690.60
Inter-American University	PC-(W)-63	118,230.00
Total, Puerto Rico		532,603.60
Texas:		
Texas Western College	PC-(W)-8	102,301.00
Do	PC-(W)-143	118,264.00
Total, Texas		220,565.00

Footnotes at end of table, p. 225

University training contracts by State—Continued

State and university	Contract No.	Estimated cost
Utah: Utah State University, total	PC-(W)-81	$95,890.00
Washington, D.C.:		
Georgetown University	PC-(W)-105	417,195.00
Do	PC-(W)-184	82,257.00
Do	PC-(W)-189	219,685.00
Total, Georgetown University		719,137.00
George Washington University	PC-(W)-109	119,769.00
Howard University	PC-(W)-108	166,636.00
Total, Washington, D.C.		1,005,542.00
Washington:		
Washington State University	PC-(W)-118	91,209.69
University of Washington	PC-(W)-151	249,906.00
Do	PC-(W)-181	121,055.00
Total, University of Washington		370,961.00
Total, Washington		462,170.69
Wisconsin:		
University of Wisconsin [1]	PC-(W)-89	90,406.00
Do	PC-(W)-158	97,244.00
Do	PC-(W)-180	122,624.00
Total, Wisconsin		310,274.00
Jamaica, West Indies: University College of the West Indies, total	PC-(W)-113	4,609.24

[1] Estimate of cost, training only. Contractor also involved in administration of program overseas.
[2] Total estimate of cost for 2 training programs.

Mr. KELLY. They are all teaching or have taught a course prescribed by the Peace Corps.

Mr. PASSMAN. For each and every one of those special courses you pay a higher tuition than if they were taking a regular course?

Mr. KELLY. No, sir; we submitted data for the record as a result of the other day's testimony.

Mr. PASSMAN. About $1,584, I believe, per student, for 12 weeks; is that correct?

Mr. SHRIVER. It is cheaper per contact hour than a regular course.

Mr. PASSMAN. I want an answer to my question so I can understand it.

Mr. KELLY. We pointed this out. We used one example of an American university in the testimony. It did not happen to be one of the universities we were training at, but we can give you one we did train at. Take Cornell, for instance.

Mr. PASSMAN. You have given us one, the University of New Mexico.

Mr. KELLY. Yes.

Mr. PASSMAN. The 12 weeks' course cost $1,584.

Mr. WIGGINS. Including board and room.

Mr. KELLY. Yes; board and room included.

Mr. PASSMAN. Do you know of any university that may teach a course that would be sufficient to train a Peace Corps man to be assigned to foreign duty?

Mr. SHRIVER. Not in 90 days.

Mr. PASSMAN. I am asking if you know of any university that teaches a course that would prepare this young man to assume his duties abroad.

Mr. KELLY. I know of no university, Mr. Chairman——

Mr. PASSMAN. Thank you. In each and every case you have prescribed a course?

Mr. KELLY. That is right.

Mr. PASSMAN. You are going to put the total cost in?

Mr. KELLY. Yes, sir.

May I say something, sir?

Mr. PASSMAN. Yes.

Mr. KELLY. We were talking about the University of New Mexico. For a nonresident student to attend that university for tuition, fees, books, supplies, room and broad, it costs $1,355 a year.

Mr. PASSMAN. Does it cost the Peace Corpsman $4,752 for 9 months?

Mr. KELLY. No, sir.

Mr. PASSMAN. That is what you said, 12 weeks, $1,584. That is 3 months. If he stayed there for 9 months, you told us the other day the cost would be $4,752.

Mr. KELLY. He does not stay there 9 months.

Mr. PASSMAN. I know he does not, but you are showing what it costs the other student per year.

Mr. KELLY. May I continue, sir?

Mr. PASSMAN. Yes.

Mr. KELLY. It costs the nonresident student $1,355 a year. He receives in that period 412 contact hours. That costs $3.28 a contact hour.

Our volunteer receives 600 contacts hours, and it costs us $2.25 a contact hour.

Mr. PASSMAN. Say there are three Peace Corps men—Brown, Smith, and Jones. One serves 12 weeks and leaves, another serves 12 weeks and leaves, the third serves 12 weeks and leaves the university. They would have cost $4,752; is that correct?

Mr. KELLY. For each week there it costs us $135.

Mr. PASSMAN. You said $132 the other day.

Mr. KELLY. $132.

Mr. PASSMAN. There is no way to get these people active in the Peace Corps by taking your course down at—where is it, Puerto Rico?

Mr. SHRIVER. We have a training camp there.

Mr. PASSMAN. You have that there to discipline them, toughen them up. Maybe it is necessary. But there is no such thing as recruiting people and sending them there for this roughing up training and sending them out. They have to go to the university for 12 weeks; is that correct?

LETTER FROM UNIVERSITY OF IOWA

Mr. SHRIVER. Yes, sir. May I ask the chairman's permission to insert in the record here a letter from the president of the State University of Iowa?

Mr. PASSMAN. Certainly.

Do you have Peace Corps men in his college?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. You get a letter from the president of a college that gets paid to train Peace Corps men in this special course——

Mr. SHRIVER. What I am bringing it up for and requesting permission to put the whole letter in the record was for this purpose: You asked several times whether there was a university which could just do this as a regular thing without having a special course. This president says some things which I think are relevant to that. That is all I asked for.

Mr. PASSMAN. I would be quite willing to have the letter go in the record, but read the excerpts, please.

Mr. SHRIVER (reading):

The Peace Corps project (training volunteers for Indonesia) is already having salutary effects upon this university, and these seem likely to be residual. The members of our faculty are having to come together across disciplines. They are having to think through old problems of education freshly and to tackle new ones. Along with the trainees, they are learning—learning how to teach languages in the new method, how to teach new languages, how to teach area studies better, and how to adapt old and test new methods. The project is deepening the international dimension of the State University of Iowa. This international dimension is being shared, in various ways, with the people of the State, the eastern area in particular.

(The letter referred to follows:)

STATE UNIVERSITY OF IOWA,
OFFICE OF THE PRESIDENT,
Iowa City, Iowa, March 12, 1963.

Senator JACK MILLER,
Senate Office Building,
Washington, D.C.

DEAR SENATE MILLER: As you know, the State University of Iowa is engaged in training a contingent of Peace Corps volunteers for service in Indonesia. These volunteers will be in physical education and athletics—an area likely to bring them into contact with a maximum number of Indonesians under the most favorable circumstances.

In the light of the Senate's current reappraisal of the U.S. Government's program of economic aid and technical assistance in southeast Asia, and Indonesia in particular, perhaps our faculty's experiences in the Iowa-Indonesian project and their reflections upon them may be pertinent. I am writing this letter to you, to Senator Hickenlooper, and to Senator Mansfield.

I would like to make four points, moving from here and now, to other places and the future.

First, the Peace Corps project is already having salutary effects upon this university, and these seem likely to be residual. The members of our faculty are having to come together across disciplines. They are having to think through old problems of education freshly and to tackle new ones. Along with the trainees they are learning—learning how to teach languages in the new method, how to teach new languages, how to teach area studies better, and how to adapt old and test new methods. The project is deepening the international dimension of the State University of Iowa. This international dimension is being shared, in various ways, with the people of the State, the eastern area in particular.

Second, it can be said with confidence that the volunteers who go out from the State University of Iowa to serve in Indonesia will be a credit to this Nation, as indeed, they would be to any nation. They have been carefully selected prior to coming, of course, and the training program is itself a rigorous part of the selection process. But to native excellence, they are being given and are receiving a keener awareness of themselves, their own Nation, and the nature of the modern world, as well as a preparatory introduction to the people of Indonesia. We are helping to produce better citizens of the United States and, in doing so, better citizens of the world community.

Third, if these young people perform in Indonesia as they seem likely to, and as thousands of Peace Corps volunteers reportedly are doing in more than 40 countries, tens of thousands of Indonesians will understand the American people better and in a favorable way. We all know how important first impressions are, how we are inclined to generalize from them, and how slowly they are modified by more complex experiences. Each of the volunteers in Indonesia will probably come in close contact with several thousand Indonesians in their day-

to-day lives, and in the outlying cities, towns, and villages. In many cases the volunteers will be the first Americans these Indonesians have ever seen. If these contacts establish friendships, friendly acquaintanceships and favorable impressions, they will be adding to the "reservoir of goodwill" toward the United States. As important as goodwill, they will be increasing realistic understanding of the United States and of the American people—corrections to the distortions and falsifications that are brought about not only by the Communists but inadvertently by many of our own people and our own efforts, particularly through some of the mass media. Admittedly, if this is done, it will be done in little pieces and slowly. But in such basic human things, the only way to do this is in particulars. If it is done well, a basis for understanding and peace will be laid that will survive changes in programs, policies, and even forms of institutions.

Finally, it is not too early to look ahead and see that one of the most important consequences of the Peace Corps program will be to the American people after the volunteers return. As you know, the first volunteers will be returning in 1963. In less than 2 years those who today are training on our campus will be coming back. A stream of several thousand of these superb people, with such unique preparation and experience behind them—into our Government, industries and businesses, high schools, colleges, universities, voluntary organizations and communities—these will advance one of the main objectives of the Peace Corps; to further and understanding of other peoples on the part of the American people.

I am sending you a copy of the training syllabus of the Iowa-Indonesian program. You will note that the teaching of English as a second language was eliminated. This was the consequence of a decision by the Indonesian Minister of Education that he did not want the English teachers "at this time." We regret this. But if the teachers of physical education and athletics do a good job, perhaps this other important door to understanding will be open at a later time.

Sincerely yours,

VIRGIL M. HANCHER, *President.*

Mr. SHRIVER. The reason I read that is it indicates that Iowa, for example, would not have been able to bring volunteers in and teach them to go out as Peace Corps volunteers unless they had had this special effort there. This is true, I think.

Mr. MINSHALL. How many universities do you have contracts with?

Mr. SHRIVER. We have had contracts with 55.

Mr. MINSHALL. I assume it is someplace in the record as to how much these 55 universities are being paid.

Mr. PASSMAN. We asked for that information and are getting the total.

Mr. SHRIVER. I might also say in the basic law establishing the Peace Corps, Congress itself required that we teach two subjects, whether we wanted to or not. They helped prescribe the course of training.

For example, one was Communist tactics and procedures. Another was a certain amount of language was required so that, for example, if the university did not have a course on Communist tactics——

Mr. MINSHALL. This is one isolated letter. Have you had letters that were derogatory from anyone?

Mr. SHRIVER. Yes.

Mr. MINSHALL. You picked this out of the hat. This is a good one. You would not pick the bad ones.

Mr. SHRIVER. I will give you all of them. You are from Ohio. We had one from Ohio State.

Mr. MINSHALL. Take the University of Virginia. That is one of the closest.

Mr. SHRIVER. We did not have one at Virginia.

Mr. PASSMAN. Did any of them turn down your offer for training of these youngsters?

Mr. SHRIVER. Yes.

CONTRACT WITH UNIVERSITY OF OHIO

Mr. PASSMAN. What did the University of Ohio say?

Mr. KELLY. We had a training program at Ohio.

Mr. SHRIVER. There is Ohio State and the University of Ohio.

Mr. PASSMAN. What did the Ohio people say? Is it the University of Ohio?

Mr. SHRIVER. Ohio State.

Mr. MINSHALL. We have more colleges in Ohio than any State in the Union.

Mr. PASSMAN. Do you have a contract with them?

Mr. SHRIVER. Yes.

Mr. PASSMAN. When did you make this contract and how much was it for?

Mr. KELLY. This was fiscal 1962, and the estimated cost of the contract was $72,398.

Mr. SHRIVER. We had some unfavorable criticism from Penn State.

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Do you have that information?

Mr. KELLY. I am trying to get it.

Mr. PASSMAN. While he is trying to get that information, Can you tell us why you did not renew your contract with Ohio State?

Mr. SHRIVER. We just have a contract for a training period, for example, at Ohio State. When that is finished, that is the end of the contract.

Mr. PASSMAN. They did not say anything unfavorable about it?

Mr. SHRIVER. Not that I can remember.

CONTACTS WITH UNIVERSITIES

Mr. MINSHALL. You do have contacts in the way of a recruitment program with all universities and colleges throughout the country, do you not?

Mr. SHRIVER. Yes, at nearly every university there is a fellow designated as Peace Corp liaison. He is usually the dean of students. He does this along with other things.

Mr. ANDREWS. Is this liaison man paid by the Peace Corps?

Mr. SHRIVER. No.

Mr. MINSHALL. How do you get information to him?

Mr. SHRIVER. In the mail.

Mr. MINSHALL. Yes, but how? What class mail?

Mr. SHRIVER. What class mail?

Mr. MINSHALL. Yes.

Mr. SHRIVER. Probably some airmail, some first-class.

Mr. MINSHALL. All your mail going to Charlottesville, which is only 120 miles south of here, goes airmail special delivery, big boxes. You are sending long telegrams to Charlottesville where a letter would certainly suffice.

Mr. SHRIVER. We will stop that. It should not happen.

Mr. MINSHALL. It is probably happening all over the country.

Mr. SHRIVER. This should not happen.

Research

Mr. Passman. Let us look at the program for research. The fiscal 1963 program is $400,000. You request $1 million for fiscal year 1964, an increase of $600,000, or a 150-percent increase.

What is the number of positions, grades, and total cost of the Division of Research?

Mr. Shriver. There are four full-time people in the Research Division. The head is a GS–16. He has two consultants and three secretaries. Their salaries and related expenses will amount to about $65,000 in 1963.

Mr. Passman. What is the total cost?

Mr. Shriver. The total amount obligated for research contracts in fiscal 1962 was $114,000, I think.

Mr. Passman. Fiscal 1963?

Mr. Shriver. Excuse me, 1963. Obligations as of March 31 are about $114,000. We have a couple other contracts that are out. During 1963 we anticipate an additional $283,730 will be obligated, a total of $400,000, for this purpose. We are asking $1 million in 1964.

Mr. Passman. We know what you are asking.

Are you going to turn back $116,000 of this appropriated item? You had a 1963 program of $400,000. I think you are obligating $284,000.

Mr. Shriver. $283,730.

Mr. Passman. Would that be $116,000 you will turn back?

Mr. Shriver. We do not have it appropriated by line item——

Mr. Passman. Inasmuch as you did not spend this as programed——

Mr. Shriver. We could use it for something else. We could use it for some other expenditure.

Mr. Passman. Let us know where you are going to use it. You have the right of transferability across the board?

Mr. Shriver. Yes.

Mr. Passman. Nothing fixed in the entire amount, you get a lump sum?

Mr. Hochberg. We have obligated about $114,000 as of March 31. We anticipate obligating an additional $286,000 before the end of the year for research contracts.

Mr. Passman. That is a different figure.

Mr. Shriver. I said $283,000.

Mr. Passman. What is it for?

Mr. Hochberg. Various research contracts.

PLANNED PROJECTS IN 1963

Mr. Passman. Could you give us a list for the 1963 planned projects?

Mr. Hochberg. Yes, sir.

(The information requested follows:)

OBLIGATIONS

Planned projects, fiscal year 1963

	Estimated cost
Evaluation of Peace Corps project in Nigeria	$69,800
Analysis of motives for applying to the Peace Corps	15,125
Research and measurement of the effect of the Peace Corps Plan Nacional Program in Peru	24,651
Feasibility study for research and measurement of the volunteer's effectiveness and effect of the Peace Corps teacher program in Ethiopia	4,768
Obligations through Mar. 31, 1963	114,344
Continuation of the study of the Peace Corps secondary school teaching program on school administration in Ethiopia	130,000
Study of why people decline invitations to Peace Corps training	20,656
Analytical work involved in assessment of changes in attitudes, beliefs, personality characteristics and career goals of volunteers over the period of their term of service	25,000
Development of measures of language proficiency in Spanish and Portuguese to serve as a better basis for evaluating and predicting the likely effectiveness of the volunteer in Latin America	30,000
A study of the short- and long-term effects on volunteer self-confidence of Puerto Rico and New Mexico camp training	25,000
This will include the computer operations for the correlations of selection data and predictions with oversea performance rating	20,000
Development and validation of an acceptable measure of personality which can be administered before invitation to training in the hope of weeding out earlier applicants who are found to be unsatisfactory in terms of their personal qualities during the training program	15,000
Development of critical incidents and case material based on Peace Corps volunteers' successful and unsuccessful experience which can be introduced in training to prepare volunteers for cross-cultural adjustments and relationships they will have to master overseas	10,000
A study of the feasibility for research on the effect of the teachers aid program in the Philippines	10,000
Estimated obligations Apr. 1 to June 30, 1963	285,656
Total obligations fiscal year 1963	400,000

Mr. PASSMAN. There is $286,000 remaining, according to your figure. This item is under "Administrative expense"?

Mr. HOCHBERG. Yes, sir.

Mr. PASSMAN. Are you going to let the $114,000 lapse now out of this administrative expense item or are you going to obligate it for some other purpose?

Mr. HOCHBERG. $114,000, Mr. Chairman, has already been obligated as of March 31. We anticipate obligating $286,000 additional during the last quarter of the fiscal year.

Mr. PASSMAN. For what purposes?

Mr. HOCHBERG. Research contracts.

Mr. SHRIVER. That total is how much, Charley?

Mr. HOCHBERG. $400,000.

Mr. SHRIVER. Does that take in what was allotted to research?

Mr. HOCHBERG. Yes.

Mr. SHRIVER. There would be no money left to lapse; is that right?

Mr. HOCHBERG. That is right.

Mr. PASSMAN. Will the services be rendered in fiscal year 1963 or in some subsequent year, under the contract, using the remainder you had allocated for research?

Mr. SHRIVER. Most of it will be done both in this fiscal year and in a subsequent fiscal year.

Mr. PASSMAN. How much of it will be in a subsequent fiscal year, or subsequent fiscal years? It would appear that this is one place we could save a little money. You did not use it. I am responding to what you said and not what your supporting witness said.

Mr. SHRIVER. I said that same amount, $283,000 instead of $286,000.

Mr. PASSMAN. You said it could be used anywhere.

Mr. SHRIVER. We should spend more money for research. In business, when I was in business, I found you always spend a lot of money for research and development in order to make sure you are doing it right. I think that we have spent too little in research.

Mr. PASSMAN. All agencies think so.

MANNER OF CONDUCTING RESEARCH PROGRAM

Mr. MINSHALL. How are you conducting this research program?

Mr. SHRIVER. Usually by contract with research institutions or professional people, for example at universities. For example, we might have a program with the University of Texas to do a research job because they have a good program of sociology or anthropology, to do research in Brazil. Cornell is expert in Peru. Kansas might be expert on Costa Rica. We use them. We try to find out the things that interest you, as they do us. For example, what impact, if any, do Peace Corps volunteers have on a particular village in Brazil after they have been there 2 years?

Mr. MINSHALL. Is it going to cost us a million dollars to find that out? Why not bring the boys back and ask them a few questions and do your own research in your own shop without charging the taxpayers another million?

Mr. SHRIVER. Sometimes the taxpayers do not believe us.

Mr. MINSHALL. For a million dollars saved, they would.

Mr. PASSMAN. You have a research group consisting of how many people?

Mr. SHRIVER. A director at GS–16, two consultants, and three secretaries.

Mr. PASSMAN. What does the director do?

Mr. SHRIVER. The director goes out and contacts universities and determines whether or not the program that is proposed is a viable program.

ESTIMATE FOR 1964

Mr. PASSMAN. You have a million dollars requested for fiscal 1964 for research.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Could you tell the committee how you arrived at that estimate?

Mr. SHRIVER. It was less than 1 percent of the total amount of money we had requested from Congress.

Mr. PASSMAN. Do you think that answers my question? Are you merely applying a percentage formula?

Mr. SHRIVER. We have more than that.

Mr. PASSMAN. Please tell us, Mr. Shriver.

Mr. SHRIVER. I am trying to.

Mr. PASSMAN. Tell us how you arrived at $1 million. You gave as an answer, 1 percent of the total.

Mr. SHRIVER. You stopped me in the middle; I am sorry.

Mr. PASSMAN. Simply because you were not answering my question.

Mr. SHRIVER. I was trying to.

Mr. PASSMAN. You merely mentioned a percentage formula.

Mr. SHRIVER. We thought that we would have at least 10 research contracts in fiscal 1964, each one costing approximately $100,000. We might have a few more and one would only cost $75,000 or something like that. We have a list of what we would like to do, which we would be willing, if you want, to insert in the record. This comes to less than 1 percent of the total amount of money we are requesting for the Peace Corps.

I think that to spend less than 1 percent of your total operation on research is very minimal. I think it is too little. I think unless you have at least that much research, you are not running an intelligent operation.

Mr. PASSMAN. Mr. Shriver, I am not going to quarrel with your statistics. It may be one-quarter of 1 percent, it may be 15 percent. However, it is rather difficult to know what you should spend until you know what type research you are going to undertake. I am not quarreling with the fact that you need certain personnel in the field of research, but when you increase the spending for research by 150 percent in 1 year, it appears to me to be a little high.

Mr. SHRIVER. I think we have done too little research so far.

Mr. PASSMAN. It would appear you are applying a percentage formula of 1 percent. We do not know what the percentage may be. I wish you would insert in the record a little more detail as to what the personnel will do.

Mr. SHRIVER. We can do that.

Mr. PASSMAN. You gave one example.

(The information supplied follows:)

PLANNED PROJECTS, FISCAL YEAR 1964

Study the effect of community development programs, education programs, and health or multipurpose programs in selected countries of Africa, Latin America, and the combined Far East-Near East-southeast Asia complex. By this means, a determination can be made on the differences in effect because of broad geographical and cultural differences, as well as those effects which are due primarily to the peculiar composition of the Peace Corps teams.

It is estimated that seven studies will be initiated, at an average cost of $100,000 each. ($700,000). (Such a study is now in process involving activities like community development. The study is designed in a way that will permit comparison of changes in communities that have Peace Corps volunteers with communities that do not. Differences in the two communities during and after the 2-year term of service of the volunteer will reflect the impact of the volunteers. Measurements in the communities will include growth in initiative in solving their own local problems, economic growth and extent to which democratic approaches to community problems are used.)

Research will also be aimed at making volunteers more proficient in foreign language skills and in studies related to rendering more effective other facets of the selection, training, and support of volunteers overseas. Experience dictates that an applied operational research program such as ours must be responsive to research needs which develop out of the operations and cannot always be predicted far in advance. (Cost, $300,000).

Total cost, $1 million.

Mr. SHRIVER. Another thing is, for example, if you would like another example, we are trying to find out what parts of the selection process are really accurate indicators of ultimate success overseas.

Mr. PASSMAN. If you send these people out——

Mr. SHRIVER. One research program might help us to find it out.

Mr. PASSMAN. If you send these people out, and after proper evaluation, eliminating the imaginary accomplishments and getting down to real accomplishments, if they should find that the accomplishments are not there and this money could be more usefully spent elsewhere—maybe for paying interest on the public debt or reducing the public debt or reducing the deficit—you would so indicate, if you got that kind of report back, would you not?

Mr. SHRIVER. Sure.

MEETING IN PUERTO RICO

Mr. PASSMAN. How much did you spend for the 3-day meeting in Puerto Rico?

Mr. SHRIVER. It cost $115,000.

Mr. PASSMAN. It cost the Peace Corps appropriation that much?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. $115,000 for 3 days in Puerto Rico. What kind of meeting did you have there?

Mr. SHRIVER. Excuse me. Charley Hochberg tells me we also got reimbursements of $32,000, which made the net cost to the Peace Corps appropriation as of March 31, 1963, $93,000.

Mr. PASSMAN. You were reimbursed by Puerto Rico?

Mr. SHRIVER. By various people.

Mr. HOCHBERG. Other Government agencies.

Mr. PASSMAN. Is that the total cost of all the agencies of the U.S. Government for the 3-day meeting?

Mr. SHRIVER. I think the figure I gave of $115,000 or $125,000 is the total cost.

Mr. PASSMAN. Which is it, $115,000 or $125,000?

Mr. SHRIVER. It is $125,810. I am sorry.

Mr. PASSMAN. Is that the total of all Federal agencies participating?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Give us a brief description of the type of meeting this was.

Mr. SHRIVER. This was a 3-day meeting at which there were delegates from 43 nations and constituent agencies of the United Nations, Members of the House, and there were Senators invited but none actually came.

Mr. PASSMAN. Who was invited?

Mr. SHRIVER. Senators were invited. There were two Congressmen picked by the Speaker and two Senators picked by the President

of the Senate, but the two Senators did not come. The two Congressmen were picked and both came. Members of the Peace Corps were there, of course, and several members of the President's Cabinet—the Secretary of Labor, the Secretary of HEW. The Vice President of the United States was chief of the American delegation to this conference.

The purposes of the conference were several in number. First, we wanted to find out whether we could improve the operations of the Peace Corps itself by bringing together at one place the representatives from the countries where the Peace Corps was working to get their criticism, suggestions, improve our program, change it, et cetera. That was one purpose.

A second purpose was to find out the extent to which supplying people such as the Peace Corps sends is actually a contribution to the economic development of a country. Many people say you have to give them dollars and capital goods, and that to provide manpower is relatively unimportant. We wanted to find out what experts thought about that.

One of the people who came, for example, was Walt Rostow, Chairman of the Policy Planning Committee at the State Department, a professional economist specializing in the underdeveloped countries. He was there. They had economists from other countries.

Every country that came to this meeting was represented by either a Cabinet Minister or—there happened to be three people who were Vice Presidents, including Vice President Johnson. There was the Vice President of the Philippines, who came.

Mr. PASSMAN. Did they pay their own expenses?

Mr. SHRIVER. There were delegates to the conference who paid their own expenses, while others did not. A final thing was we tried to find out the answer to the question as to whether or not the industrialized countries like Germany or France or Great Britain were interested in starting a Peace Corps operation of their own. Out of this conference have already come some very specific benefits. No. 1 is the fact that I think six or eight industrialized nations have now decided to start their own Peace Corps operations modeled after the U.S. Peace Corps. They are somewhat different in detail, but the main thrust is the same.

Mr. MINSHALL. I would like to find out how many people were involved in this conference or convention.

Mr. SHRIVER. I would have to estimate that. I would say about 175 to 200 people came to this meeting.

(The information requested follows:)

Twenty-nine countries sent a total of 70 participants to the Conference at their expense. In addition, Peace Corps paid travel and expenses of 43 delegates. Five additional countries declined Peace Corps' offer to pay travel expense. There were 55 staff members and 5 consultants from the Peace Corps, and approximately 64 persons from other Government agencies—which included translators and interpreters.

Mr. MINSHALL. $112,000. That is pretty good living.

Mr. SHRIVER. We have the figure. The actual figure was, I think, about $125,000 for everything, which was cheaper than we could do it any place else.

Mr. MINSHALL. Where did you stay?

Mr. SHRIVER. We stayed at the Dorado Beach Hotel, where we received special rates for the meeting.

Mr. ROONEY. That is Rockefeller's hotel?

Mr. SHRIVER. Yes; it is.

Mr. PASSMAN. I referred earlier to the tremendous amount of propaganda put out by the Peace Corps. This is $125,810 that was spent. It is reported in the Washington Post of Monday, January 28, 1963, that the United States has agreed to meet the administrative expenses for the first experimental year with other countries contributing only personnel expenses. Expenses, according to the news report, are expected to be about $150,000 at the end of the fiscal year in June.

Is $125,810 the final audited figure?

Mr. SHRIVER. $125,810 is the March 31, 1963, obligations for the conference in Puerto Rico; $125,810 total; for the Peace Corps, out of our budget, it came to $93,000.

Mr. PASSMAN. It makes no difference to me whether it came from one budget or another. It was $125,810. Were there any other expenses or is this the net figure in connection with the meeting?

Mr. SHRIVER. None with respect to the Puerto Rico conference.

INTERNATIONAL PEACE CORPS SECRETARIAT

Mr. PASSMAN. How is the Secretariat being financed now?

Mr. SHRIVER. The nonpersonnel expenses of the Secretariat have been financed, since it was started out of funds provided by the Department of State.

Mr. PASSMAN. What is the number of employees?

Mr. SHRIVER. I believe the number of employees in the Secretariat is 11. They are on nonreimbursable detail from State, AID, and the Peace Corps.

Mr. PASSMAN. What are their grades and salaries?

(The information requested follows:)

International Peace Corps Secretariat staff, Apr. 30, 1963

Title	Grade	Salary
Secretary General	FSR-1	$19,650
International economist	GS-15	16,485
Peace Corps officer	AD-15	17,925
Staff assistant	GS-9	6,675
Staff assistant	GS-9	6,675
Secretary	GS-9	6,675
Secretary	GS-7	5,540
Secretary	GS-5	5,205
Secretary	GS-5	4,565
Clerk	GS-5	4,565
Consultant	$55 per day	14,300

Mr. PASSMAN. What happened to the bill the other day that the House sent back to conference?

Mr. SHRIVER. The International Secretariat provision was defeated.

Mr. PASSMAN. How much money are you requesting for the Secretariat for fiscal 1964?

Mr. SHRIVER. First, Mr. Chairman, the Peace Corps has to obtain permission from Congress to finance anything to do with the International Peace Corps Secretariat——

Mr. PASSMAN. I know, but do you have an estimate?

Mr. SHRIVER. We do not have that permission.

Mr. ROONEY. Is it in this budget?

Mr. PASSMAN. Yes.

Mr. ROONEY. Where?

Mr. SHRIVER. What we would do is if the Congress gives us permission to utilize Peace Corps funds to finance the International Peace Corps Secretariat for 1 year, we would absorb that within the request that we have presented to the Congress. Exactly what it would be in terms of dollars we have not yet computed because we want to get the permission from Congress to do it.

Mr. PASSMAN. That we understand.

Mr. SHRIVER. Before we start worrying about how much is required.

Mr. PASSMAN. But you would pay for it out of the appropriation you get from the Congress?

Mr. SHRIVER. We are going to do it somehow or other if Congress gives permission.

Mr. PASSMAN. We want an estimate. We are entitled to know.

Mr. SHRIVER. I do not know.

Mr. PASSMAN. How about fiscal 1963?

Mr. SHRIVER. I can tell you about that.

Mr. PASSMAN. Would you tell the committee that you would limit it to the expenditure paid on the same project in 1963?

Mr. SHRIVER. I am not sure I could say that, but I can tell you what it has cost in 1963.

Mr. PASSMAN. All right.

Mr. SHRIVER. $40,000 for nonpersonnel expenses.

Mr. PASSMAN. Do you have the total?

Mr. HOCHBERG. $40,000 has been contributed by the Department of State; $31,500 of that amount has been obligated for other object classes. Leaving an unobligated balance at the present time of $8,500. Personnel are on detail on a nonreimbursable basis from the State Department, AID, and the Peace Corps.

Mr. SHRIVER. If we had to pay for them ourselves——

Mr. HOCHBERG. About $150,000 for personal service and other object costs.

Mr. SHRIVER. That is for 6 months?

Mr. HOCHBERG. Yes.

Mr. PASSMAN. On this basis it would be $300,000 for a full year.

Mr. SHRIVER. If it stays just like that, that is correct.

Mr. PASSMAN. Would you anticipate a decrease or an increase?

Mr. SHRIVER. I do not really know, Mr. Chairman.

Mr. PASSMAN. That is a hard way to get money, but you will try it?

Mr. SHRIVER. I would rather be honest——

Mr. PASSMAN. We could decline it until next year and come up with an estimate and we could move more intelligently.

Mr. SHRIVER. My theory has been to get permission from Congress to finance it before we approach this committee.

Mr. PASSMAN. Do you not have to justify before other committees the estimated cost of these projects before they are authorized?

Mr. SHRIVER. When we go for authorization we will have as good an estimate as we can get.

Mr. PASSMAN. Are you not prepared to go for an authorization now?

Mr. SHRIVER. We are not prepared to go for authorization.

Mr. PASSMAN. Of course, the authorization is supposed to come before the appropriation.

Mr. SHRIVER. That is correct.

Mr. PASSMAN. Every year, for some reason or other, the authorization request is slow coming down. When did yours come down?

Mr. SHRIVER. The authorization request, I hope, will be in this week. It has been held up.

Mr. PASSMAN. If you have an authorization request prepared, the authorization request should indicate what the Secretariat is going to cost for fiscal 1964. I should think some supporting witnesses would have an estimate.

Mr. SHRIVER. It has to go through the executive branch before we can submit it. We are ready.

Mr. PASSMAN. You are ready. Could you tell us what your figure may be?

Mr. SHRIVER. We are not ready to furnish that until the Bureau of the Budget clears it. We cannot do it.

Mr. PASSMAN. Would it be in order for me to ask you what request you made of the Bureau of the Budget?

Mr. SHRIVER. I cannot do that because I am bound by the executive branch. Just for a friendly thing, I would like to——

Mr. PASSMAN. Please do not put this matter on a friendly basis. We can be friendly about other things.

Mr. SHRIVER. I will put it in the record in this hearing as soon as we are able to come to Congress on the authorization so the record will show it.

Mr. PASSMAN. But you are endeavoring to justify money now, and you are not giving us any information as to what the Secretariat is going to cost for fiscal 1964. We know you estimate you will spend at the rate of $300,000 in fiscal 1963.

Mr. SHRIVER. $150,000.

Mr. PASSMAN. I am talking about a full 12 months.

Mr. SHRIVER. We will not run it a full 12 months in 1963.

Mr. PASSMAN. We know that. You ran it for 6 months at $150,000?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. On a full year's basis, it would be $300,000.

Mr. SHRIVER. That is right.

Mr. PASSMAN. We were trying to establish if it would be about the same figure for fiscal 1964, and you are not in a position to give us any information.

Mr. SHRIVER. I will submit it for the record.

Mr. PASSMAN. I am speaking of today.

Mr. SHRIVER. I understand. You are right as of today.

(The information supplied follows:)

The 1964 estimate for the International Peace Corps Secretariat will be supplied when the request for authorization is submitted to Congress.

DIFFICULTIES IN THE PEACE CORPS

Mr. MINSHALL. Mr. Shriver, I have heard your statement and enjoyed your testimony. I have heard, as you put it, all the good things about the Peace Corps; but certainly it all could not be good, even from your viewpoint. What are some of the bad things? Where

have you had difficulties? Where are some of the bad things—the disappointments?

Mr. SHRIVER. We put in one section in this volume 1 called disappointments. There are about three or four pages listing some things we really have not been satisfied with. This is at page I. 20, three pages of disappointments here.

Mr. MINSHALL. What have been your major disappointments?

Mr. SHRIVER. One of the major difficulties has been——

Mr. MINSHALL. It certainly has not been lack of money.

Mr. SHRIVER. Well, there is a difference of opinion about that. There has been difficulty in programing people, especially the first group to go into a country, with sufficient accuracy so that everybody felt that they were all working a hundred percent of the time. That is one problem. As the successive groups go to a country, that problem tends to diminish.

Second, we thought, for example, it would be very difficult to teach people exotic languages like Bengali, Urdu, et cetera. The truth of the matter is it turns out to be more difficult to get the required skill in French or Spanish because when Americans go to a former French colony, they arrive and speak fair French, but people who are there expect Americans to speak French very well; whereas, the people in Thailand, let us say, do not expect Americans to be able to speak Thai at all. If you come to Thailand speaking fair Thai or go to Malaya speaking fair Malay——

Mr. MINSHALL. Aside from language problems, what others have you had?

Mr. SHRIVER. That is one.

Mr. MINSHALL. How about the behavior of these boys and girls out in the field? Have you had problems?

Mr. SHRIVER. Yes, there have been problems, but it has been much better than I thought it would be. I thought that to put a lot of people around the world, might lead to a lot of problems and great difficulty. I am told we have less of that than nearly any agency that ever tried this type thing. I thought, after all, there were cases where, even during the war, some groups got fairly unsavory reputations. But that has not happened.

PROGRAM IN JAMAICA

Mr. MINSHALL. I have seen this operation in a limited way, your Peace Corps in India. I saw it just getting started in Thailand and in Pakistan. I saw a little in Jamaica and I visited your training camp in Puerto Rico. As to Jamaica——

Mr. SHRIVER. We had difficulty there.

Mr. MINSHALL. Congressman George Mahon and I were there together and made a special point to find out just what the natives thought and how the Peace Corps men felt about the Peace Corps. The reports we got were very disappointing.

Mr. SHRIVER. That was a good example. I am glad you brought that up. For example, there was a case where we had a staff man recruited to run the program, and about 3 weeks before the volunteers were scheduled to land in Jamaica he resigned.

We had worked about 6 months to get that man cleared because he had lived all over those islands, and it is necessary to cover every place the individual lived. It took us about 6 months to get that man cleared, not that there was any difficulty about him, except this technical difficulty. Just before the volunteers were scheduled to arrive, he resigned.

We had to make a last minute substitution of a man to run the program.

Mr. MINSHALL. I left with the impression, after querying not only the Peace Corps men but also natives and also Americans who were in Jamaica, I left with the very strong impression—What do we need a Peace Corps in Jamaica for anyhow?

Mr. SHRIVER. I can answer that as to why we need a Peace Corps in Jamaica.

Mr. MINSHALL. That was the impression I got on the spot from all facets, from the natives, from the Americans, from the Peace Corps men themselves.

Mr. SHRIVER. I spent 3 or 4 days in Jamaica myself because I was concerned about this situation. So far as the need for a Peace Corps operation in Jamaica, I would say the need is greater than it was, for example, in Cuba, where although there is a very fine front, like those popular resort places on the north coast, and where Kingston may look pretty nice——

Mr. MINSHALL. I spent little time in these places.

Mr. SHRIVER. As to their literacy rate, their per capita income, standards like that, Jamaica is one of the poorest.

Mr. MINSHALL. I have business friends, formerly from the States, they were down there and they did some spying for me. They made intensive inquiry. This is the report they came back with.

Mr. SHRIVER. Would you share it with me? You do not have to tell me who it was.

Mr. MINSHALL. They are trying to do business there.

Mr. SHRIVER. So am I. I am not at all loath to take the Peace Corps out of Jamaica or someplace else if it is not needed in that country. But let me give you an example.

Mr. MINSHALL. I will give them credit. The spirit of the Peace Corps men I saw in Jamaica, the individuals I saw in Puerto Rico also, was very high, highly motivated, which is fine. But the job they were doing, they were left a little bit——

Mr. SHRIVER. High and dry?

Mr. MINSHALL. They did not know what to do.

Mr. SHRIVER. No question.

TRAINING PEACE CORPS EXECUTIVES IN PUERTO RICO

Mr. MINSHALL. Frankly, I was amazed when I saw the operation in Puerto Rico, with these kids swimming under water a couple lengths to learn confidence. That just did not make any sense at all to me.

Mr. PASSMAN. I noticed an article the other day which indicated that some 160 executives of the Peace Corps were going to spend 2 weeks in the Puerto Rico training camp. Did that materialize?

Mr. SHRIVER. Not 160. I think the first four are there now.

Mr. PASSMAN. How many will attend?

Mr. SHRIVER. I am not sure of the total number. My idea was very simple. I am the one responsible. Do not look to anybody else for it. I believe that it is a bad thing when you have people trying to run an organization that have never actually done the work themselves.

I said to one of the Congressmen, "The day all the men that are in command of the Marine Corps have never been to Quantico, that is the day you better start looking out for the quality of the Marine Corps."

Mr. PASSMAN. The executives are going down to take the training course?

Mr. SHRIVER. They are going down for 2 weeks, they go tourist class, live on a dollar a day. I want to see if they have the kind of stuff that the volunteers have.

Mr. PASSMAN. Some of them do not need the dollar a day.

Mr. SHRIVER. It costs that much to eat.

Mr. MINSHALL. They are eating very well there for a dollar a day. The Army and the Navy pay more than that. They are living off the Army rations.

Mr. PASSMAN. Could it be said that the executives are now being indoctrinated in the Peace Corps routine in Puerto Rico?

Mr. SHRIVER. I would not say indoctrinated. They are being oriented.

Mr. PASSMAN. When I went to school in the Navy, they called it being indoctrinated.

Mr. SHRIVER. It will end up to being closer to 50 or 75 than 160.

Mr. PASSMAN. You do not plan to send the number that the news article indicated you would send?

Mr. SHRIVER. I just do not want to say yes or no because I do not have the actual figure.

Mr. PASSMAN. The article said 160.

Mr. SHRIVER. Yes.

Mr. PASSMAN. As it stands now, you may send 60, more or less?

Mr. SHRIVER. Could we furnish the actual figure for the record?

Mr. PASSMAN. If you do not have it, put it in the record, and also the estimated cost.

Mr. SHRIVER. Yes, sir.

(The information supplied follows:)

Ninety of the top Washington staff will go through the 2-week training cycle at Puerto Rico Training Center.

The estimated cost is $16,560.

NUMBERS OF VOLUNTEERS AND COSTS

Mr. PASSMAN. How many Peace Corps men do you actually have in training and on duty overseas at this time?

Mr. SHRIVER. 4,902 as of April 30. People go in and out all the time.

Mr. PASSMAN. What is the maximum number during fiscal 1963?

Mr. SHRIVER. About 6,500 to 6,700 in training or overseas in fiscal 1963.

Mr. PASSMAN. What is it going to cost to maintain that number of Peace Corps men for the 2 years, per year, total cost?

Mr. WIGGINS. The number on board at the end of June? I really did not understand the question.

Mr. PASSMAN. The end of June is all right.

Mr. WIGGINS We have not calculated it exactly that way.

Mr. PASSMAN. For fiscal 1963 what will be the maximum number of Peace Corps men?

Mr. WIGGINS. About 6,700.

Mr. PASSMAN. At a cost of——

Mr. WIGGINS. I would have to work it out on a monthly cost for the fiscal year cost. We have the figure worked out for the end of August but not for the end of June.

Mr. PASSMAN. Could you give us——

Mr. WIGGINS. We can do it very easily.

Mr. PASSMAN. The average cost is $9,000, is it not?

Mr. WIGGINS. Yes, although it does not work out exactly that each year costs $9,000. On the average it is $9,000.

Mr. SHRIVER. It is $9,000 per annum per volunteer worldwide on the average 2-year term.

Mr. PASSMAN. Their monthly allowances run from, I believe, about $75 to $185?

Mr. SHRIVER. Living allowances go from as little as $62 in the Philippines up to as much as $200 in certain industrial centers.

Mr. PASSMAN. Could you place in the record how much money is necessary to maintain a Peace Corps strength in 1964 and in succeeding years, for that matter, so we know the cost? Say we are going to stop this thing on 6,000, we want to be able to tell them it costs so much to maintain a Peace Corps per year at 6,000. Give it at 6,500, 7,000, 7,500, 8,000, 8,500.

Mr. SHRIVER. If we may, we would like to give it on the basis of 9,000 volunteers. That is what we are already programed to reach with fiscal year 1963 funds.

Mr. PASSMAN. I thought you did not make any commitments until you got the money.

Mr. SHRIVER. This was what was authorized and appropriated last year.

Mr. PASSMAN. You have money on hand for 5,900. You could maintain 9,000 Peace Corps men on active duty status?

Mr. SHRIVER. That is not quite right.

Mr. PASSMAN. Take it on up to 9,000.

Mr. SHRIVER. I think we have to.

Mr. PASSMAN. Yes, by brackets.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I am not asking for it any higher than that, but if you want to, put it in for 9,500 or 10,000.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Let us go up to 15,000.

Mr. SHRIVER. Why not go to 13,000, which is what we are requesting authorization for?

Mr. PASSMAN. In Congress, I have always heard it said there is an asking price and a taking price. Give it to us not only on even thousands but in brackets of 500.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. Of the total for each of the brackets, would you give us the total of the appropriation that would be for administrative expense?

Mr. SHRIVER. Yes, sir.

(The information supplied follows:)

PEACE CORPS

Estimated costs of volunteers at various levels

[Millions of dollars]

Level of volunteers (number)	Basic computation at $9,000 per volunteer			Estimated adjustments in administrative costs reflecting scale of operations	Adjusted totals		
	Total	Volunteer and project costs	Administrative expenses		Administrative expenses	Volunteer and project costs	Total
13,000	$117.0	$91.0	$26	−$4.7	$21.3	$91.0	$112.3
12,500	112.5	87.5	25	−3.9	21.1	87.5	108.6
12,000	108.0	84.0	24	−3.3	20.7	84.0	104.7
11,500	103.5	80.5	23	−2.6	20.4	80.5	100.9
11,000	99.0	77.0	22	−2.0	20.0	77.0	97.0
10,500	94.5	73.5	21	−1.5	19.5	73.5	93.0
10,000	90.0	70.0	20	−.9	19.1	70.0	89.1
9,500	85.5	66.5	19	−.5	18.5	66.5	85.0
9,000	81.0	63.0	18		18.0	63.0	81.0
8,500	76.5	59.5	17	+.4	17.4	59.5	76.9
8,000	72.0	56.0	16	+.7	16.7	56.0	72.7
7,500	67.5	52.5	15	+1.0	16.0	52.5	68.5
7,000	63.0	49.0	14	+1.3	15.3	49.0	64.3
6,500	58.5	45.5	13	+1.5	14.5	45.5	60.0
6,000	54.0	42.0	12	+1.7	13.7	42.0	55.7

ADMINISTRATIVE EXPENSES

Obligations by object—Administration and program support (administrative expenses)

	1962 actual	1963 estimate	1964 estimate
11 Personnel compensation:			
Permanent positions	$2,257,697	$5,702,700	$7,795,200
Positions other than permanent	850,926	682,500	981,000
Other personnel compensation	629,294	1,241,100	1,375,000
Total personnel compensation	3,737,917	7,626,300	10,151,200
12 Personnel benefits	212,922	632,000	996,000
21 Travel and transportation of persons	1,291,458	1,860,000	2,500,000
22 Transportation of things	238,804	440,000	450,000
23 Rent, communications, and utilities	786,332	1,173,700	1,522,800
24 Printing and reproduction	367,530	300,000	400,000
25 Other services	817,181	715,000	1,329,000
Services of other agencies	1,353,547	1,797,000	2,311,000
26 Supplies and materials	231,079	350,000	467,000
31 Equipment	777,807	576,000	373,000
Unvouchered	899		
Total obligations	9,815,476	15,470,000	20,500,000

Mr. PASSMAN. The appropriation this year is $59 million. What is the total for administrative expense?

Mr. HOCHBERG. Twenty-seven percent; seventy-three for volunteer and project cost, and twenty-seven percent for administrative expense.

Mr. PASSMAN. Give us the total. Twenty-seven percent of the total appropriation—does that add up to the bottom of the limitation?

Mr. HOCHBERG. Yes, sir.

Mr. PASSMAN. What has been the administrative percentage in 1961 and 1962?

Mr. HOCHBERG. I do not have the percentage for 1961. For 1962 it was 33 percent.

Mr. PASSMAN. It is down now?

Mr. HOCHBERG. Yes, sir. In 1964, if I may say so, we forecast it will be 19 percent.

INSPECTOR GENERAL DIVISION

Mr. PASSMAN. What is the staff and cost of the Division of the Inspector General?

Mr. SHRIVER. One man.

Mr. PASSMAN. And no assistants?

Mr. SHRIVER. GS–15.

Mr. PASSMAN. How does this unit differ from the Inspector General in the State Department, which has jurisdiction over your Agency?

Mr. SHRIVER. There is an Inspector General of Foreign Operations, and also I think an Inspector General of State. The Inspector General of State does not really do anything with us. The Inspector General of Foreign Operations, Ken Mansfield, does. He has, I think, two or three men detailed to us from time to time.

My theory is that he has everything to look out for, the whole AID business and everything else. I want some person who is going to concentrate on looking out for what we are doing.

Mr. PASSMAN. He has no assistants? Does he work in another office?

Mr. SHRIVER. He has assistants that look at our program.

Mr. PASSMAN. You said just one.

Mr. SHRIVER. He has had two or three different fellows assigned to look at the Peace Corps.

Mr. PASSMAN. I am speaking of the Inspector General of the Peace Corps. He operates in one of the offices of the Peace Corps?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. He has no assistants?

Mr. SHRIVER. That is right.

CONSULTANTS

Mr. PASSMAN. How much money do you have budgeted for consultants?

Mr. SHRIVER. 1963 or 1964?

Mr. PASSMAN. Fiscal 1964.

Mr. HOCHBERG. $367,000 for intermittent employment.

Mr. PASSMAN. What do you pay for consultants per day? Give us the range.

Mr. SHRIVER. From $25 to $75. It is actually from zero. We have some that do not get paid at all. From zero to $75.

Mr. PASSMAN. Would you have trouble getting rid of those who do not get paid at all?

Mr. SHRIVER. Some are very anxious to work with the Peace Corps. One man was president of Harcourt, Brace Publishing Co. He is retired. He gets $30,000 a year as retired pay. He works for us full time for nothing, and he likes it.

Mr. PASSMAN. What is the cost effective January 1964 for the pay act increase?

Mr. HOCHBERG. 1963, sir?

Mr. PASSMAN. Fiscal 1964.

Mr. HOCHBERG. The increase effective January 1964 will cost about $201,500. The total 1964 cost will be about $433,000 over 1963.

OVERTIME

Mr. PASSMAN. You are decreasing your cost of overtime and holiday pay by $80,000. Is this decrease compensated for by the increase of $237,000 in temporary employment?

Mr. SHRIVER. 237 people.

Mr. PASSMAN. $237,000?

Mr. HOCHBERG. No, sir. Actually, we are decreasing overtime requirements by only paying grades GS–9 and below for overtime. We are not paying for overtime above that grade.

RENTAL EXPENSES

Mr. PASSMAN. In volume 1, page 78, you indicate you require $325,000 for rental of 124 residences in 1964.

Mr. HOCHBERG. Yes, sir.

Mr. PASSMAN. Give us a range that you pay for rents. This is worldwide, is it not?

Mr. SHRIVER. We pay about a dollar per square foot on a worldwide basis.

Mr. PASSMAN. Would you give us a range from the low to the high? You go from $62 up to over $200 per month subsistence to the Peace Corpsmen. We wonder how the rents run.

Mr. SHRIVER. Taking a quick look here, we go from $660——

Mr. PASSMAN. For a residence?

Mr. SHRIVER. Excuse me; $468.

Mr. PASSMAN. You are paying an average of $2,621 per year per residence for the 124; is that correct?

Mr. HOCHBERG. Yes, sir; except in some cases these leases are for more than 1 year because of the way the country that we are in operates. In some instances you may have a lease where your fund requirements are for 2 or 3 years.

Mr. PASSMAN. But you are requesting this money for 1 year. You do not pay over 1 year. If we take your money request, $225,000 for 124 residences in fiscal 1964, your average rental is about $2,621 per residence.

Mr. SHRIVER. Per year.

Mr. PASSMAN. Twelve into——

Mr. SHRIVER. Twelve into 2,600, that is $220.

Mr. PASSMAN. I am giving it correctly, I believe. It is $2,621 per residence per year. That is even high by the average American standards of rent. What are the highest rents you are paying for residences in the country? You may put that information in the record.

Mr. PASSMAN. Who lives in these residences?

Mr. SHRIVER. The staff people who are overseas with the Peace Corps. The staff people like us here. They are the hired help.

Mr. PASSMAN. Give us the range, if you will, the lowest and the highest. As I view it, this high rental is not setting a very good example.

Mr. SHRIVER. We will give you what you ask for, Mr. Chairman, of course. I don't have it right here at the moment.

Mr. PASSMAN. You do have a range from low to high?

Mr. SHRIVER. Here is a fellow paying $600 a year.

Mr. PASSMAN. The average is $2,621, so you may be paying $7,000 or $8,000 a year in certain places.

Do you have any information other than just the average here?

Mr. SHRIVER. No, sir; I don't have it with me.

Mr. PASSMAN. Do any of your supporting witnesses have it? Could they tell us why this rent is so high?

Could you tell us whether or not it is for a residence or whether it includes furnishings?

Mr. WIGGINS. It varies, sir.

Mr. PASSMAN. Some is for a house with nothing in it?

Mr. WIGGINS. Yes.

Mr. PASSMAN. Could you tell us if it includes utilities?

Mr. SHRIVER. Some do, some don't. Some don't even have utilities.

Mr. PASSMAN. There is going to be a lot of uncertainty about what the stuff actually costs.

Mr. SHRIVER. We will give it to you exactly, Mr. Chairman.

(Information supplied follows:)

Rental rates for residences occupied by Peace Corps staff employees, range from a low of $576 per annum in Thailand, to a high of $6,367 per annum in Ivory Coast. Both rates exclude utilities.

REIMBURSEMENTS TO OTHER GOVERNMENT AGENCIES

Mr. PASSMAN. What reimbursements to other government agencies do you require under "Other services?"

Mr. HOCHBERG. Reimbursements to other Government agencies?

Mr. PASSMAN. What amount?

Mr. HOCHBERG. $411,000.

Mr. PASSMAN. Would you itemize it for us? Also, could you tell us at this time to what other agencies you pay this amount?

Mr. HOCHBERG. Yes, sir.

Mr. PASSMAN. What agencies?

Mr. HOCHBERG. The Civil Service Commission for security investigations. Department of State.

Mr. SHRIVER. It is right in the next page.

Mr. PASSMAN. Do you people know what it is?

Mr. HOCHBERG. Department of State for language instruction, training material, and Inspector General functions.

Mr. PASSMAN. How much is Inspector General functions?

Mr. HOCHBERG. $25,000.

Mr. PASSMAN. What salary does he get?

Mr. HOCHBERG. I don't know that, sir.

Mr. SHRIVER. I think he gets about $20,000. He is Inspector General for Foreign Operations.

Mr. HOCHBERG. General Services Administration. Department of Defense for audit of our contracts. Department of Health, Education, and Welfare for health services. Department of Commerce for use of computers at the Bureau of Standards.

Mr. PASSMAN. You may put the remainder of the information in the record.

(The information referred to follows:)

Reimbursement to Government agencies

	Estimate, 1963	Estimate, 1964
Civil Service Commission (security investigations, staff only)	$250,000	$235,000
Department of State (language instruction, training materials, and Inspector General functions, etc.)	40,000	55,000
General Services Administration (office moves, space alterations)	30,000	40,000
Department of Defense (audit of contracts)	7,000	25,000
Department of Health, Education, and Welfare, (health services)	5,000	7,000
Department of Commerce (Bureau of Standards, computer services on volunteer statistics)	10,000	10,000
Miscellaneous services	30,000	39,000
Total	372,000	411,000

Mr. PASSMAN. What services will the State Department perform for the Peace Corps for $55,000 for fiscal year 1964? Incidentally, this is an increase of $15,000 over fiscal year 1963.

Mr. HOCHBERG. That would be language training, language instruction, training and the contribution to the Inspector General of $25,000, sir.

Mr. PASSMAN. You contribute $25,000 to pay for—that is the AID agency?

Mr. HOCHBERG. We contribute $25,000 to defray a portion of the total cost of the Inspector General activity.

Mr. PASSMAN. And for language training?

Mr. HOCHBERG. Yes, sir.

Mr. PASSMAN. What kind of language training do you get from the State Department?

Mr. HOCHBERG. We use their Foreign Service Institute.

Mr. SHRIVER. The Foreign Service Institute.

Mr. PASSMAN. I wonder if it would not save mony and bookkeeping if we got it down to where if such services as this were under a certain amount of money you would just let it go? Do you think there is any merit to such a suggestion?

Mr. SHRIVER. If I understand it I think there is, but I am not sure that I understand it. If you cut down on paperwork you will save everybody money.

AUTOMOTIVE VEHICLES OVERSEAS

Mr. PASSMAN. Mr. Shriver, how any automotive vehicles do you have overseas?

Mr. SHRIVER. I think it is 743.

Mr. PASSMAN. How many non-motor-driven vehicles do you have overseas?

Mr. SHRIVER. Do you mean bicycles?

Mr. PASSMAN. Bicycles or whatever they may be.

Mr. SHRIVER. I don't know how many bicycles we have. We even have some horses.

Mr. PASSMAN. Would you get that information for us?

Mr. SHRIVER. You want all types, like outboard motorboats and horses?

Mr. PASSMAN. You might itemize it for the record.

(The information requested follows:)

Distribution of vehicles by country, Apr. 19, 1963

	Administrative	Volunteer and project	Total
Africa	75	225	300
Cameroon	4	10	14
Ethiopia	15	23	38
Gabon	5	14	19
Ghana	6	20	26
Guinea			
Ivory Coast	4	8	12
Liberia	6	23	29
Morocco	4	9	13
Niger	2	7	9
Nigeria	7	58	65
Nyasaland	4	7	11
Senegal	3	5	8
Sierra Leone	4	27	31
Somali Republic	5		5
Tanganyika		1	1
Togo	4	9	13
Tunisia	2	4	6
Far East	12	33	45
Malaya	2	2	4
North Borneo/Sarawak	2	2	4
Indonesia	3		3
Philippines		23	23
Thailand	5	6	11
Near East/south Asia	26	14	40
Afghanistan	2		2
Ceylon	3		3
Cyprus	1		1
India	3	2	5
Iran	3	2	5
Nepal	5	1	6
Pakistan	7	8	15
Turkey	2	1	3
Latin America	40	318	358
Bolivia	4	26	30
Brazil	4	70	74
British Honduras	2	7	9
Chile	1	25	26
Colombia	2	9	11
Costa Rica	3		3
Dominican Republic	3	48	51
Ecuador	4	27	31
El Salvador	2	9	11
Guatemala	3	10	13
Honduras		6	6
Jamaica	2	3	5
Panama	2	2	4
Peru	4	47	51
Venezuela	4	28	32
St. Lucia		1	1
Grand total	153	590	743

Data regarding other modes of transportation is not immediately available and will be supplied approximately June 1.

Modes of transportation other than 4-wheel vehicles

	Bicycles	Scooters, motorbikes, and motorcycles	Boats and canoes	Horses and donkeys
Africa:				
Cameroon				
Ethiopia	222	1		
Gabon	1			
Ghana				
Guinea				
Ivory Coast	2	3		
Liberia	5	2	1	
Morocco	10			
Niger	2	6		
Nigeria	20	58		
Nyasaland	40			
Senegal	1	1		
Sierra Leone	4		1	
Somali Republic	6			
Tanganyika	27			
Togo	31	11		
Tunisia				
Total	371	82	2	
Far East:				
Malaya	98	25		
North Borneo/Sarawak	29	18	2	3
Indonesia				
Philippines	300	11	1	
Thailand	138	4		
Total	565	58	3	3
Near East, South Asia:				
Afghanistan	46			
Ceylon	39			
Cyprus	22	5		
India	74	9		
Iran	17			
Nepal	82			
Pakistan	134	11		
Turkey	4			
Total	418	25		
Latin America:				
Bolivia	50		1	
Brazil				
British Honduras	16	1	1	
Chile				
Colombia	4	6	2	62
Costa Rica	9			
Dominican Republic	28	8		
Ecuador	37			14
El Salvador				1
Guatemala	5			
Honduras	6			
Jamaica	8			
Panama				
Peru	16			9
Venezuela				
St. Lucia	1	3		
Total	180	18	4	86
Grand total	1,534	183	9	89

Mr. PASSMAN. How many passenger-carrying motor vehicles have you purchased in fiscal 1963?

Mr. SHRIVER. We did not purchase any in 1963.

Mr. PASSMAN. Where do you propose assigning the five vehicles you are requesting for 1964?

Mr. JOSEPHSON. That item for five vehicles is there to maintain the authority which has been traditionally granted in appropriation items of this type.

Mr. PASSMAN. Whether you need it or not?

Mr. JOSEPHSON. It is against our policy to assign passenger motor vehicles to staff. On the other hand, a situation may come up where we might have to.

Mr. SHRIVER. We purchased only one and that has been traded in for a utility vehicle.

Mr. PASSMAN. You did not plug it in against any established need?

Mr. JOSEPHSON. We have no present necessity for any passenger-carrying motor vehicles for staff. The staff must use utility vehicles.

Mr. PASSMAN. Does that make a good case for you or any other agency when you state you are padding them in?

Mr. JOSEPHSON. I did not say we were padding them in.

Mr. PASSMAN. I might be substituting a word that is better understandable.

Mr. SHRIVER. I might say there are no funds included in the estimate for five passenger-carrying motor vehicles for use for administrative purposes overseas.

Mr. PASSMAN. There is no money set aside for any of this stuff in fiscal year 1964. You have not yet received a dime. I believe you told us that if you never got a dime for the Peace Corps beyond June 30 the legal obligation we had would have been fulfilled. Did you not tell me that, Mr. Josephson?

Mr. JOSEPHSON. That is correct.

Mr. PASSMAN. Even if the Congress should abolish the Peace Corps, the record states that every legal obligation we have made would be discharged. We are dealing with a program for which the Congress will make up its mind as to how much to appropriate.

My point is, if you never got another dime for the Peace Corps after June 30, every legal obligation you have entered into would have been met. Is that a statement of fact?

Mr. JOSEPHSON. Yes.

Mr. SHRIVER. You are not proposing that, are you, Mr. Passman?

Mr. PASSMAN. I doubt that my wishes about this would prevail. Chances are we shall try to get you as much as you had last year.

Were you going to say something about this jogging in or slugging in or plugging in?

Mr. SHRIVER. The point is we think maybe in the coming fiscal year we might have to buy a vehicle and we'd like to have the authority to buy one if that developed.

Mr. PASSMAN. Now you are indicating that you might need one vehicle. He has five in here.

Mr. SHRIVER. I didn't mean to imply one, Mr. Chairman, I am sorry.

Mr. PASSMAN. Can we base all your other needs upon the case you made for these five vehicles?

Mr. JOSEPHSON. No, sir.

Mr. PASSMAN. We have been trying to find something to which to pin this program. Maybe it has been established here at the tail end of the hearings.

Mr. JOSEPHSON. In connection with that, may I call your attention to part 1, page 87, of our administrative justifications. We have an item for 20 vehicles, not passenger carrying, at $3,000. No money is estimated for passenger-carrying motor vehicles.

Mr. PASSMAN. That has to do with my next question.

Mr. Shriver, I note that you propose to purchase 20 jeeps for oversea staff. What countries will they be assigned to?

Mr. SHRIVER. I am sorry, Mr. Chairman, I don't happen to know.

Mr. PASSMAN. You may supply the information for the record.

(The information requested follows:)

Five vehicles will be assigned for administrative use in Africa, and fifteen in Latin America. The distribution by country depends entirely on programs developed, and cannot be determined at this time.

Mr. PASSMAN. Are these two-wheeled or four-wheeled jeeps?

Mr. WIGGINS. Four wheeled, sir.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. Do you have funds budgeted for representation allowance or do you work it out some other way?

Mr. HOCHBERG. It is about $200 per country for about 50 countries, Mr. Chairman.

Mr. SHRIVER. $10,000 is budgeted.

Mr. PASSMAN. Do you people work with other agencies and jointly purchase liquid refreshments to get a better price or do you just pay whatever the retail market may be? I have often wondered about that.

Mr. SHRIVER. I think whatever we buy is purchased in the retail market.

Mr. PASSMAN. Do you pay the tax?

Mr. SHRIVER. It includes the tax, I think.

Mr. PASSMAN. Could you buy it through the Embassy and save money?

Mr. JOSEPHSON. Staff members are instructed not to do so.

Mr. PASSMAN. Staff members buy their whisky in the open market?

Mr. SHRIVER. That is right.

Mr. WIGGINS. That means they don't buy much.

Mr. SHRIVER. We can give you the actual figure that was spent for representation in 1963.

Mr. HOCHBERG. We obligated about $500 through March 31, 1963.

Mr. PASSMAN. Then why would you want to go up to $10,000 for fiscal year 1964? How about giving you the same amount and so indicate in the bill?

Mr. SHRIVER. For two reasons: We are in more countries in fiscal year 1964 than in fiscal year 1963 and also, as Mr. Hochberg testified, we are putting out $200 per country per year. We think that is about the least we ought to have in the budget for each country——

Mr. PASSMAN. You are going to be in two more countries, are you not?

Mr. SHRIVER. That is right. We plan, in the near future, to go into two more countries for a total of 47. As we have previously testified, we propose to go into an additional four countries for a total of 51.

Mr. PASSMAN. But you are only spending that amount of money and then you go into two other countries and you want $10,000.

Mr. SHRIVER. We asked for $5,000 last year, if I remember correctly.

Mr. PASSMAN. And you spent $500.

Mr. SHRIVER. As a result of a tough taskmaster operation we have only spent $500. Have we obligated, or is that spent? I understand we have obligated it.

Mr. PASSMAN. May we use that expenditure as a yardstick?

Mr. SHRIVER. $448—no, I don't think you should.

Mr. PASSMAN. You asked for $5,000 yast year and you have spent $448. What amount do you think you will have obligated on June 30 for representation allowance?

Mr. SHRIVER. That is hard to indicate because those come in from overseas.

Mr. PASSMAN. In 9 months you have spent $448 out of $5,000.

Mr. SHRIVER. I think it would be unwise planning or policy to say that because we have been able to operate this year for very little, practically nothing, that, therefore, next year we ought to do it for the same amount.

Mr. PASSMAN. Let me say that is not one of my quarrels, really, the representation allowance.

Mr. ROONEY. We have here three volumes of justifications. Have they been inserted in the record?

Mr. PASSMAN. Some of the pertinent portions of the material have been put in the record.

POULTRY PROJECT IN INDIA

Mr. ROONEY. For instance, at volume II–21, we find the explanation of the story with regard to the poultry business in India, on that page as well as on page 22. Has this been inserted in the record?

Mr. PASSMAN. We have never inserted in the record all of this voluminous material. That is why, of course, we take the time to ask questions and discuss the matters.

Mr. ROONEY. On a visit to New Delhi, Manning Grinnan, a Texas building contractor and unpaid Peace Corps consultant, detoured north to Nabha where he visited the four volunteers that we were talking about a while ago?

Mr. SHRIVER. Yes; he did.

Mr. ROONEY. And their assignments had been in small-scale industry, dairy, agricultural extension, and youth work; is that correct?

Mr. SHRIVER. Yes.

Mr. ROONEY. Did they find that they could make a more immediate and possibly more significant contribution in the field of poultry?

Mr. SHRIVER. Yes.

Mr. ROONEY. Did they locate a quality strain of birds and then run into a problem because proper food was expensive for that strain of birds?

Mr. SHRIVER. Yes.

Mr. ROONEY. And from a book on poultry growing in India written by an Agency for International Development specialist, did they learn what constituted a well-balanced chicken ration, and traveled miles to get all the necessary ingredients?

Mr. SHRIVER. Yes.

Mr. ROONEY. Having found good chicks and inexpensive high-quality feed, they began, did they not, to produce excellent eggs and chickens and as a result of this experience they were able to persuade a number of farmers to enter the chicken business?

Mr. SHRIVER. Yes, sir.

Mr. ROONEY. And did they mix the chickenfeed themselves and deliver it, thus selling good feed at low cost?

Mr. SHRIVER. Yes, sir.

Mr. ROONEY. Did they then write their own simplified poultry handbook, have it translated into Punjabi, and sell 1,000 copies for 1 cent apiece?

Mr. SHRIVER. Yes, sir.

Mr. ROONEY. And did they begin to sell day-old chicks on a pay-out-of-profits basis to members of their youth groups?

Mr. SHRIVER. Yes, sir.

Mr. ROONEY. Isn't it the fact that in a short time the four volunteers had increased not only the protein content of the local diet but also had served to increase the income of many farmers in the area?

Mr. SHRIVER. Yes, sir.

Mr. ROONEY. When that poultry program received attention in the American press it is a fact, is it not, that the volunteers objected on the grounds that their results were being unduly magnified?

Mr. SHRIVER. That is correct.

Mr. ROONEY. Did they make the point that the protein intake of the Punjabi's 20 million people was not going to be affected noticeably by the activities of four Peace Corps volunteers?

Mr. SHRIVER. Yes; that is correct.

Mr. ROONEY. And did the Agency for International Development and other agencies cooperate with the poultry project?

Mr. SHRIVER. That is right.

Mr. ROONEY. I think that is all.

Mr. PASSMAN. Thank you, gentlemen.

FRIDAY, JUNE 14, 1963.

STATEMENT CONCERNING PEACE CORPS MEN IN COLOMBIA

Mr. PASSMAN. The committee will come to order.

I have with me at this time two letters which, in response to a request from Mr. Shriver, the Director of the Peace Corps, I shall place in the record of these hearings. Before doing so, however, I think I should refer, for clarification, to colloquies between Mr. Shriver and myself during the course of our hearings on April 30 and May 1, 1963. Therefore, I shall quote from the printed galley-proof pages of the transcript of the hearings for those dates.

First, from pages 80 and 81 for April 30, I read as follows:

STATEMENT CONCERNING PEACE CORPS MEN IN COLOMBIA

Mr. PASSMAN. I do not know if one of our Presidents made a statement to the effect that big business could not be trusted, but I think I have read reports of that nature in the press. Whether such a statement was made or not, I repeat, I do not know; however, if it was made, I do not think the President intended to make that statement. And I hope the Peace Corps man did not intend to make the statement which I shall read to you. This is from Tom Anderson's "Straight Talk" carried in the West Carroll Gazette of April 18, 1963:

"A former U.S. Ambassador told me that our Peace Corps leaders in Colombia damned American businessmen as crooks and encouraged the Latin Americans to confiscate American property."

Mr. SHRIVER. Where is West Carroll?

Mr. PASSMAN. It is in the State of Louisiana, but that item was first published in a national farm paper.

Mr. SHRIVER. I notice, Mr. Chairman, it is not a quotation.

Mr. PASSMAN. What do you call it?

Mr. SHRIVER. I mean it is not in quotation marks.

Mr. PASSMAN. Did I read it correctly or shall I read it again?

Mr. SHRIVER. You read the clipping.

Mr. PASSMAN. I shall read the clipping a second time:

"A former U.S. Ambassador told me that our Peace Corps leaders in Colombia damned American businessmen as crooks and encouraged the Latin Americans to confiscate American property."

I am giving you this clipping in case you want to check on it.

Mr. SHRIVER. I will be glad to check on it but for the record now I would like to deny it categorically.

Mr. PASSMAN. How can you deny it without checking on it?

Mr. SHRIVER. I will deny that the Ambassador to Colombia made such a statement. The Ambassador to Colombia, Mr. Fulton Freeman, has been there since the Peace Corps came into existence and he has endorsed the Peace Corps 100 percent and has even written an article that will soon appear in an American publication. There are only three Peace Corps top staff in that country—Mr. Sheldon, Mr. Banks, and Mr. Moffett—and I am sure they never said what is there reported.

Mr. PASSMAN. If you do not want to follow through on it, I shall not insist. I remind you, however, that the reference is to a "former U.S. Ambassador."

Mr. SHRIVER. I will follow through but I want to deny it.

Mr. PASSMAN. Now I shall read from pages 141 and 142 for May 1:

Mr. PASSMAN. I hope the comment I am about to make will not be misconstrued.

In the New York Times of April 23, 1962, on page 25, with reference to the President, there is the following:

"Bitterly, he recalled that 'my father always told me all businessmen were * * * but I never believed it until now.' "

In a press conference on May 19, 1962, the President, in response to a question, was reported to have said that the opinion which his father had imparted to him was with reference to "steel men," not all businessmen, and that was the manner in which he had found it appropriate to use the "* * *" designation.

VOLUNTEERS IN COLOMBIA

I bring this up for this reason: A former U.S. Ambassador has been reported as saying that Peace Corps leaders in Colombia had damned American businessmen as crooks and encouraged Latin Americans to confiscate American property.

You said yesterday that this was not so, and I certainly hope it is not.

Maybe, however, somebody has formed some wrong notions as a result of the remarks attributed to the President. I wish you would look into this matter and try to ascertain whether or not any of them are thinking in the manner indicated.

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. As well as Venezuela—you have some there?

Mr. SHRIVER. Yes, sir.

Mr. PASSMAN. I do not know what these young people are thinking but it certainly causes me some concern, Mr. Shriver.

Off the record, please.

(Discussion off the record.)

Mr. PASSMAN. How many Peace Corps men do you have under each leader?

Mr. SHRIVER. Three in Colombia. We have three Peace Corps top staff people in Colombia.

Mr. PASSMAN. How many Peace Corps men do you have in——

Mr. SHRIVER. 300.

Mr. PASSMAN. This matter as to what might or might not have been said in Colombia is, I think, important enough to get into rather thoroughly.

Mr. SHRIVER. I would be delighted to get into it.

I will get into it right up to my eyeballs.

Mr. PASSMAN. Now, if Mr. Shriver regards what he has done as getting into this matter "right up to my eyeballs," as he said he would do, I can only say that this is indeed a very shallow depth. He did not write to the author of the column to which I referred, Mr. Tom Anderson, who is, incidentally, editor and publisher of Farm and Ranch, of Nashville, Tenn., and other reputable farm magazines, and is also the author of a rather widely distributed and published newspaper column; and it was from one of these columns published in the West Carroll Gazette, of Oak Grove, La., a substantial and highly reputable newspaper published in my own congressional district, that I read the excerpt in question. No, Mr. Shriver did not see fit to contact either of these sources, the well-known farm-magazine publisher of Nashville, who wrote the item attributing the statement to "a former U.S. Ambassador," or the West Carroll Gazette, the newspaper which published the item. Neither did he see fit, so far as I am aware, to contact former U.S. Ambassadors, whose names and addresses would, of course, be readily available to him.

What he has done, instead, in getting into this matter "right up to my eyeballs," as he said he was going to do, is to again be evasive in dealing with a serious situation. He has simply written to the present Ambassador to Colombia, appointed to the post by his—Mr. Shriver's—brother-in-law, the President, and he has received the type of reply that might have been obviously expected—a laudatory statement concerning the work of the Peace Corps.

If Mr. Shriver considers what he has done as being in the nature of a serious inquiry into a serious matter, that is his responsibility. As for myself, however, I think it is regrettable that he has seen fit, if not to evade the issue entirely, to pass it over so lightly. I can hardly help but wonder, in fact, inasmuch as Mr. Shriver said he would get into this matter right up to his "eyeballs," whether he might have changed his mind from fear that he might receive confirmation of the charge, and so decided to get into it only up to his ankles.

With this explanation having been made, I shall now submit Mr. Shriver's letter to me and Ambassador Freeman's letter to Mr. Shriver for insertion at this point in the record.

(The letters follow:)

PEACE CORPS,
Washington, D.C., June 12, 1963.

HON. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations,
Committee on Appropriations,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: In the course of your subcommittee's hearings on the Peace Corps on April 30, 1963, you read into the record part of a newspaper column entitled "Straight Talk" by Tom Anderson which appeared in the West Carroll (La.) Gazette of April 18, 1963:

"A former U.S. Ambassador told me that our Peace Corps leaders in Colombia damned American businessmen as crooks and encouraged the Latin Americans to confiscate American property."

Enclosed is a copy of a May 14 letter to me from the American Ambassador in Colombia, the Honorable Fulton Freeman. In his letter he states that he has no knowledge whatsoever of the incident and that the key members of his staff are unanimous in the belief that the statement "gives an entirely false and misleading picture of the activities and opinions of Peace Corps volunteers in Colombia."

To make sure Mr. Tom Anderson was not referring to some country other than Colombia, I also wrote to the American Ambassadors in Venezuela and Brazil. Each has replied that he has no knowledge of either the alleged statement or any facts which support it.

I respectfully request that Ambassador Freeman's letter to me, and this letter to you, be made a part of the official record of my testimony.

Sincerely,

ROBERT SARGENT SHRIVER, JR., *Director.*

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA,
AMERICAN EMBASSY,
Bogotá, Colombia, May 14, 1963.

Hon. ROBERT SARGENT SHRIVER, Jr.,
Director, the Peace Corps,
Washington, D.C.

DEAR SARGE: Referring to your letter of May 3, 1963, concerning the quotation from the West Carroll Gazette which was introduced into the Congressional Record by Mr. Passman, I can only say that I have no knowledge whatsoever of any such statement nor has anything come to my attention which would tend to corroborate in any way the alleged statement.

I have discussed your letter with the key members of my staff, including the Peace Corps representative, and they are unanimous in their estimate that the statement quoted gives an entirely false and misleading picture of the activities and opinions of the Peace Corps volunteers in Colombia.

I have no idea which "former United States Ambassador" is supposedly being quoted, since no previous U.S. Ambassador to Colombia has visited here since the arrival of the first Peace Corps volunteers in the summer of 1961, nor have I heard since my arrival any similar charges launched against any member of the Peace Corps in Colombia. On the contrary, the vast and overwhelming majority of public and private opinion concerning the work of the Peace Corps volunteers in Colombia has been of a highly laudatory and almost completely uncritical nature—and this opinion definitely includes the members of the American business community in Colombia.

With kindest personal regards,

Sincerely,

FULTON FREEMAN,
American Ambassador.

THURSDAY, MAY 2, 1963.

RYUKYU ISLANDS, DEPARTMENT OF THE ARMY

WITNESSES

STEPHEN AILES, UNDER SECRETARY OF THE ARMY
LT. GEN. PAUL W. CARAWAY, HIGH COMMISSIONER OF THE RYUKYU ISLANDS
EDWARD W. O'FLAHERTY, CHIEF, ECONOMIC AFFAIRS DIVISION, CIVIL AFFAIRS DIRECTORATE, ODCSOPS, DEPARTMENT OF THE ARMY

ADMINISTRATION

Object classification

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
11 Personnel compensation:			
Permanent positions	1,323	1,518	1,752
Positions other than permanent	22	10	10
Other personnel compensation	10	6	17
Total personnel compensation	1,355	1,534	1,779
12 Personnel benefits	113	133	151
21 Travel and transportation of persons	142	128	187
22 Transportation of things	39	35	73
23 Rent, communications, and utilities	27	31	35
24 Printing and reproduction	15	21	29
25 Other services	346	425	628
26 Supplies and materials	35	52	63
31 Equipment	20	41	38
32 Lands and structures	0	32	33
41 Grants, subsidies, and contributions	4,980	6,525	11,350
Total, administration	7,072	8,957	14,366
ALLOCATION TO THE U.S. INFORMATION AGENCY			
22 Transportation of things	3		
26 Supplies and materials	3		
31 Equipment	4		
Total, U.S. Information Agency	10		
Total obligations	7,082	8,957	14,366

Personnel summary

	1962 actual	1963 estimate	1964 estimate
Total number of permanent positions	418	431	452
Full-time equivalent of other positions	3	1	1
Average number of all employees	408	418	436
Number of employees at end of year	414	426	447
Average GS grade	9.0	9.2	9.3
Average GS salary	$7,692	$8,244	$8,710
Average salary in foreign country (local rates)	$917	$1,088	$1,309

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
Program by activities:			
1. Administration	1,717	2,007	2,366
2. Aid to Ryukyuan economy	5,365	6,950	12,000
Total obligations	7,082	8,957	14,366
Financing:			
Reimbursements from non-Federal sources (−) [1]	−1		
Unobligated balance lapsing	8		
New obligational authority	7,089	8,957	14,366
New obligational authority:			
Appropriation	7,089	8,900	14,366
Proposed supplemental due to pay increases		57	

[1] Reimbursements from non-Federal sources reflect services of a World Health Organization consultant (10 Stat. 2205).

Comparative summary of obligations by projects and fiscal year

Project No.	Purpose of projects	Actual obligations, fiscal year 1962	Estimated obligations, fiscal year 1963	Estimate, fiscal year 1964	Fiscal year 1964 over fiscal year 1963, increase (+) or decrease (−)
8710	Administrative activities	$1,716,842	$2,007,000	$2,366,000	+$359,000
8711	Pay of civilian employees	1,468,165	1,667,000	1,930,000	+263,000
8712	Travel of civilian employees	82,833	85,000	150,000	+65,000
8713	Information materials and services	74,659	100,000	125,000	+25,000
8714	Incidental operating expenses	91,185	155,000	161,000	+6,000
8730	Aid to Ryukyuan economy	5,364,709	6,950,000	12,000,000	+5,050,000
8731	Reimbursement for government services	927,100	945,000	1,150,000	+205,000
8732	Contribution to government projects	4,052,802	5,580,000	7,200,000	+1,620,000
8733	Transportation of commodities	6,727	5,000	5,000	
8734	Technical education and training	270,742	295,000	470,000	+175,000
8735	Technical cooperation	107,338	125,000	175,000	+50,000
8736	Construction of water system			2,000,000	+2,000,000
8737	Disaster relief			1,000,000	+1,000,000
	Total	7,081,551	8,957,000	14,366,000	+5,409,000
	Unobligated balance	7,449			
	Total appropriation or estimates	7,089,000	8,957,000	14,366,000	+5,409,000

Mr. PASSMAN. The subcommittee will come to order.

Gentlemen, we have had these prepared statements only about 2 hours so we have not had much time to go over them.

In our consideration of appropriation requests we usually go back several years for purposes of comparison, and I think that is the way you want us to operate.

The rules of the committee have been, and are, that prepared statements be submitted at least 24 hours, and preferably 72 hours, before

the hearing. But as General Caraway had to come in all the way from Okinawa and as the Secretary has been out of the city, there is reason perhaps this time for the delay in submitting the statements.

We shall consider today the request for appropriations for the Ryukyu Islands. Appearing as witnesses are the Honorable Stephen Ailes, Under Secretary of the Army; Lt. Gen. Paul W. Caraway, High Commissioner of the Ryukyu Islands; and Mr. Edward W. O'Flaherty, Chief of the Economic Affairs Division, Civil Affairs Directorate, Department of the Army.

Mr. Secretary, if you have a statement to make to the committee, we shall be pleased to hear from you at this time.

General Statement of Under Secretary of the Army

Mr. Ailes. Mr. Chairman, I appreciate what you said earlier about the prepared statements. In my case I really had not planned to make a statement, but thought at the last minute I would like to, and I did sit down and dictate it so that you would have some chance to see it in advance. It is quite short, but I will read it, if I may.

Mr. Chairman and Gentlemen, I welcome the opportunity to appear in support of the budget request for the fiscal year 1964 appropriation "Administration, Ryukyu Islands, Army." Our principal witness in support of this request will be General Caraway, who has come back from Okinawa for the specific purpose of testifying before this subcommittee. However, I would like to pass on to you some observations of my own as a result of a visit to the Ryukyus which I made in February of this year.

This subcommittee is fully aware of the military significance of the Ryukyu Islands. Army, Air Force, Navy, and Marine units are stationed there and can move quickly to danger points in southeast Asia. Equipment, parts, supplies, and personnel are stocked on Okinawa in vast quantities. En route to Okinawa, I stopped at Headquarters, U.S. Army, Pacific, in Honolulu and reviewed in some detail the operations being conducted in Okinawa in logistical support of our activities in South Vietnam. Suffice it to say that Naha is a great deal closer to Saigon than is Hawaii or our Oakland terminal in California. The importance and significance of Okinawa as a forward base are being demonstrated on a daily basis. I would like to add, if I may, that needless to say our freedom to act in accordance with military needs is an important aspect of our operations there.

In February, in the course of 6 days in the Ryukyus, General Caraway and I traveled extensively on Okinawa and to the southern islands. We visited Miyako, Ishigaki, and Iriomote, and several of the smaller islands nearby. We walked through marketplaces and villages, met and discussed current problems with local delegations in the schoolhouses or town meeting halls, and had a chance to see something of the country and its people. I met most of the Members of the Ryukyuan Legislature, Ryukyuan press, business leaders, and the members of the Golden Gate Club (all of whom have studied in the United States). I talked with many Ryukyuan individuals and with military and civilian representatives of the United States. I believe that I had an opportunity to make some useful appraisals of the situation.

In the course of these visits and discussions, I found the Ryukyuan people to be a sturdy and hard-working lot, enthusiastic about the progress that had been made under the American administration and eager to improve the situation further. I saw no evidence of hostility to the United States in any form; in fact, I would say that the attitude of the Ryukyuans toward this country as a nation and toward the American administration there was friendly. (These impressions were borne out in Tokyo on my trip home, where I learned that fewer complaints from the Ryukyus were now being received by the Japanese than in the past).

Mr. PASSMAN. Even if we did reduce the appropriation below the request last year they are friendly. If we reduced it further this year the relations might be better.

Mr. AILES. You reduced the request but we had quite a bit more in the program last year than the year before.

I would like to point out that, as I say here, there are several factors that are responsible for this.

PROGRESS IN THE RYUKYU ISLANDS

The reasons for the progress being made in the Ryukyus in my judgment are three:

1. The U.S. administration is fair, firm, effective, and sure handed, and, as a result, it is respected. While its firmness is criticized by some on occasion, it seems clear to me that the situation is far better than would be the case if the administration were weak, indecisive, vacillating, and unsure. Furthermore, the administration in a variety of means, including publications and radio and TV programs, is doing a good job of explaining the purpose of the U.S. presence and the nature of U.S. objectives with respect to the Ryukyus. As an example, I visited a cultural center on Ishigaki Island. It is well equipped with books and magazines written in both Japanese and English. It shows exhibits such as U.S. scenes. It has facilities for meetings and is visited by an average of over 400 people a day. The cultural center at Naha receives something like 2,000 people a day. These centers are excellent, in my judgment, and are an example of an activity to show the Ryukyuan people that the United States is genuinely interested in them.

PEOPLE-TO-PEOPLE PROGRAM

The attitude toward the United States is undoubtedly affected by the remarkable people-to-people program carried on under the aegis of the High Commissioner's office by the units of the military service and other members of the American community. Some 150 American volunteers, including many service wives, teach English in Ryukyuan schools. Mercy air flights by U.S. aircraft in emergency medical cases requiring evacuation from remote areas are an important part of the program. A major aspect of the program is assistance by U.S. forces, mostly in off-duty hours, providing technical skills and using engineering equipment in countless small community projects.

I have a list that I brought back of the people-to-people projects that had occurred in 1962, and I imagine it runs into approximately 300 specific items.

As an example of the reaction which these projects create, let me read a quotation from an article written by the principal of a school for the deaf and blind. This is part of an article I saw in a Ryukyuan publication:

> In April 1960 the construction of the playground of our school was completed by the servicemen of the Machinato Post Engineer District. It took about 50 days for them to construct the playground by leveling more than 2,000 tsubo (1 tsubo equals 36 square feet) of land near the dormitory under the direction of Sergeant Wall.
>
> I was especially moved by the U.S servicemen who worked hard. Sometimes they worked in the moonlight, besmeared with mud and bathed in perspiration. The teachers and pupils of our school were overjoyed when the playground was completed. Those who took part in the ground-leveling work of our school probably returned to the United States, but their contribution to the improvement of our school facilities will be remembered by our teachers and pupils for a long time to come.

If any members of the committee or the staff are interested in this program, we have a brochure, prepared at my request, containing photographs and more specific information with respect to the type of projects involved. As has been demonstrated all over the world, the American GI in all branches of the service can be extremely effective in promoting good will for the United States.

Mr. CHAIRMAN, I emphasize this because last year when we were testifying you asked me:

> What other things are you doing other than sending U.S. money out there?

I personally am convinced that a great deal of really excellent work is being done, as is being done in other parts of the world, by our servicemen and their wives, who are spending their own money and free time in building up the excellent relationship that exists between the United States and the people out there. When you travel around you see evidence of it everywhere.

In short, I believe that our administration and our people are doing an admirable job in creating the kind of atmosphere which will permit the continued use of our Ryukyuan base.

2. The second reason for success is that economic progress in recent years has been impressive. The gross national product has increased substantially. There are extensive signs of progress everywhere, ranging from large projects such as the new extension of the pier at Ishigaki, currently under construction, and the Kin powerplant, for which ground was broken while I was in Okinawa, to water systems, electrical systems, and new roads for remote villages—the latter usually paid for at least in part by the local citizenry.

I traveled around with General Caraway and in the case of each of these projects General Caraway asked what they were prepared to do on their part, and it was surprising how much money they had put up for these projects that they were asking us for assistance on. There is widespread interest in these matters, and a great deal of attention is paid to the American aid program. I even found that a substantial number of people were familiar with the record of the hearings before this committee.

3. The third reason why the situation is developing favorably is that U.S. relationships with Japan are good. Official Japanese support of our presence and our program in the Ryukyus is obviously

helpful. The American presence is based on military need and we do not contemplate ultimate absorption of the Ryukyus into the American community. The Ryukyuans look to Japan as their homeland. Under these circumstances, the situation clearly will be helped if the Japanese support what we are doing. The situation has undoubtedly been helped by the talks between President Kennedy and Prime Minister Ikeda, their joint announcement of June 22, 1961, and subsequent followup steps to work out the implementing arrangements for Japanese cooperation with the United States in aid to the Ryukyus.

These three factors that I have mentioned—a fair and effective American administration; continued economic progress; and a sound and satisfactory relationship with the Japanese—are essential to the continued American presence in the Ryukyus, in my judgment. The appropriation which we have requested for aid to the Ryukyus, which is the subject of the hearing here today, is the key factor in the second of these, continued economic progress.

In my judgment, it is highly important that we continue and expand this program along the lines that General Caraway will describe. We are helping an industrious and hardworking people. The program is going well. It is essential to the maintenance of a military installation of major importance to the United States. This help should be continued, I believe.

At this point, I would like to introduce General Caraway, who is the High Commissioner of the Ryukyu Islands and who has occupied this post since February 1961. General Caraway has two other assignments. He is Commanding General of the U.S. Army, Ryukyus, commanding the IX Corps Headquarters and the Army troops in the islands, and he is the designated representative of the commander in chief in the Pacific, CINCPACREP, which means that he is the senior officer on the islands and is responsible for interservice coordination there.

General Caraway has been a vigorous and effective High Commissioner. He is known throughout the islands and he knows as much about the islands, the Ryukyuan people, and their problems as any man alive. He works at his job throughout his waking hours, and he sets a pace that is difficult to follow, as I can testify, having been with him for 6 days in February. In my judgment, the United States is greatly in his debt for the service which he is performing in the Ryukyus.

Mr. Chairman, I would like to turn it over to General Caraway, who can talk about the program generally. I did want to make these comments based on having been there about 2 months ago.

Mr. PASSMAN. Thank you, Mr. Secretary.

Gentlemen, it is well for us to understand that from the time the Constitution was ratified through 1962, a period of 173 years, our Government collected $1.312 trillion in revenues. Today out of every 9 hours of work approximately 3 hours go for taxes. Through the years for every dollar received in revenue we have created an obligation in the amount of $1.81. We owe today $1.051 trillion for services previously rendered that must come out of future revenues.

PAST APPROPRIATIONS FOR THE RYUKYU ISLANDS

I would like to ask at this time, before we call on the general, that you go back for, say, 9 years and give the amount of money Congress has appropriated each year for the Ryukyu Islands, not for the military but for the comparable program being considered today.

Mr. AILES. They started with $3.1 million in 1955.

Mr. PASSMAN. Can you go back 9 years?

Mr. AILES. I have a table here.

Mr. PASSMAN. What do you have, Mr. O'Flaherty?

Mr. O'FLAHERTY. This is for a total.

Mr. PASSMAN. Comparable to what you are asking for today?

Mr. O'FLAHERTY. Yes sir. This is the administrative cost of the economic program.

Mr. PASSMAN. That is what you cover in this request?

Mr. O'FLAHERTY. That is correct.

Beginning in 1954, $1,033,890; 1955, $1,092,636.

Mr. AILES. He wants both administration and economic aid.

Mr. PASSMAN. You are giving it to us accurately, are you?

Mr. O'FLAHERTY. Yes, sir.

Mr. AILES. He is not talking totals.

Mr. O'FLAHERTY. Mr. Chairman, what I gave was the administrative cost.

Mr. PASSMAN. We want totals comparable to this program for which you are requesting money today.

Mr. O'FLAHERTY. The appropriations comparable to this program, including administrative and economic aid costs were: 1955, $3,100,000; 1956, $3 million; 1957, $2,350,000; 1958, $2,475,000; 1959, $2,860,000; 1960, $5,282,000; 1961, $6,089,000; 1962, $7,089,000; and 1963, $8,957,000.

Mr. PASSMAN. Gentlemen, would you like to think you had a committee representing you who would be that liberal with all the requests that come in here? The time has come, whether we are moving forward with vigor or something else, to bring these things under control.

Last year, whether the reasons for it were justified or not, we moved this appropriation up to nearly $9 million. Now we look at this request for $14,366,000, which is nearly five times what it was the first year I served as chairman of this subcommittee. And this is not all. You are getting money out of other funds, and in addition the money for the light plant, which we recommended, is coming out of another of these spigots. There are 9 to 15 spigots and all of them are running over.

Before we hear the general, I wonder if you would tell us how much money you are getting out of other agencies of Government, Public Law 480, for instance?

PUBLIC LAW 480 PROGRAM

Mr. O'FLAHERTY. I will be very happy to.

I can tell you what the Public Law 480 program is—$13.7 million. As you know, these are loan funds.

Mr. PASSMAN. Will we get paid back in dollars?

Mr. AILES. $13.7 million is the total program. There are 3 years during which it can be taken down. This is in the form of a loan to

the Ryukyu Development Loan Corporation to enable people in the Ryukyus to purchase surplus commodities here. The Loan Corporation has 20 years to pay this back.

Mr. PASSMAN. When was this requested?

Mr. AILES. It was not requested of this committee.

Mr. PASSMAN. I refer to the request to the Congress.

(The following letter was subsequently provided for the record:)

DEPARTMENT OF THE ARMY,
OFFICE OF THE UNDER SECRETARY,
Washington, D.C., November 7, 1962.

Hon. CLARENCE CANNON,
Chairman, Committee on Appropriations,
House of Representatives.

DEAR MR. CHAIRMAN: In view of the special concern of your committee with our administration of the Ryukyu Islands, I think you will be interested to know that arrangements are being worked out with the U.S. Department of Agriculture for the establishment of a commodities sales program to the Ryukyus pursuant to title IV of Public Law 480. The proposed program, which has been requested by the High Commissioner on behalf of the Ryukyuan Government, envisages the sale over a 3-year period of wheat, rice, feed grains, inedible tallow, soybeans, tobacco, and perhaps some cotton, in quantities which will be consonant with the usual marketing pattern, yet of sufficient magnitude to assist in the much needed expansion of Ryukyuan livestock, poultry, and related industries.

While it is premature to estimate the dollar magnitude of such sales over the next 3 years, Department of Agriculture experts who have studied the matter are of the view that they might reach a cumulative total of commodities having an export market value in the neighborhood of $12–$14 million. These amounts would, of course, depend on the demands of Ryukyuan private agricultural enterpreneurs and cooperatives and the degree to which they embark upon a diversification of their agricultural understakings which are already overly dependent on the production and export to Japan of pineapples and sugar.

Naturally, it is expected that this program will achieve the objectives of title IV of Public Law 480 by creating a new market for U.S. agricultural products and by stimulating new economic activity in the agricultural segment of the Ryukyuan economy.

Sincerely,

STEPHEN AILES,
Under Secretary of the Army.

Mr. AILES. The law was passed some years back.

Mr. PASSMAN. I mean the Ryukyuans?

Mr. AILES. I took it up with them when I was there in February.

Mr. PASSMAN. What has been authorized by the executive for Public Law 480?

Mr. AILES. By the Department of Agriculture. The figure involved is $13.7 million.

Mr. PASSMAN. In how many years?

Mr. AILES. Three years.

Mr. PASSMAN. What is the rate of interest?

Mr. AILES. Three-fourths of 1 percent a year.

Mr. PASSMAN. That is a service charge, is it not, rather than an interest rate? Also, do you have a right of cancellation of the contract?

Mr. AILES. That I cannot say.

Mr. PASSMAN. What other kinds of aid are they getting out there?

Mr. AILES. The Kin powerplant is also a loan fund. Who actually lent that money?

Mr. O'FLAHERTY. The Congress appropriated money from the Treasury.

Mr. PASSMAN. That is correct. We thought they needed a powerplant. But, it seems we have to keep increasing expenditures everywhere, and we get the money to do it by borrowing from unborn generations.

Mr. O'FLAHERTY. We have estimates under title III of Public Law 480, to be used for the relief of the indigents; and there are a great many of them.

Mr. PASSMAN. How many people are out there?

Mr. O'FLAHERTY. 904,000.

Mr. PASSMAN. The administration has a variety of means of explaining the purpose of the U.S. presence. You could almost handle it by personal visitations with the number of people you have there. How long have we been there?

Mr. AILES. Since the war.

Mr. PASSMAN. But they do not yet understand we are there to protect them?

Mr. AILES. I think they understand it quite well. The point I was making is that in any program, having people understand what you are doing requires constant work, and General Caraway is trying to do that.

Mr. PASSMAN. It is a small island and we have been there 20 years. What is the length of the island?

General CARAWAY. 67 miles.

OTHER AID PROGRAMS IN RYUKYUS

Mr. PASSMAN. What other aid do you have out there?

Mr. O'FLAHERTY. The relief and school lunch program in fiscal 1963 will approximate about $2.7 million in U.S. value of commodities.

Mr. PASSMAN. What else?

Mr. O'FLAHERTY. We have the operation of the general fund, of which you are aware, set forth in the budget document. That is not appropriated money.

Mr. PASSMAN. From what source do you get the money?

Mr. O'FLAHERTY. It is derived essentially from the proceeds of GARIOA goods.

Mr. PASSMAN. But it serves the same purpose as appropriated funds.

Mr. AILES. The waterplant and power company had some funds.

Mr. PASSMAN. What other aid?

Mr. O'FLAHERTY. The appropriation for the power corporation you mentioned.

Mr. PASSMAN. That is a loan.

REQUEST FOR PEACE CORPS ASSISTANCE

Do you have the Peace Corps there?

General CARAWAY. We do not.

Mr. PASSMAN. Have you requested Peace Corps assistance?

Mr. AILES. We have talked about it in the past but we have never made a formal request. The Peace Corps could help us. I remember that coming up.

Mr. PASSMAN. Have you made any recommendation to that effect, General?

General CARAWAY. Yes, I requested a Peace Corps group of 50 people to be divided into 10 teams to deal with the requirements of the area in which they would operate. The Peace Corps authorities determined this was not necessary and they turned it down.

Mr. PASSMAN. Here is a clipping, "U.S. Aide in Ryukyus Under Fire." This is an article from Naha, Okinawa, and it says:

The Ryukyu Islands government workers' union called last night for immediate transfer of Lt. Gen. Paul W. Caraway, the U.S. High Commissioner, because he questioned the islanders' ability to govern themselves.

General, if you get the Peace Corps in Okinawa you will probably hear a stronger outcry than that one.

Mr. AILES. This is dated March 7.

Mr. PASSMAN. What other aid do you have out there?

Mr. O'FLAHERTY. Sir, there is provision in the law for $800,000 for assistance to emigration from the Ryukyu Islands to Bolivia. It is really more assistance to Bolivia than to the Ryukyu Islands.

Mr. PASSMAN. What other aid?

Mr. O'FLAHERTY. From the U.S. Government I believe that is all.

FUNDS AVAILABLE TO THE RYUKYU ISLANDS

Mr. PASSMAN. There are seven or eight other sources of revenue, in addition to this appropriation. At your convenience, could you give us a recapitulation of all the funds available to the Ryukyu Islands in fiscal 1963?

Mr. O'FLAHERTY. We can do that now if you desire.

Mr. PASSMAN. Do you have the total?

Mr. O'FLAHERTY. Yes. If I understand your question, you would like to have also information on the internal revenues of the Ryukyu Islands?

Mr. PASSMAN. No, leave that out. We want them to become self-supporting.

Mr. AILES. Let us supply that.

Mr. PASSMAN. If you will, but what would you estimate the total is for 1963?

Mr. AILES. How do you want the Kin powerplant treated?

Mr. PASSMAN. For what it is, as a loan.

Mr. AILES. Do you want what will be spent?

Mr. PASSMAN. We want the total amount of appropriated funds from all sources, whether through Public Law 480 or not, for the credit of the Ryukyu Islands unliquidated, and then give us the total of 1963 funds. We know you had $8,959,000. That is what this committee recommended.

Mr. AILES. That includes administrative expenses.

Mr. PASSMAN. We are asking for everything so that it would be comparable to this request, in one column. This has been built up from about $1 million.

Mr. AILES. I think we understand what you mean.

Mr. PASSMAN. Do you understand what I mean, Mr. Comptroller?

Mr. O'FLAHERTY. I think you want the general fund included?

Mr. PASSMAN. That is right. Could you just give us an estimate?

Mr. O'FLAHERTY. Yes, sir. An estimate, including goods in kind, would be $26.5 million.

Mr. PASSMAN. $26.5 million?

Mr. O'FLAHERTY. Yes.

Mr. AILES. Do you have the powerplant in there?

Mr. O'FLAHERTY. There is no drawdown intended in 1963.

Mr. PASSMAN. This has gone from $3 million in 1955 up to $8,959,000 for fiscal 1963 just for what has been requested through this subcommittee, but you are requesting $14,366,000 for fiscal 1964.

Mr. AILES. That is correct.

Mr. O'FLAHERTY. However, for 1955 these figures I gave you did not include the general fund availabilities.

Mr. PASSMAN. You gave us about nine accounts you were getting funds out of for fiscal 1963.

Mr. O'FLAHERTY. That is correct.

Mr. PASSMAN. And you said it was up to about $26.5 million?

Mr. O'FLAHERTY. That is an estimate, Mr. Chairman.

(The information supplied follows:)

Funds available Ryukyu Islands, fiscal year 1963

[In millions of dollars]

Source	*Fiscal year 1963*
U.S. appropriated funds:	
Aid to Ryukyuan economy	[1] 6.9
Administrative activities	2.0
Total	8.9
General fund	[2] 8.7
Emigration funds	[3] .8
U.S. abundant foods, Public Law 480:	
Title III (in kind)	[4] 2.7
Title IV	[5] 5.4
Total	8.1
Grand totals	26.5

[1] Includes $0.9 million for reimbursement for GRI services.
[2] Major portion of these funds are programed for reinvestment in general fund business-type operations; $2.6 million payable to GRI in lieu of petroleum taxes; $1.1 million programed for economic aid.
[3] For emigration of Ryukyuans to Latin America (Public Law 86-735, sec. 4).
[4] Public relief and school lunch programs.
[5] Loan funds expected to be generated under title IV, Public Law 480.

Mr. PASSMAN. If you compare that against $8,959,000 that this committee recommended for fiscal year 1963, it gives you an idea of the amount that is going in. Those people benefit greatly from the fact you have a military installation there, do they not?

Mr. O'FLAHERTY. Yes, sir.

Mr. PASSMAN. General Caraway, if you have a statement we shall be glad to hear from you.

GENERAL STATEMENT OF HIGH COMMISSIONER OF RYUKYU ISLANDS

General CARAWAY. Mr. Chairman and gentlemen, Mr. Ailes has covered already the importance of Okinawa as a base and the reasons for the U.S. presence there. I will cover the responsibilities which have been assigned to the High Commissioner; talk about what is being done to carry out these responsibilities and discuss this year's requests for money. Since February 16, 1961, as High Commissioner,

I have had the responsibility for maintaining the U.S. position in the Ryukyu Islands. This places two requirements on the High Commissioner and his staff; to maintain the U.S. administrative authority in the islands, and, to develop political and social climates in the Ryukyus which assure the continued acceptance of the U.S. presence there.

The High Commissioner's responsibilities are based upon the international agreements of the United States and the mandates of the President and the Congress.

The treaty of peace with Japan gives to the United States the right to exercise all and any powers of administration, legislation and jurisdiction over the Ryukyu Islands. The Congress gave full legal support to this arrangement by Senate ratification of the treaty.

President Eisenhower and President Kennedy have declared on a number of occasions that the Ryukyu Islands will be retained under American jurisdiction as long as conditions of threat and tension exist in the Far East. Knowledgeable observers realize that this means the United States must remain in the Ryukyus for a long time to come. Although the tenure thus expressed is indefinite, it provides a sufficient basis for developing programs in the political, economic, and social fields which will serve United States and Ryukyuan interests.

In addition to the treaty of peace and Executive Order 10713, as amended, the Congress placed an explicit responsibility upon the High Commissioner. The law enacted 3 years ago (Public Law 86–629) directs that "every effort shall be made to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and to promote their economic and cultural advancement, during such time as the United States continues to retain authority over the Ryukyu Islands." This was reaffirmed in 1962. The words, "every effort" are an indication of the will of Congress that economic and technical assistance will be extended to the Ryukyuan economy.

Therefore, in carrying out his mission of assuring that the Ryukyu Islands will contribute most effectively to the peace and security of the free world, the High Commissioner will:

(*a*) promote the development of an effective and responsible Ryukyuan Government, based on democratic principles and supported by a sound financial structure; and,

(*b*) assist the Ryukyuan people in achieving a continuing improvement in their living standards; a modernized structure of their society, resting upon a sound, expanding economy; and a realization that the above is being achieved due to the interest, sympathetic understanding, and provision of resources by the United States.

The above statement immediately raises the question, "What is the High Commissioner doing to carry out these responsibilities?"

First, there is a self-imposed limitation upon the items contained in the programs presented by the High Commissioner. These limitations rest upon an awareness of the total burden assumed by the United States as the leader of the free world; of the U.S. security requirements in the Western Pacific; and, of the needs of the Ryukyu Islands. The program presented to you does not contain items that would be merely nice to have, or would result in wasteful use of America's resources.

Second, the United States is not asked to pay for programs which the Government of the Ryukyu Islands is capable of supporting. Neither the High Commissioner, nor the Chief Executive of that Government, is making such a request. On the other hand, the United States stands in an unusual position in the Ryukyus in that it has full responsibility for the islands, their people, and their territorial waters and, in fact, occupies the place of a central national government. The funds requested are those necessary to supplement the resources of the Government of the Ryukyu Islands.

Third, the High Commissioner must insure that those projects financed from Ryukyuan resources, as well as those financed through external assistance, are carried to completion honestly and well, and are for the benefit of the Ryukyuan people.

This approach is achieving the hoped-for results. The area is politically stable at the present time. Thanks to U.S. assistance in the form of money, know-how, goods and services, the standard of living continues to rise at a presently acceptable rate. The economy is moving forward. The Ryukyuan people respect the United States as a nation; they are not overly critical of the way the local manifestation of the United States, the High Commissioner and his staff, operates; and, many of them have a genuine liking for the United States as a nation and for Americans as people. The United States expects and receives, with rare exception, the cooperation and acceptance of the people.

The presence of America in the Ryukyu Islands has not been completely one sided. The Ryukyuans have benefited.

Under the U.S. administration, the Ryukyuans possess the right to elect their own legislature, to maintain their own court system, to levy taxes, and budget their revenues. The basic liberties enjoyed by people in democratic countries are preserved to them. In all major respects the rights guaranteed to citizens of the United States under its Constitution apply with equal effect to Ryukyuans. The Ryukyuan economy is based on a sound financial system. In this environment, the Ryukyuan Government pays from its own revenues the major part of its costs. Price stability compares favorably with that of any country in the world. Standards of living are improving. Annual per capita national income has risen from $119 prewar to $257.7 in 1963 in terms of prewar prices.

These benefits are all positive indications of progress. But much remains to be done in the areas of basic needs. These areas in many cases involve not only the Ryukyuans themselves, but the welfare and well-being of the U.S. servicemen as well.

The gains and improvements which have been made in the Ryukyus have been relative ones. The Ryukyus can never be a rich country nor the Ryukyuans a rich people. One reason is that the population density for the whole land area of the Ryukyu Islands is nearly twice that of Japan. The average farm is barely one acre in size. All told, the earnings of a farmer, averaged throughout the islands, for 34 hours per week labor with hand tools, amounts to $210 in a year. If he can get enough water to irrigate his farm during normal weather, he is ahead of the average; if his land is not inundated and wiped out in the typhoon season, he is lucky.

Sections of the city of Naha look prosperous, yet it has no underground sewers; electricity is expensive and, the water supply is inadequate.

There are not enough classrooms in the islands and little or no school furniture for what classrooms there are, except that which is home-made from scrap lumber and a few classrooms furnished by the generous efforts of Americans on the islands through the people-to-people program, and by the $100,000 appropriated by Congress in fiscal year 1963.

There is a real shortage of doctors and dentists and medical facilities.

Public housing and loanable funds for private housing are scarce.

There are very limited social security provisions, no retirement, medical insurance, or pension programs, and only limited assistance for dependents and handicapped persons. These then, are the economic conditions in the Ryukyus.

In summary, the needs include health and sanitation, water supply, public safety, typhoon damage repair, education, information, and efficient, effective governmental operations. The budget request under discussion here today, within the ceiling approved by Congress, attempts to do something to meet the needs.

I would like to talk now about the specific programs which we feel are designed to meet the above stated needs and to carry out the objectives which Congress stated in Public Law 86–629, as amended.

For high priority requirements in the fields of public health and welfare, $960,000 is required. This amount will permit operations to prevent and attack disease (giving priority to those types that might threaten the security of the base and the health of the U.S. forces); to replace a dilapidated public health center on Yaeyama; to expand the only Ryukyuan Government mental hospital and the Okinawa Island leprosarium; and to help equip the new Okinawa Central Hospital, now being built with funds appropriated in fiscal year 1963. In the public welfare field, modest contributions can be made to improve the child welfare center and additional orphan care facilities.

Tied in very closely with health and sanitation is a requirement to supplement the resources to be provided from the general fund to expand and develop water sources and distribution facilities of the central water system on Okinawa. This utility is under the control of the High Commissioner and integrates the U.S. military base and Okinawa civilian water resources. For this, an amount of $2 million is included in the estimates. The High Commissioner will ask for funds for the water system in fiscal year 1965 to supplement approximately $4 million from the resources of the general fund to carry on the program in that year.

One million dollars are requested to restore or replace facilities damaged or destroyed by natural forces such as typhoons, earthquakes, major fires, and storms. It is a U.S. responsibility to meet these disasters when they arise; there is no other U.S. agency to which the Ryukyuans can turn except the High Commissioner; and his only resources are those the Congress allot him.

With the request this year, the High Commissioner is presenting a proposal which will enable him to meet the emergency promptly, and which he trusts will at the same time meet with congressional approval. The request is that the funds, this $1 million, be transferred to the general fund under control of the High Commissioner so that they can be programed promptly, when the need arises.

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In the field of education, it is proposed to contribute $1,455,000 for high priority educational facilities. This will provide additional vocational training equipment, some of the badly needed senior and junior high school classrooms for the expanding school population, and certain science laboratory equipment for these schools. A portion of these funds will be used to help promote the teaching of English in the schools and in adult education courses, particularly those conducted in night school program; $1 million is again requested to continue the program of increased pay of Ryukyuan teachers initiated by the Senate Appropriations Committee in fiscal year 1962.

The next major budget item is the inclusion of funds to reimburse the Government of the Ryukyu Islands for services rendered in the field of public safety and public health and sanitation. These funds pay for services which directly benefit the members of the U.S. Armed Forces and their dependents. This amounts to $1,150,000.

The Congress approved $50,000 in fiscal year 1963 for the replacement of the first of four police patrol boats operated by the Government of the Ryukyu Islands. Included in this budget is a like amount for the replacement of the second of such patrol boats.

For technical education and training and technical cooperation, $645,000 is asked; for transportation of charitable donations, $5,000, and for cultural facilities, $150,000.

The balance of the $12 million request, or more than three and a half million dollars, is programed for public works and economic development projects.

These public works and economic development programs can be grouped as follows:

First, the contribution of funds to Government of Ryukyu Islands programs which provide road and bridge construction, seawalls, piers and harbors, sewer systems, municipal housing, irrigation systems, and agricultural, livestock, and forestry development amounts to $2,085,000.

Second, in the field of economic development, it is proposed that the capital of the Central Bank for Cooperatives be increased by $1,500,000. In fiscal year 1963, $1 million was requested for this purpose; however, on the basis of the reduced appropriation the High Commissioner programed only $365,000, which is a fraction over the Government of Japan contribution of $361,000.

The present budget request shows (p. 46) that the Government of the Ryukyu Islands is providing $659,000 of special loan funds to the Central Bank for Cooperatives. Since the preparation and forwarding of this budget document the Government of Japan has programed a grant of $800,000 to this important Ryukyuan institution in the period roughly corresponding to U.S. fiscal year 1964. Even with these increments from all sources, the Central Bank will be able to accommodate only about $12.5 million in credits against a projected demand of over $40 million.

These are, in broad terms, the main elements in the fiscal year 1964 program.

The entire program of economic development is based on the premise that U.S. assistance will be most productive if it can establish a sound foundation for development on which private capital, including adequate credit, can build an expanding superstructure. The

requisites for this foundation are a literate, technically educated population; a sound financial and credit system; adequate water and power facilities; communications; transportation, including roads, bridges, revetments, ports and breakwaters; irrigation systems; public health and safety facilities and services; family housing; agricultural, fisheries, livestock, and forestry experimental and extension services; and honest, cooperative, and progressive public administration.

I submit, Mr. Chairman and gentlemen, that the U.S. Administration of the Ryukyu Islands needs the funds requested if the High Commissioner is to meet his responsibilities.

These funds will contribute directly to the U.S. security and to meeting its free world responsibilities in the Western Pacific. In light of the needs of the Ryukyu Islands, their people, and their government, these funds are minimal. In light of the U.S. responsibilities for the area, and in the face of the threat to the freedom of the nations and peoples in the Western Pacific, including Japan and the Ryukyus, the provision of these funds to the High Commissioner is essential; and, their prudent use will help satisfy the fundamental requirements which must be met if the United States is to operate the Ryukyuan base in the most effective manner.

Thank you, Mr. Chairman and gentlemen.

Mr. PASSMAN. Thank you, General Caraway.

Those of us who serve on this side of the table, who are forced to look at these Treasury statements and these requests, have a lot of sleepless nights, because the requests always exceed the money in sight if put together collectively. We do have a responsibility to try to provide adequate funds and at the same time take out as much as we can without seriously impairing any program.

I have been to the islands several times and enjoyed each trip. I am sympathetic to their problems.

This program is like many others. There are a lot of desirable things. It is a question of how far the money will go.

APPROPRIATION REQUEST

I would like, before we proceed further to be sure that my previous request for information is understood; that is, in stating the amount of funds available under this appropriation from fiscal year 1955 through 1963 that it was comparable to the items you are requesting for fiscal year 1964. We will just pick one. Let us take fiscal year 1959. Congress appropriated $2,860,400. Now for the comparable programs, at least under the same appropriation, you are requesting $14,366,000 for 1964. Do I understand that correctly?

Mr. O'FLAHERTY. You do, sir.

Mr. PASSMAN. I wanted to be sure. There has been a tremendous jump.

Mr. AILES. When you say "comparable programs," let us be sure of what we are talking about there. There are many items, specific programs, which General Caraway has in mind, covered by this appropriation that were not back there.

Mr. PASSMAN. We know that. That is why this thing jumped. Under the same heading, the same appropriation request, you may

build something out there that you have not built in the past, but it would be out of the same appropriation category.

It has actually gone from $2,860,000 in 1959 to $8,959,000 in fiscal year 1963, with a request of $14,366,000 in fiscal year 1964. Have I stated that correctly?

Mr. O'FLAHERTY. I think there was one little imprecision.

Mr. PASSMAN. It was $2,860,400 in 1959; is that right?

Mr. O'FLAHERTY. No, sir; it was $2,860,000.

Mr. PASSMAN. $2,860,400, is it not?

Mr. O'FLAHERTY. I withdraw that. There is an error in this table.

Mr. PASSMAN. Is it $2,860,400?

Mr. O'FLAHERTY. Yes, sir.

Mr. PASSMAN. Last year it was $8,959,000. This year it is proposed to be $14,366,000. Have I stated it correctly?

Mr. AILES. I think it is $8,957,000 last year, is it not?

Mr. SEEFELDT. There was a $57,000 proposed supplemental appropriation.

Mr. PASSMAN. If you want to go over the book here, it is $8.9 million; but you have a request for a supplemental appropriation, do you not?

Mr. O'FLAHERTY. Yes, sir.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. PASSMAN. It appears then, that the Ryukyus are friendlier toward us.

Mr. RHODES. I was interested to read Secretary Ailes' statement to see how well things are going there, yet they are in here with a request for $14,366,000 again.

Mr. AILES. Mr. Chairman.

Mr. PASSMAN. Mr. Secretary.

Mr. AILES. I would like to say, Mr. Gary, with reference to the off-the-record discussion, I think that the statement I made with respect to need last year was apparently misunderstood. The point I tried to make at that time was that this was not a Red Cross program or welfare program. It was not an expenditure of U.S. funds that was recommended on grounds such as the New York 100 neediest cases.

The purpose of the program is to provide continuing economic development in an area that is vitally important to us for military reasons. This was why we recommended that the U.S. administration be provided funds to do projects which themselves are badly needed. In those terms and for that end we came forward with our best estimate of the rate at which moneys should be employed for this purpose. That estimate was $14 million.

Actually, the program that did result was a substantial increase over the preceding year, as I stated earlier to the chairman. We had about $1.6 million more aid in the 1963 program than had been in the 1962 program, and some progress was definitely shown. In addition, I think there were other factors I tried to point to in my statement.

Our view of this thing is that we should be conservative in what we are doing there and be sure we are on the safe side. My statement tried to make clear that that situation is going very well out there.

Mr. GARY. Mr. Secretary, what I had to say was in no sense a criticism. I have been in the executive branch of the Government and

I have been in the legislative branch. I have always said that any man in the executive branch of the Government who does not think his job is the most important in the Government, and who does not have imagination enough to feel that if he had more money, he could do a better job, ought not be holding the job.

On the other hand, when these requests come before us, we have to consider them not just in the light of the Ryukyus, but we have to consider them in the light of the United States as a whole. It is our duty to distribute the money among the various agencies. We cannot give everybody everything they asked for, but we have to distribute the money as equitably as we can and in such a manner as to do the greatest good for the United States.

If money was plentiful, there might be no question about it, but it is not. I think we have to consider these matters in the light of need. When we exercise our judgment on these things, then to be told that we are ruining the agency and that we will not have delivery of mail because my subcommittee, of which I am chairman, reduced the Post Office appropriation less than 2 percent, I just cannot get that. We reduced the Post Office request less than 2 percent, $92 million on a $5 billion appropriation, and to be told that we have wrecked the Post Office, is disconcerting to say the least. I have wrecked more post offices and wrecked more agencies of this Government, I suppose, than any other man because I have been on this Appropriations Committee for 18 years. However, they are all still fluorishing. That talk of wrecking the program does not have much effect on me.

Let me say, General, I think you have given us a very good description of what you intend to do with this money. It is our responsibility to determine how much of this we feel should be appropriated at the present time under our present fiscal situation. I am one of those who feel that our fiscal situation at the present time is one of the great problems in this country. We have a $300 billion debt and we are going in debt every year. I do not think that condition can continue long.

Mr. RHODES. May I ask this off the record.

(Discussion off the record.)

U.S. PUBLIC DEBT

Mr. PASSMAN. I am going to repeat that since the beginning of our bookkeeping system 174 years ago, for each $1 our Government has collected in revenue, and the total has amounted to $1,312 billion, we have created an obligation of $1.81. So our real public debt and obligation for services previously rendered, not those yet to be rendered, actually amounts to $1,051 billion. Using round figures, we have a borrowed-money public debt that amounts to $305 billion. We have 108 statutory obligations calling for payouts of $746 billion for services already performed. The two, together, amount to $1,051 billion. One obligation is just as binding as the other.

It is obvious that somewhere along the way we have not done the best job that might have been done for the people we represent.

There are 190 million Americans involved in this money that we collect and spend. They deserve better treatment than they are getting.

IMPROVEMENTS IN THE ECONOMY

May I ask you how long have we been in Okinawa under the arrangement now in effect?

General CARAWAY. The treaty came into effect in 1952, Mr. Chairman.

Mr. PASSMAN. How long have we occupied Okinawa?

General CARAWAY. Since 1945.

Mr. PASSMAN. Eighteen years, approximately?

General CARAWAY. Yes, sir.

Mr. PASSMAN. But we are operating under a treaty which is now 11 years old?

General CARAWAY. Yes, sir.

Mr. PASSMAN. We do know there have been a lot of improvements in Okinawa. Are they not enjoying the highest standards they have ever experienced?

Mr. AILES. Yes, sir.

Mr. PASSMAN. I am glad that they are; it is a much higher standard than they had under the Japanese rule.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews.

Mr. ANDREWS. Mr. Secretary, how much money goes into the economy of the islands from our Military Establishment there?

General CARAWAY. About $90 million is the estimate for this year for goods and services.

Mr. ANDREWS. That is the principal item in their economic life, the biggest factor?

General CARAWAY. No, it is about half of their gross national product.

RYUKYUANS EMPLOYED BY U.S. GOVERNMENT

Mr. PASSMAN. $90 million. How many Okinawans do we have working for us?

General CARAWAY. About 15,000 Ryukyuans on direct hire. There are more, employed by nonappropriated fund activities, contractors, and others, I do not know how many, working as servants.

Mr. ANDREWS. Are their salaries included in the $90 million figure?

General CARAWAY. That is everything.

Mr. GARY. Is that the Army, too?

General CARAWAY. That is what is the military base, the four services and all other security agencies.

Mr. PASSMAN. About 30,000, I believe we were told last year in clerical, technicians, and domestic jobs.

General CARAWAY. That is about right.

Mr. AILES. I think General Caraway said his figure did not include domestics.

(The following information was provided subsequently for the record:)

Ryukyuans employed by United States and related agencies
(as of December 1961)

Appropriated fund activities	15,301
Nonappropriated fund activities	9,261
Contractor and concessionaire	15,725
Domestics	7,608
Foreign investor employees	7,088
Total	54,983

Mr. PASSMAN. This is the total, whether domestics or direct hire by the services.

As far as the Ryukyuans are concerned, a population of 980,000, I should think a $90 million supplement to their normal economy is rather significant.

When you add, as we built up a while ago, some $26 million in fiscal 1963 which will be available from the various spigots, it would appear that we are making a very sizable and, I should hope, satisfactory contribution.

There are a lot of things that are desirable. As the gentleman from Virginia very well stated, however, there is the question of getting the money. This is just one of the items this subcommittee will consider out of a $4,500 million request.

EMERGENCY FUND

If I remember correctly, last year—I certainly want the record to be corrected if I am laboring under the wrong impression—the High Commissioner requested $1 million for a special fund that he might allocate as he deemed proper on projects that he considered important, without it being specifically earmarked.

Mr. AILES. Disaster relief may be what you are referring to. We asked for a million dollars of no-year funds to be available for that.

Mr. PASSMAN. No specified projects?

Mr. AILES. Disaster relief. It was limited to that.

Mr. PASSMAN. Not justified by project. I am thinking of the request, not what was recommended.

Mr. AILES. We asked for a million dollars of no-year funds to be available. We have an obligation, specifically referred to in the Price Act, I believe, to provide relief in the event of disaster. We asked that these funds be made available, held by the High Commissioner, to be used by him in event of disaster on the theory that we do not have time to come back and ask Congress to appropriate funds when there is a disaster.

We have asked for the same funds this year, only to have it appropriated and paid into the general fund, where it is available for that purpose.

Mr. PASSMAN. For uses to be determined after the disaster, if any?

General CARAWAY. Only for use in repairing the effects of the disaster.

Mr. PASSMAN. Which would be a million dollars appropriated without justification for specific projects?

General CARAWAY. That is right.

Mr. PASSMAN. That is a departure from normal operations, is it not?

Mr. AILES. I would assume so, sir.

Mr. PASSMAN. We have, in foreign aid a President's contingency fund. It started out with a relatively small amount, but it has grown until I believe the request now exceeds $400 million.

I mention that so you will know at least one of the reasons why we would like to be as careful as we can about these so-called contingency funds, which frequently get to the point that they are not used as contingency or emergency funds. They are used sometimes for projects that will not be completed until 18 or 20 years in the future, for outright funding of projects that did not look good to the Congress.

Mr. GARY. Did this latest tornado hit the island?

General CARAWAY. No, sir; we were very fortunate. We did not have any serious typhoons last year.

Mr. AILES. That is the purpose of the fund. This is the typhoon belt normally, as you know.

Mr. GARY. I understand. Off the record.

(Discussion off the record.)

PROTECTION AGAINST TYPHOONS

Mr. PASSMAN. In that connection, do you have sufficient "typhoon-proof" buildings to take care of all American personnel there?

General CARAWAY. Yes, sir.

Mr. PASSMAN. I do not mean buildings for them to live in, but buildings to protect them.

General CARAWAY. Some people have to be moved out of their normal barracks where they are still in quonsets or buildings not typhoon-proof, and they are moved into such buildings as gymnasiums and other buildings.

Mr. PASSMAN. Can the Ryukyuans take care of themselves during the typhoons?

General CARAWAY. The Ryukyuans have taken to building typhoon-resistant buildings. They have concrete block private houses and office and store buildings.

Even so, there is damage both by water and wind in the cities such as Nago, Naha, and so forth. But as they are able, they try to convert their houses to become typhoon resistant.

They have learned this from the Americans. I do not consider that anything for us to be ashamed of or to wish they had not.

Mr. AILES. May I make one more statement?

Mr. PASSMAN. Yes.

Mr. AILES. I would like to point out that Public Law 86-629 is the authorizing law under which we make this request. Specifically, it authorizes an appropriation for "Emergency purposes related to typhoons or other disasters in the Ryukyu Islands." An emergency purpose is obviously one for which you cannot say what the project is in advance.

Mr. ANDREWS. Mr. Chairman.

Mr. PASSMAN. Mr. Andrews.

Mr. ANDREWS. General, why would you not be eligible to get money from the foreign aid program contingency fund or from the President of the United States under his contingency fund or from the Secretary

of Defense under his contingency fund to meet requirements that Public Law 86–629 authorized?

General CARAWAY. Are you talking specifically toward disasters now?

Mr. ANDREWS. Right. Have you tried?

General CARAWAY. Yes, we have, as a matter of fact, since I have been there.

Mr. ANDREWS. Have you been successful?

General CARAWAY. No, I have not.

Mr. PASSMAN. The law is broad enough, though, if the President wanted to make it available, is it not?

Mr. ANDREWS. I think those three emergency funds are used for just such needs as Public Law 86–629 provided.

Mr. AILES. May we file a statement on that? I am under the impression that this is not foreign aid. As you know, Okinawa is in between, it is not foreign aid, yet it is not domestic.

Mr. ANDREWS. I am sure if you had damage to property on the islands, that repair of those damages would be far better than many, many, many of the projects that are financed from the foreign aid contingency fund.

Mr. AILES. It is just that Okinawa is in the legal never-never land between the two.

Mr. ANDREWS. In the twilight zone of foreign and domestic aid.

Mr. PASSMAN. With regard to Presidential authority under these several relief appropriations, if he could give relief to Holland, he could give it to Okinawa, could he not?

Mr. AILES. I would assume so, sir, except it is my understanding that there is a legal ruling to the effect that Public Law 86–629 preempts the field, that this is why we are supposed to go here for these purposes. I would like to file a statement on that.

Mr. ANDREWS. Maybe we ought to repeal Public Law 629 and make you eligible for foreign aid.

(Statement follows:)

STATEMENT BY THE DEPARTMENT OF THE ARMY

While all agree that the United States should provide relief in the event of a serious disaster, such as a major typhoon, in the Ryukyus, a question has arisen as to the proper source of funds for such relief, if required. The budget proposal submitted by the administration includes a sum for this specific purpose. The question suggests that certain contingency funds appropriated for other agencies of the Government may already be available for this purpose.

The short answer is that it is precisely because there are uncertainties about the availability of contingency funds that a specific amount has been requested for the Ryukyus, pursuant to the explicit authorization contained in the Price Act.

Among the contingency funds suggested by the question are those provided in the Foreign Assistance Act (22 USCA 2261 (1963), 76 Stat. 259 (1962)), the Treasury-Post Office Departments and Executive Office Appropriations Act (76 Stat. 310 (1963)), and the Department of Defense Appropriation Act (76 Stat. 318 (1963)). The availability of these contingent funds is placed in question by the inference at places in the Price Act's legislative history that money appropriated under authority of the Price Act represents the sum total of all the appropriated funds which can be expended in the islands for the purposes of the act, one of which includes "emergency purposes related to typhoons or other disasters" (74 Stat. 461 (1960)). The Comptroller General has held that a specific appropriation for a particular object normally precludes the use of a more general appropriation to achieve the specific object, in the absence of a contrary congressional intent (34 Comp. Gen. 236, 239).

On the other hand, contingency funds are sometimes available to supplement other specific appropriations. The President's emergency fund authorized in title IV of the Treasury-Post Office Departments and Executive Office Appropriations Act, 1963, for instance, may be applied to meet "emergencies affecting the national interest, security, or defense which may arise at home or abroad (76 Stat. 310 (1963))," even though the Disaster Act of 1950 also authorizes appropriations in part "to provide an orderly and continuing means of assistance by the Federal Government to the States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disasters * * *" (42 U.S.C. 1855 and 1855g (1958), 64 Stat. 1109 (1950)).

(NOTE.—In connection with the above mention of the Disaster Relief Act of 1950, it should be noted that that act, though expressly extended to Guam, American Samoa, and the Trust Territory of the Pacific Islands by amendment last year, does not extend to the Ryukyu Islands. Therefore appropriations under that act are not available for use in the Ryukyus.)

The difficult legal question posed by the juxtaposition of the Price Act and the various contingency funds has made the Department of the Army hesitant to rely on the availability of these funds in case of disaster in the Ryukyus. It should be noted that Chairman Passman, during last year's hearings, expressed his personal opposition to the use in the Ryukyus of one of these contingency funds. (Hearings on foreign operations appropriations for 1963 before a subcommittee of the House Committee on Appropriations, 87th Cong., 2d sess. 886 (1962).)

We would welcome congressional clarification of this point. In the absence of such an expression of intent, we earnestly request that the provision of the requested funds for disaster relief in the Ryukyus not be eliminated from this appropriation.

ELECTRIC POWER

Mr. PASSMAN. On page 5, you say that electricity is expensive. Do you have any idea what it would cost them per kilowatt to generate electricity?

Mr. MCLAUGHLIN. I think it is 11 mills.

Mr. PASSMAN. That is 1.1 cents. What will it be when they get their new, modern light plant, if you can project it?

Mr. MCLAUGHLIN. I do not think we have a projection of what the cost will be. It will be cheaper.

Mr. PASSMAN. Are all these cooperatives?

General CARAWAY. No, sir. At the present time it is operated by the Army. When it is finished, it will be operated by the Ryukyu Electric Power Corp., a corporation under the control of the High Commissioner. It is not a cooperative.

Mr. PASSMAN. Do you have any electric cooperatives?

General CARAWAY. Yes; two small rural "sons." They could not get their power distribution companies, servicing their area, to electrify them because the houses were so scattered they could not make a profit. They came in and applied to the High Commissioner, and I made the necessary rulings and exceptions. We went through the law. They got a loan from the Ryukyu Development Loan Corp., which enabled them—in other words, they borrowed the money and established a "son" cooperative. A "son" is a municipality or county. They buy the electricity and sell it to the users.

Mr. MINSHALL. When is this new powerplant going to be completed?

General CARAWAY. It comes on the line commencing August 1964.

Mr. PASSMAN. The High Commissioner sells the electricity to the corporation for 11 mills?

Mr. MCLAUGHLIN. There is a small markup over cost to the corporation.

Mr. PASSMAN. What do you actually charge?

General CARAWAY. The Electric Power Corp. buys it from the generating service.

Mr. PASSMAN. What do they pay?

Mr. MCLAUGHLIN. REPC, the wholesale rate to the distribution companies?

General CARAWAY. What does REPC pay?

Mr. PASSMAN. What do they pay to get your electricity before retailing it?

Mr. MCLAUGHLIN. There is a small markup over cost. It would probably be about 12 mills, very minor.

Mr. PASSMAN. That is one penny plus two mills. Why should the retail rate be so expensive?

DISTRIBUTION POWER COMPANIES

General CARAWAY. It is very simple, sir. Years back we allowed the Ryukyuan Government to franchise six electric power distribution companies. Those six electric power distribution companies each have a certain area in which they sell the electric power. In those areas where they sell the power, they make a markup for practically what the traffic will bear.

Mr. GARY. Will the Chairman yield?

Mr. PASSMAN. Of course.

Mr. GARY. I think I know something about that. That is one situation in Okinawa that I know something about. I was there just before they completed the previous power plant. They were talking at that time of just turning the whole thing over to the Ryukyuan Government.

I remember they asked for experts from the Power Commission here in Washington to come out and tell them how much they would have to charge for electricity so that they would make enough profit on the electricity to run practically the entire Goverment. We came back and raised so much objection to the fact that we thought it would be a mistake to turn this over to the Ryukyuan Government because in case of emergencywe would need it ourselves. They worked out this present plan and created this corporation and turned it over to the corporation. I had something to do with that myself. I was there at the time.

Mr. RHODES. Apparently the distribution companies are charging outlandish rates. Is that correct?

General CARAWAY. They charge fairly high rates, sir. The GRI by actions last year has caused a reduction across the board of 20 per-

cent in the power rates that the distribution companies charged to Ryukyuan and other nonmilitary customers, since they do not sell to the military.

Mr. RHODES. Who gets the profit from these distribution companies?

General CARAWAY. That goes to the stockholders, or if it is a family corporation, to whoever owns the company.

Mr. RHODES. The Ryukyuan Government exercises no control over them?

General CARAWAY. It only franchises them. Then it has certain authority over them under law, but it has nothing to do with the money.

Mr. RHODES. It is not a controlled monopoly? It is just a monopoly then.

Mr. MCLAUGHLIN. There are six separate companies.

Mr. RHODES. They do not operate in the same areas?

Mr. MCLAUGHLIN. No.

Mr. RHODES. Each is a monopoly within its area?

Mr. MCLAUGHLIN. Yes.

Mr. GARY. Who gets the profit?

Mr. ANDREWS. The companies?

General CARAWAY. The companies themselves.

Mr. GARY. Are they stock companies?

General CARAWAY. Some are, some are simply—one is a family corporation, there is no public holding of stock. The Matsuoka Co. stock is held entirely by Mr. Matsuoka and his family.

Mr. PASSMAN. Does the Government make a little profit?

General CARAWAY. No.

Mr. PASSMAN. I thought you made something for overhead.

General CARAWAY. That goes to the Army. We cannot sell at cost and lose.

Mr. PASSMAN. Certainly not. We want to be sure you have established a cost rate to produce electricity.

General CARAWAY. That is right.

Mr. PASSMAN. You have, I suppose, a small override for your bookkeeping and collecting, and so on. Then the corporation buys it from you for approximately 12 mills per kilowatt-hour.

General CARAWAY. That is enough to talk from.

Mr. PASSMAN. I thought that is what he said. Then this corporation sells to several of the independents?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Which are independently owned, corporations or cooperatives?

General CARAWAY. No, they are all corporations. I take it back. There are two co-ops established which made contracts with REPC, which enabled them to get power at a lower rate than if they had bought through their distribution company.

Mr. PASSMAN. It passes through three sets of books—producer, corporation distributor, and the person or firm that breaks it up into smaller parts and sells it to the consumer?

General CARAWAY. Yes, sir.

Mr. PASSMAN. What profit do you permit, if you have any control of the corporation that buys from you?

General CARAWAY. I do not have any control of it except I have started watching it very carefully and the GRI has reduced their rates by 20 percent.

Mr. MINSHALL. What kind of figures are we talking about? How many dollars in the way of profit?

General CARAWAY. I am trying to find it.

Mr. PASSMAN. This electricity could just as easily be distributed by people you sell it to. You are still talking about a very small place.

General CARAWAY. That is true. This was done, obviously, to try to encourage economic growth among people who wanted to try to find some way to get into business, and they encouraged this franchising of this number of power distribution companies.

Mr. RHODES. We have no objection to that. I would like to find out whether the Ryukyuan Government has any control over the rates.

Mr. MINSHALL. That is the main thing and also what is the profit?

Mr. GARY. Are they exploiting the natives or selling the electricity at a reasonable profit?

Mr. PASSMAN. You said it was expensive.

General CARAWAY. It is expensive.

Mr. ANDREWS. It should not be with that wholesale cost that the corporations buy that power from the Army for. Somebody is getting a good deal out of this proposition.

Mr. PASSMAN. There is a middleman's profit before the electricity gets to the real distributor. Could you tell us what they pay per kilowatt, the average family that consumes a hundred kilowatts, for instance?

General CARAWAY. The REPC wholesale rate to the distribution companies consists of $1.83 per kilowatt demand charge, plus an energy charge of .0112 cents per killowatt-hour.

Mr. PASSMAN. That is the corporation you sell to quoting the smaller corporations?

General CARAWAY. Yes. The retail power rates of five of the privately owned power distribution companies were reduced by 20 percent in August 1962. The new retail meter rate of a company for residential consumers is 60 cents for the first 10 kilowatt-hours and 4 cents per kilowatt-hour for the next 90 kilowatt-hours and 0.0256 cent per kilowatt-hour for the next 200 kilowatt-hours. Then there is 2.32 cents per kilowatt-hour for all over 300 kilowatt-hours. This the typical cost.

Mr. MINSHALL. Do they file a profit-and-loss statement? I wonder what their net profit is of the various companies. It is not that they are not entitled to some. Is it excessive?

General CARAWAY. It is not excessive. We were looking to see if it should be reduced further, but did not find a basis.

Mr. PASSMAN. Most of the residents operate in the first two brackets, do they not?

Mr. GARY. You have to consider that the distribution company has to send around men to read the meters, they have to send out bills, they have to collect their accounts. Most of their charge is for service rather than for electricity. I can understand that.

Mr. ANDREWS. Who paid for the transmission lines from the power-plant to the areas served by these corporations?

General CARAWAY. I think the transmission lines that go to the box from which the distribution company draws its power belong to the REPC.

Mr. MCLAUGHLIN. That is correct.

General CARAWAY. Each distribution company installs its own transmission lines throughout the area in which it is franchised to operate.

Mr. ANDREWS. By virtue of what authority, General, were the rates reduced 20 percent across the board?

General CARAWAY. This is where we get back to what was worrying the gentleman here.

Mr. ANDREWS. I want an answer to it.

General CARAWAY. This is what the Ryukyuan Government has the authority to do, set the rates. It is fairly complicated under the law, their electric power enterprise law. In order to reduce the rates the Ryukyuan Government held public hearings.

Mr. PASSMAN. This new power plant is to generate electricity for your own use, but you were able to generate sufficient electricity to offer some of it for sale. Is that not about the way it is?

General CARAWAY. Yes, sir.

Mr. PASSMAN. But primarily you are in the power business to provide for our Military Establishment?

General CARAWAY. Yes, sir. That is why we maintain it within our own——

REVIEW OF POWER RATES

Mr. RHODES. Actually, the Ryukyuan Government was able to get the rates reduced, I suppose, because of its power to franchise these companies.

General CARAWAY. Under the enterprise law, by certain hearings and by certain steps that he Chief Executive, Mr. Ota, can take, he can then set a new set of rates, establish a new set of rates. He established this set of rates at 20 percent reduction across the board.

Mr. RHODES. How long are these companies franchised?

General CARAWAY. Forever, until they are disenfranchised.

Mr. GARY. As I stated a few moments ago, when I was out there some time go, they had an expert from the Power Commission here in Washington studying rates. Has that been done recently?

General CARAWAY. No one has come out from Washington for this purpose since I have been there.

Mr. GARY. Could you get somebody to come out and review that whole situation to see if it is a fair situation?

General CARAWAY. I could, but it is not necessary because it has been reviewed thoroughly both by me and by a group of Ryukyuans, who reported directly to me the results. They reviewed all the power distribution companies' books. They talked to the distribution company people. They talked to the consumers. They came back with all the figures.

Mr. GARY. All I want to know is that the people are not being exploited. I believe in the profit incentive in industry. I believe in a reasonable profit. I would hate to see any people exploited.

I do know that even in our own country in the early days of the power companies there was a great deal of exploitation. I know that because I happen to have represented one of them at one time in a tax matter. I saw some exploitation I never dreamed existed.

General CARAWAY. This is quite true.

Mr. RHODES. I particularly do not want them to be exploited and have the United States blamed for it.

General CARAWAY. They are not being exploited. When I say it is expensive, it is expensive in that the power we must generate is generated by the most expensive way. We have to generate it by diesel power.

Mr. AILES. On a barge, in part.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. When you think of these rates in the light of the Ryukyuan economy, electricity is in the luxury class, is it not?

General CARAWAY. It is.

EXPORTING OF SUGAR TO JAPAN

Mr. PASSMAN. What is the main export of the Ryukyu Islands?

General CARAWAY. Sugar.

Mr. PASSMAN. To what country do they export their sugar?

General CARAWAY. They export their sugar to Japan.

Mr. PASSMAN. Since the Ryukyus, then, is a supplier of sugar to Japan, would the Japanese be inclined on that basis to give them aid? Do the Japanese give them any aid?

General CARAWAY. Yes, they do.

Mr. PASSMAN. How much in a year?

General CARAWAY. It just started. It started at about $2.6 million last year and it is $5.1 million for their fiscal year 1963, which corresponds roughly to our fiscal year 1964.

Mr. PASSMAN. What is the value of the exports of sugar to Japan?

Mr. AILES. Sir, I think it ought to be clear that the Japanese have to protect that sugar industry in Okinawa to a very considerable extent.

Mr. PASSMAN. Japan is a customer of the Okinawans; they export their sugar to Japan?

General CARAWAY. Yes.

Mr. PASSMAN. So they have something in common as a supplier and buyer. That arrangement has been in effect a long time, has it not?

General CARAWAY. Yes.

Mr. PASSMAN. And Japan has to import sugar from somewhere. Does Japan produce sugar?

General CARAWAY. They are producing sugar from sugarbeets.

Mr. PASSMAN. They are not self-sufficient in their sugar needs?

General CARAWAY. No.

Mr. AILES. They are not dependent on the Ryukyus for sugar.

Mr. PASSMAN. I did not imply that they are. Is it to Japan's interest to protect that supply of sugar?

Mr. AILES. The point I am trying to make is that the purchase of sugar from Okinawa by the Japanese is in itself a form of aid to Okinawa.

Mr. PASSMAN. If we may go back and start over, Japan is not self-sufficient in its sugar requirements?

General CARAWAY. As I understand it, it is right.

Mr. PASSMAN. And they have to import sugar?

General CARAWAY. Yes, sir.

Mr. PASSMAN. I wonder if the Japanese are paying a premium to the Okinawans for sugar?

General CARAWAY. They pay a premium. They pay approximately $240 a ton for centrifugal raw sugar or black sugar that they bring into Japan from the Ryukyu Islands.

Mr. PASSMAN. But they could purchase that sugar from elsewhere, could they not?

General CARAWAY. Yes.

Mr. PASSMAN. Then what would be the reason to pay the Ryukyuans a premium for sugar?

General CARAWAY. The Japanese Diet passed an act that Okinawan sugar is "domestic" sugar and they want to encourage it.

Mr. PASSMAN. What is the value of the sugar imported in Japan from Okinawa?

General CARAWAY. You can put it at about 100,000 tons and they pay $240 a ton.

Mr. PASSMAN. That would be about $24 million?

General CARAWAY. Yes, sir.

OKINAWAN IMPORTS FROM JAPAN

Mr. PASSMAN. Do you know the value of Okinawan imports from Japan?

General CARAWAY. Yes. A figure sticks in my mind between $95 million and $100 million.

Mr. PASSMAN. So, for each dollar Japan spends for sugar in the Ryukyus, Okinawa spends $5 in Japan?

General CARAWAY. For each dollar the Japanese spend for sugar in the Ryukyus the Okinawans spend $5 in Japan.

Mr. PASSMAN. It is about $24 million that the Japanese spend for centrifugal sugar they buy from the Ryukyu Islands?

General CARAWAY. That is about right.

Mr. PASSMAN. So, after all, Okinawa is a very large customer for Japan, are they not, per capita?

General CARAWAY. I do not know about per capita.

Mr. PASSMAN. You said they buy about $100 million from Japan?

General CARAWAY. Between $95 and $100 million.

Mr. PASSMAN. $100 million for 904,000 people to my mind is a tremendous market, so there would be some reason for Japan to give aid to Okinawa, would there not?

General CARAWAY. Yes, but that is not the only reason.

Mr. PASSMAN. I think we know they are protecting their trade of $100 million a year.

Mr. GARY. Mr. Chairman, will you yield for a question?

Mr. PASSMAN. Yes.

EXPORTS TO JAPAN OTHER THAN SUGAR

Mr. GARY. Do the Okinawans sell anything other than sugar to Japan?

General CARAWAY. Yes. They sell pineapples, they sell fish, they sell raw coral.

Mr. GARY. What is the value of the total exports to Japan from Okinawa?

General CARAWAY. It says here about $38,218,000.

JAPANESE AID FOR THE RYUKYUS

Mr. AILES. As I understand it, the sugar the Japanese pay $240 a ton for is available on the world market for about $72 a ton. This is a form of aid to Okinawa by the Japanese. The Japanese have an incentive to aid Okinawa aside from this.

Mr. PASSMAN. What is the incentive, kinfolks?

Mr. AILES. Yes, precisely.

Mr. PASSMAN. But $100 million a year is a substanital market for 904,000 people.

Mr. AILES. There is no question it is important because it is a market of dollars. But the Japanese have wanted to aid Okinawa very substantially.

Mr. PASSMAN. Why do you not encourage them?

Mr. AILES. This is really General Caraway's field, but the fact of the matter is that the purpose of our being out there is a military one, as I have said many times and as everybody else has said.

The Japanese Diet have appropriated $5.1 million for the Ryukyus this fiscal year.

Mr. RHODES. Is Japanese aid given in the form of grants or loans?

General CARAWAY. The $5.1 million is grant aid in the same sense ours is grant aid.

Mr. AILES. We have an aid program in which we have asked them to participate. But this is a U.S. program and the contributions to it are important for what I think are clear reasons.

Mr. RHODES. Does Japanese aid consist of making credits available to the High Commissioner for expenses in Japan?

General CARAWAY. No. The aid is granted to the Ryukyuan Government under the regulations and statutory provisions of the

Japanese Government in the same way that we give money to aid the Ryukyu Islands in the Army budget under our program.

Mr. RHODES. Is the Japanese aid in dollars or yen?

General CARAWAY. Any money that is transferred to the Ryukyu Islands is transferred in dollars. They do have yen accounts established in Japanese banks. That money does not necessarily have to be transferred into dollars if the products they are being provided as a result of the funds granted are Japanese purchased. The Japanese funds will buy Japanese products.

Mr. PASSMAN. But, there are 904,000 people on the islands and the Japanese sell to them $95 to $100 million a year of what they produce in Japan, and I would think to hold that kind of market they could be generous.

GENERAL FUND OF THE CIVIL ADMINISTRATION

Last year, General, we discussed some of the various investments of the general fund of the civil administration and your estimate of the net worth of the fund at the end of fiscal year 1963 was $57,999,000. Is that holding firm?

Mr. MCLAUGHLIN. $58,566,554.

Mr. PASSMAN. How much has it increased?

Mr. MCLAUGHLIN. About $5 million over the year before.

Mr. PASSMAN. What are the elements of the fund?

Mr. MCLAUGHLIN. It is not a fund. It is the net worth. This consists of $938,000 in cash; the balance is largely in investments in these corporations: in the Ryukyu Development Loan Corp., $36 million; Ryukyu Electric Power Corp., $14 million; in the Ryukyu Domestic Water Corp., $4.4 million; in the Bank of the Ryukyus, $280,000; and we owned certain facilities such as petroleum facilities.

Mr. PASSMAN. Insert all of these items in the record.

(The information requested follows:)

U.S. civil administration, Ryukyu Islands general fund estimated net worth at June 30, 1963

Assets:	
Current assets:	
Cash	$938,380
Accrued interest receivable	17,292
Investments:	
Wholly owned corporations:	
Ryukyu Development Loan Corp	35,945,788
Ryukyu Electric Power Corp	14,021,732
Ryukyu Domestic Water Corp	4,434,911
Okinawa Housing Corp	1,009,280
51 percent owned companies (investment cost only):	
Bank of the Ryukyus	280,500
Other investments:	
Petroleum distribution fund	91,410
Fixed assets:	
Petroleum facilities	1,827,271
Total assets	58,566,564
Liabilities:	
Accounts payable	0
Net worth	58,566,564

Mr. PASSMAN. Last year you estimated the income to the fund during fiscal 1963 would be $7,804,000. Is that correct?

Mr. McLaughlin. Yes, sir.

Mr. Passman. Is the fund continuing to grow or are you distributing it?

Mr. McLaughlin. As long as we reinvest the profits the net worth will continue to increase.

Mr. Passman. Who profits from that increase?

Mr. McLaughlin. The Ryukyuan economy will profit from it.

Mr. Passman. Does it spill into the economy by dividends paid to individuals?

Mr. McLaughlin. No, sir.

Mr. Ailes. This is controlled by the High Commissioner, in his official capacity. A very substantial amount of these profits are reinvested.

Mr. Passman. But it is all in the Ryukyuan economy?

Mr. Ailes. That is correct.

Mr. Passman. And when it spills over into the economy does it go to individuals or to corporations?

Mr. McLaughlin. These three large corporations, the earnings are plowed back in. In the case of the Ryukyu Development Loan Corp., the earnings are plowed back in to permit a larger lending program. For the Petroleum Distribution Fund, the large part goes to the government of the Ryukyus in lieu of any POL taxes.

Mr. Passman. What is POL?

Mr. McLaughlin. Petroleum, oil, and lubricants; gasoline tax.

GASOLINE COST TO THE RYUKYUANS

Mr. Passman. What do you pay for a gallon of gasoline there?

Mr. McLaughlin. They pay 22 or 23 cents.

General Caraway. The markup on the cost of gasoline is in lieu of a tax.

And part of that is distributed to the Ryukyuan Government to go into their general account as their budget or income.

Mr. Passman. Again, that price is low as compared to the price in America, but when you think of it in terms of the per capita income it is almost a luxury.

Mr. Gary. They handle gasoline like we do liquor in Virginia.

Mr. Passman. Would you consider gasoline in a luxury category?

General Caraway. It is in the luxury category and also a necessity because the only transportation they have are gasoline-powered vehicles or diesel vehicles.

Mr. Passman. What happened to bicycles?

General Caraway. There are some there, but my point is there are no railroads.

RYUKYUAN COOPERATIVES

Mr. Passman. Do you have any cooperatives as such operating there?

General Caraway. Yes; there are a number of cooperatives.

There were in 1960, 207 cooperatives of all sorts. Only 32 were agricultural credit cooperatives and 45 were multipurpose agricultural cooperatives.

Mr. Passman. Can they borrow money from the Ryukyuan Government?

General CARAWAY. They borrow money in general from the Central Bank for Cooperatives for agriculture, forestry, and fisheries. That is an agricultural type of bank established by the Ryukyuan Government.

Mr. PASSMAN. Does the Ryukyuan Government subsidize the interest rates?

General CARAWAY. The bank charges rates that run from 4 percent to 9 or 10 percent.

Mr. PASSMAN. Do the cooperatives pay taxes or are they exempt from income taxes as we think of them in this country?

General CARAWAY. I cannot answer that. The truth of the matter is, Mr. Chairman, the Ryukyuan cooperatives are not intended to make any money.

Mr. PASSMAN. They are not intended to make any money in this country, either, are they?

General CARAWAY. I have not the remotest idea.

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

Mr. PASSMAN. Yes.

CENTRAL BANK FOR COOPERATIVES

Mr. ANDREWS. I notice on page 9 you refer to the Central Bank for Cooperatives.

General CARAWAY. Yes.

Mr. ANDREWS. Is that the main source from which the cooperatives get their finances?

General CARAWAY. The Central Bank for Cooperatives finances agriculture, forestry, and fisheries.

Mr. ANDREWS. In this budget you are asking for $659,000 for the Central Bank for Cooperatives?

General CARAWAY. No. I am asking for $1.5 million. The Ryukyuan government is providing $659,000 of what they call special loan funds. These special loan funds are funds the Ryukyuan government will put into the deposit of the Central Bank; however, they are earmarked and can only be used for certain purposes, such as pineapple, sugar, and so forth.

Mr. ANDREWS. And you say the Government of Japan has programed a grant of $800,000 to this important Ryukyuan institution, the Central Bank for Cooperatives?

General CARAWAY. Yes.

Mr. ANDREWS. What strings will be on the $800,000?

General CARAWAY. There will be no strings on the $800,000 any more than on the $1.5 million. That goes to the Central Bank so they can make loans without strings.

Mr. ANDREWS. So the Central Bank gets the money and lends it to the co-ops and the co-ops in turn lend it to the people on the farms?

General CARAWAY. Yes. They are usually small loans.

Mr. ANDREWS. What rate of interest does the co-op charge the borrower?

Mr. MCLAUGHLIN. The rate charged by the Central Bank for Cooperatives is 5.48 percent and they make loans to members at 8.4 and 8.7 percent.

Mr. ANDREWS. So the co-op pays 5.48 percent interest to the Central Bank for Cooperatives and they charge the borrower about 8 percent?

Mr. McLAUGHLIN. There is a spread of about 3.3 percent, that is right.

Mr. ANDREWS. Do you have any figures so far as repayments by the local borrowers?

Mr. McLAUGHLIN. Approximately 70 percent of all loans are unsecured. These are short-term loans generally to assist the farmer so that he will not harvest an immature crop. The remaining 30 percent are construction loans and loans for the purchase of lands and facilities. The delinquency rate has averaged under 2 percent.

Mr. ANDREWS. Thank you.

USE OF REVENUES FOR EMERGENCIES

Mr. PASSMAN. So far as the profits are concerned, would you have the right to spend out of that fund in the case of a disaster or something like that? Do you have that authority?

General CARAWAY. Again, I have to get my book.

Yes, I do have authority under Public Law 86–629, section 3:

Revenues derived by the U.S. civil administration of the Ryukyu Islands from the following sources shall be deposited in separate funds, which are hereby authorized to be established by the High Commissioner of the Ryukyu Islands, and shall be available for obligation and expenditure in accordance with annual budget programs approved by the President:

(a) Public-benefit trusts, business-type operations, funds, and enterprises established by the civil administration of the Ryukyu Islands, or its predecessor agencies;

(b) Corporations wholly or partly owned by the civil administration of the Ryukyu Islands; and

(c) Fines, fees, and forfeitures received by the civil administration of the Ryukyu Islands.

In other words, they will be available for obligation and expenditure in accordance with annual budget programs approved by the President.

Mr. PASSMAN. This is in dollar credits?

General CARAWAY. Yes.

Mr. PASSMAN. If you had a profit in 1963 of $7 million and if you had an emergency on the islands, could you disburse any of it?

General CARAWAY. As I understand, I would have to come back and get the Bureau of the Budget to approve it.

Mr. PASSMAN. Would you have to go beyond the Bureau of the Budget?

Mr. McLAUGHLIN. We have to go through the Army staff first, then the Department of Defense, and then the Bureau of the Budget before we can spend a dime.

Mr. PASSMAN. You do not need additional congressional approval?

Mr. McLAUGHLIN. No, sir.

Mr. PASSMAN. So if you had an emergency on the islands and if you received the approval of the Army, Department of Defense, and the Bureau of the Budget, you could make the expenditure out of this annual profit of $7 or $8 million?

Mr. McLAUGHLIN. Yes.

Mr. PASSMAN. Would that not be better than setting up a no-year fund for that purpose?

General CARAWAY. If I do that, I have to reprogram money that has already been put into the program. We estimate we will have a carryover of $1.247 million.

Mr. PASSMAN. But you have been making other profits, have you not?

Mr. McLAUGHLIN. These funds are largely committed to the facilities program. For instance, we have committed $4.5 million for the powerplant out of profits of the Ryukyu Electric Power Corp.

Mr. PASSMAN. How much?

Mr. McLAUGHLIN. $4.5 million. And of POL profit there is committed for the water expansion program and also for expanding the lending program.

Mr. PASSMAN. This is just a suggestion. Could you go to the Army and request that in this fund you have a capital account of $1 million to the credit of the High Commissioner that could be disbursed for disaster purposes? If you have $8 million profit this year it looks good, but what would be simpler than that, to create a capital fund and in case of an emergency the High Commissioner could disburse the fund? Would that be a good idea?

Mr. AILES. We would have to change the other requests.

Mr. PASSMAN. That is right. This country is in debt $1.051 trillion.

Mr. MONTOYA. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Yes.

INVESTMENT IN POWERPLANTS

Mr. MONTOYA. What is the total amount invested so far in the powerplants?

General CARAWAY. In all of the powerplants?

Mr. MONTOYA. You have five, as I understand it.

General CARAWAY. We have one land plant at Machinato, two barges, and a power train.

Mr. MONTOYA. What is the total investment?

General CARAWAY. It comes to $8,671,008.

NEW POWERPLANT

Mr. MONTOYA. So far, but you have authorization for $18 million appropriated to the Army for a loan to the Ryukyuan Electric Power Corp.?

General CARAWAY. That is right.

Mr. MONTOYA. What has been done with that $18 million?

General CARAWAY. To begin with, we cannot start drawing down that $18 million until we have used all the money available out of REPC, which is $4.5 million. Actually, the powerplant comes to $12.5 million. We can start drawing up to the top amount of $12.5 million for the total cost of the plant. We cannot touch the rest of the $18 million authorization.

Mr. MONTOYA. How much have you touched of it?

Mr. McLAUGHLIN. We have not touched any of it yet. At the present time we have completed the preliminary and the final design

and have entered into a construction contract and have not paid anything out of the loan fund for that contract yet.

Mr. MONTOYA. Whom will that money be loaned to, the Ryukyuan Electric Power Corp.?

General CARAWAY. Yes.

Mr. MONTOYA. Is that a local corporation or is that a corporation in which the High Commissioner has a managerial responsibility?

Mr. McLAUGHLIN. It is a corporation of the High Commissioner.

Mr. MONTOYA. What arrangement is being made by way of interest and installment payments?

Mr. McLAUGHLIN. We will pay the going interest rate for Government obligations.

Mr. MONTOYA. What will be the rate of interest?

Mr. McLAUGHLIN. The rate of interest right now would be 4¼ or 4½ percent, but until the first payment is made we do not know what it will be, but it will be the going rate we will get from the Secretary of the Treasury, and it will be paid over 25 years.

Mr. MONTOYA. And will those payments into the Treasury be made each year.

Mr. McLAUGHLIN. Yes, sir.

GRANT AID TO OKINAWA

Mr. MONTOYA. Going back to another subject, what was the total grant aid extended to Okinawa under this current year's appropriation?

Mr. O'FLAHERTY. Grant aid, $6,950,000.

Mr. MONTOYA. And what was the grant aid by Japan?

Mr. O'FLAHERTY. $2.6 million.

Mr. MONTOYA. And did I understand Japan was upping it?

General CARAWAY. Yes, to $5.1 million, and we have information Japan is planning to up it further in their next budget beginning April 1, 1964.

Mr. MONTOYA. What are you asking for in 1964 for grant aid?

General CARAWAY. $12 million.

Mr. MONTOYA. You also have the so-called administrative contributions to the Government for education and so forth?

General CARAWAY. In education the only administrative funds, as I would call them, would be the $1 million as a supplement to the teachers' pay. Then we also are fixing to pay for public safety. That is all written within the $12 million, but this goes to help defray the administrative expenses of the Government. I will get the figures for you in a second.

AID TO RYUKYUAN ECONOMY

Mr. MONTOYA. You have a category of aid which is entited "Aid to Ryukyuan Economy."

General CARAWAY. Yes, sir.

Mr. MONTOYA. Which encompasses many different subjects such as education, highways, and so forth?

General CARAWAY. Yes.

Mr. MONTOYA. What does that total?

General CARAWAY. The reimbursement for Government services is $1,150,000 this year.

Mr. MONTOYA. What is the total aid to Ryukyuan economy? Last year in this category it was $6,950,000.

General CARAWAY. $12 million is what we are asking.

Mr. MONTOYA. You are asking $12 million?

General CARAWAY. Yes.

Mr. MONTOYA. And that is in addition to the grant aid?

General CARAWAY. No. That includes the grant aid. That is the total figure.

Mr. MONTOYA. All right.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

TOTAL FUNDS AVAILABLE IN 1964

Mr. PASSMAN. I do know that in 1959 we provided $2,860,400 for the same appropriation category you are asking $14,366,000 for this year. That is only the item that is handled by this subcommittee. You have all the other aid spigots available, and we established earlier for the record that the different types of aid, including agricultural aid, for fiscal 1963 amount to $26 million. I want to be as fair as I can be with the witnesses but your case is no different than every other agency that comes before the committee. We are told, "We must have this and if you do not give it, the circumstances may be this." It is a question, however, of how far we can go.

You are asking $14,366,000 this year for the same purposes that we appropriated $8,959,000 last year.

Will you project for us in 1964 what you expect to get out of the other spigots that will be included in the $26 million?

(The information requested follows:)

Funds available Ryukyu Islands, fiscal year 1964

[In millions of dollars]

Source	*Fiscal year 1964*
U.S. appropriated funds:	
Aid to Ryukyuan economy	[1] 12.0
Administrative activities	2.4
Total	14.4
General fund	[2] 8.9
U.S. abundant foods (Public Law 480):	
Title III (in kind)	[3] 2.0
Title IV	[4] 7.7
Total	9.7
Public Law 86-383 loan to Ryukyu Electric Power Corp	[5] 5.8
Total	38.8

[1] Includes $1,200,000 for reimbursement for GRI services.

[2] Major portion of these funds are programed for reinvestment in general fund business-type operations; $2,700,000 payable to GRI in lieu of petroleum taxes; only $1,200,000 available for economic aid programs.

[3] Public relief and school lunch programs.

[4] Loan funds expected to be generated under title IV, Public Law 480.

[5] For construction of power plant; power output is consumed 70 percent by the U.S. military forces, 30 percent by the local economy.

REASON FOR INCREASE IN APPROPRIATIONS

Mr. MINSHALL. I am a new member on this committee, but since World War II we have put nigh on to a quarter billion dollars into Okinawa in one way or another, and in hearing the figures you just recounted in 1959 we only gave $2 million plus in this committee. The big jump took place the following year and we have been going up astronomically ever since. Why the big jump after 1959?

Mr. AILES. I am sitting here looking at the figures of the contributions we have made to aid Okinawa. They were as high as $50 million in 1950 and $36 million in 1951.

Mr. MINSHALL. That was during the Korean war.

Mr. AILES. There is no military aid here.

Mr. PASSMAN. That was for rebuilding the island.

Mr. MINSHALL. What I am interested in is the jump from 1959 on.

Mr. AILES. This situation was deteriorating and it had to be reversed.

Mr. PASSMAN. What was deteriorating?

Mr. AILES. The situation.

Mr. PASSMAN. What situtaion?

Mr. MINSHALL. You said that last year.

Mr. AILES. That is right.

Mr. PASSMAN. You have also said that with less money than you requested last year the situation is now better.

Mr. AILES. The American presence is more acceptable than it has ever been before.

General CARAWAY. This is something that is always lost sight of. The fact that we only gave x number of dollars in 1959 is not the criteria that you have to work for if you want to remain in the base and get the most effective use out of it. The amount of money given in 1959 was found to be grossly inadequate. We asked for $12 million last year. We got $8 million. The fact that we showed we were interested and they could hope for a continuing rise in our assistance to them was a part of the effect we desired and needed to achieve.

Last year I told the Ryukyuans that part of the difficulty in getting anything like what the High Commissioner had asked was due to their own fault, and I believe this is true, due to the unanimous resolution passed by their legislature saying they did not want to be a colony of the United States. As a result of that they are doing what they consider to be their share. They have passed no resolutions in the legislature this year. They are amenable to all the requirements we are placing on them, and the money that can be spent properly, logically, and to the benefit of the Ryukyuan people and the security of the American people is $12 million.

(Discussion off the record.)

Mr. PASSMAN. You said that the $2,860,000 was inadequate in 1959. Your predecessor asked then for $3,182,000.

Mr. AILES. What are you talking about?

Mr. PASSMAN. You asked for $3,182,000 and we appropriated $2,860,000.

Mr. AILES. You are talking about what the Bureau of the Budget approved. I am talking about what the High Commissioner requested and what the Department of the Army approved.

Mr. PASSMAN. I am making a statement of fact about what was contained in the President's budget, and that was $3,182,000. I do not know what happens before we get the President's budget.

Mr. AILES. The Bureau of the Budget had another look at this thing and changed its view. Last year the Bureau of the Budget approved the request that the High Commissioner made and the Army made.

Mr. GARY. Mr. Chairman, may I ask two questions?

Mr. PASSMAN. Certainly, you may.

NEW COURTHOUSE

Mr. GARY. We appropriated some money for a courthouse. Has that been constructed?

General CARAWAY. Yes; and it is a very useful building. It has been in use over a year. Justice Black dedicated it.

SHORTAGE OF DOCTORS, DENTISTS, AND MEDICAL FACILITIES

Mr. GARY. You stated in your opening statement that there is a real shortage of doctors and dentists and medical facilities. Do you have any local doctors on the island?

General CARAWAY. Yes. We have in private practice 265 physicians. This includes 9 that are licensed and not practicing and 12 still attending school. Eighty-five doctors work for the Government. The ratio of doctors to people is one doctor to every 2,500 people.

Mr. GARY. The larger number are natives?

General CARAWAY. Ryukyuan doctors.

Mr. GARY. Where were they educated?

General CARAWAY. The bulk were educated in Japan.

Mr. GARY. Do you have any medical education on the Island at all?

General CARAWAY. They do not, They do not even have a premedical school at the university.

Mr. GARY. They are all educated outside the island?

General CARAWAY. Yes.

Mr. GARY. Are many educated in the United States?

General CARAWAY. No. I think almost all of them are educated in Japan.

Mr. GARY. What is the standard of the Japanese medical schools?

General CARAWAY. They are quite good. They are completely acceptable.

Mr. PASSMAN. The first time I visited Okinawa I visited a little wooden courthouse that had a door with only one hinge and there were a couple of little wooden benches. Do any of you gentlemen remember that courthouse?

Mr. AILES. Not I, because this year is the first time I have had a chance to travel over the island.

Mr. PASSMAN. That was just about the condition. Look, now, at the great improvements that have been made there. Gentlemen, we are taking the people too fast, in my opinion, and we are certainly taking the American people too fast. We are having to borrow this extra money we are giving away.

RETIREMENT SYSTEM

How about your retirement system, has it become effective yet?

General CARAWAY. It has not.

Mr. PASSMAN. Is it developing satisfactorily?

General CARAWAY. It is developing. How satisfactorily, I will have to await the report from the expert.

Mr. PASSMAN. Is it going to be self-supporting?

General CARAWAY. We may have to put something in it.

Mr. PASSMAN. I hope you keep it in balance. It is my understanding that in America the employee is living up to his end of the bargain and making his contribution but the Government is overdrawn $38 billion in the retirement account.

General CARAWAY. It will have to be in balance.

Mr. PASSMAN. If the Government puts up its matching funds and the employee puts up his, you will have an account that will be sufficiently funded. We are $38 billion overdrawn in this country. I am sure if you have your way you will see to it that the contribution is made by the employer and employee to the point it will be self-supporting and not get in the shape we are in in this country.

The statements of both the Secretary and General Caraway would indicate you had a very satisfactory relationship with the Ryukyuans during 1963 thus far?

General CARAWAY. Yes, sir.

(Off the record.)

IMPROVED CONDITIONS OF THE ISLANDS

Mr. PASSMAN. The improvements have been very substantial from practically every standpoint. I was there the first time in 1949.

General CARAWAY. May I make one statement?

Mr. PASSMAN. Certainly, General.

General CARAWAY. This is quite true. The physical plant of the Ryukyu Islands is better than it was in 1945 or 1950. Our problem, though, is—and here again it is not a question of my wanting to spend everybody's money— our problem is that the buildup and improvement in Japan has been phenomenal and the Ryukyuans say, possibly illogically but they say it, that they would be better off in physical plant and in their profits and in their social legislation if they were a part of Japan.

Mr. ANDREWS. Do they know that our aid made a great contribution, if not the greatest contribution, to the phenomenal recovery of Japan?

General CARAWAY. They know the American aid made a contribution, but there are emotional factors involved.

Mr. PASSMAN. You said the conditions were better now than they were in 1945. "Better" covers a broad range. The improvements are tripled or even more, are they not, when we take into consideration the schools, the highways, and all these other things? The conditions are not only better, they are substantially or greatly improved, are they not?

General CARAWAY. They are substantially improved.

Mr. PASSMAN. Would you accept the word "greatly" improved over anything they previously had?

General CARAWAY. No, I would not want to go that far.

Mr. PASSMAN. They are surprisingly improved over anything they ever had under Japan. I visited there and I know something about the type of shacks they had.

Mr. AILES. They still have a great many.

Mr. PASSMAN. And we still have some in Louisiana and elsewhere in America, too.

General CARAWAY. A lot of those shacks still exist.

Mr. PASSMAN. They always will. You are never going to take all the people and put them in modern housing with all the conveniences. You have to think in this matter in terms of their prior standard of living and the standard they have today.

General CARAWAY. Mr. Chairman, I am not trying to take the lower one-third of the population. I am referring to the part that understand improvement.

SOURCE OF FUNDS FOR AID PROGRAMS

Mr. PASSMAN. Do these people understand we have to borrow this extra aid we give them and that we may never be able to pay it back? Do they have any knowledge of our fiscal affairs in this country?

I have visited countries where they think the United States is something big and wealthy with no limit to its resources. We had a king who came here the other day and he was so carried away with our pretty things he bought five Cadillacs in 5 minutes and 5,000 pieces of linens with the royal monogram, and he wanted to get the monogram put on the linen immediately so he could put it on his plane. He spent $784,000 in a few days and he said, in effect, "You have been so good to us we want to remember some of this comes through your free enterprise system."

This is a king with that kind of conception of how easy that aid money comes. I wonder if the islanders could understand it better than the king.

General CARAWAY. The islanders have a pretty good understanding of it. As Mr. Ailes said, they read the Congressional Record.

Mr. PASSMAN. That is good.

PAYMENT TO CONSULTANTS

What has been the highest per diem rate you have paid for consultants during 1963?

General CARAWAY. Whatever the going rate is—$50 a day, I think.

REEMPLOYMENT LEAVE

Mr. PASSMAN. Could you comment briefly on the item of $30,073 for "Reemployment leave," whether or not that is a new item.

Mr. SEEFELDT. The "Reemployment leave" item has been broken out of our "Permanent change of station" subhead that we have shown in prior years.

Mr. PASSMAN. That is a new item, then?

Mr. SEEFELDT. No, sir; it was formerly covered under "Permanent change of station." But it has been for the purposes of justification presented as a separate item this year.

Mr. PASSMAN. Have you deleted the other money request by similar amounts?

Mr. SEEFELDT. Yes, sir. This is not duplicated.

Mr. PASSMAN. This is a change in bookkeeping?

Mr. SEEFELDT. Yes, sir.

Mr. PASSMAN. What is the increase this year in the request?

Mr. SEEFELDT. There is no increase for "Reemployment leave" this year. The increase came in fiscal year 1963.

FUNDS FOR INFORMATION PROGRAM

Mr. PASSMAN. You show an increase of $25,000 for the "Information program," up to $125,000. That seems to be predicated on the greater population; is that correct?

Mr. SEEFELDT. This is correct, sir. The largest single item there is to provide additional copies of Konnichi-no Ryukyu, the Japanese language magazine. We are also expanding the cultural center activities some $6,000.

FUNDS FOR TRAVEL AND MOVEMENTS OF HOUSEHOLD GOODS

Mr. PASSMAN. There is another item of travel. I believe there is an increase of $40,932 for "Movement of household goods."

Mr. SEEFELDT. Yes, sir. This is as a result of a backlog due to our inability to transfer these household goods; and as a result of a need for additional personnel under a different heading. These two items combined to create a need for additional transfer of household goods to the Ryukyus.

Mr. PASSMAN. Is that an increase of 270 percent in 1 year?

Mr. SEEFELDT. No, sir; I believe it is 76 percent in the case of——

Mr. PASSMAN. Let us pin the total down. What did you have for this item in fiscal 1963? According to my figures, you went from $23,851 to $64,783.

Mr. SEEFELDT. That is correct; $40,932, an increase of 56 shipments.

Mr. PASSMAN. I think I am still right at 270 percent increase.

Mr. SEEFELDT. Yes, sir. The increase of 76 percent is overall in travel.

Mr. PASSMAN. I am dealing with this one item here—"Movement of household goods."

Mr. SEEFELDT. Yes, sir; you are correct in your percentage.

FUNDS FOR BAGGAGE AND PRIVATELY OWNED VEHICLES

Mr. PASSMAN. "Baggage and privately owned vehicles" has gone from $23,851 to $64,783, about a 270-percent increase. You could not have a backlog, could you, to that extent?

Mr. SEEFELDT. Yes, sir.

Mr. PASSMAN. How did this backlog come about? Did you get what you requested in prior years for this item?

Mr. SEEFELDT. No, sir; we did not. We requested approximately the same amount last year.

FUNDS FOR TEMPORARY DUTY

Mr. PASSMAN. "Temporary duty travel" goes from $10,020 up to $18,644; "Permanent change of station," $20,961 up to $36,500.

On this page No. 11, the only one that remains the same is the reemployment leave, $30,168 and $30,073. If you put them all together, you go from $85,000 up to $150,000, which is almost double.

Mr. SEEFELDT. Yes, sir; 76 percent, I believe.

Mr. RHODES. Mr. Chairman, may I ask a question?

Mr. PASSMAN. Surely.

MANNER OF DISBURSING FUNDS

Mr. RHODES. How will aid to the Ryukyuan economy be given physically? Is it a check written to the Ryukyuan Government?

General CARAWAY. No, sir. They have to prepare the project. When the project is prepared and approved, if they have to have money for design, they are given the money after the design is completed. After the project is completed and been shown to be satisfactory, they are given the cost in money of the project.

Mr. RHODES. You do not advance money?

General CARAWAY. No, sir; that is why we show unexpended funds, because this way we have control of the money until it is completed.

Mr. RHODES. Off the record.

(Discussion off the record.)

ADMINISTRATIVE EXPENSES

General CARAWAY. We had requested approximately the same amount of money, I think $151,000 last year; we did not get it. This does develop a backlog. We have come in again for $150,000.

Mr. PASSMAN. Where is the backlog?

General CARAWAY. Part of the dependents are in the States who cannot come to the Ryukyus. Part of the goods have not been shipped.

Mr. PASSMAN. What is the tour of duty for civilians?

General CARAWAY. A civilian employee has a 3-year tour. He then, of course, can request an extension.

Mr. PASSMAN. Could you have taken that out of the welfare, the aid part of it?

General CARAWAY. No, sir. This is a special——

Mr. PASSMAN. If you had worked your budget over, for this small item out of the larger appropriation, you could have arranged to have the dependents come out, could you not?

Mr. SEEFELDT. No, sir; this is a legal limitation, this "Administrative activities" portion of our budget. We cannot use that.

Mr. PASSMAN. Is it on a percentage basis? Of the appropriation you can only spend a certain percentage for the items on page 11?

General CARAWAY. No, sir; we have to justify those items as administrative expenses and we cannot take aid funds and reprogram them.

Mr. PASSMAN. I am talking about the overall. Do you have the right to transfer from one fund, not aid, your general administration fund for the Ryukyuan Islands? You could transfer?

Mr. O'FLAHERTY. Within the administrative expenses.

Mr. PASSMAN. What are your total administrative expenses?

Mr. O'FLAHERTY. For fiscal 1963 the figure was $1,950,000.

Mr. PASSMAN. What are some of the items, briefly?

Mr. O'FLAHERTY. Pay of personnel, travel, information, and education materials.

Mr. PASSMAN. How much information and education materials?

Mr. O'FLAHERTY. Last year?

Mr. PASSMAN. Yes, sir.

Mr. O'FLAHERTY. $100,000 even.

Mr. PASSMAN. Could you not have reunited these men with their wives from the funds in this account and had less of that? Would you have that authority?

Mr. O'FLAHERTY. That item was reduced from the requested amount of $225,000.

Mr. PASSMAN. We are not talking about the request, we are talking about the facts. You could have allocated maybe $75,000 there and allocated $25,000 more here, could you not?

Mr. SEEFELDT. This would have reduced it.

Mr. PASSMAN. I know what it would have done. But you could have reduced that to $60,000 and put the $40,000 over here, could you not?

What damage would have been done if you had programed only $60,000 for the books, General? Let us get this book account again and see what it covers. What is the page number you have there?

Mr. O'FLAHERTY. The detail begins on page 13.

Mr. PASSMAN. You had press and publications, $30,700. You had cultural centers, $35,000. Audiovisual, $33,300. Research and evaluation. All those are increases over 1962, even on this allocation.

General CARAWAY. Yes, sir.

Mr. PASSMAN. But you take press and publications, cultural centers, you have your school program well underway, buildings, teachers. You make the decisions. It is not my responsibility. However, is it more important to have these additional publications, even though your allocation is above that of fiscal years 1962 and 1963, than having the dependents together?

AID TO THE EDUCATION PROGRAM

Now, sir, for aid to education I believe the request is $1,455,000, which is an increase of $125,000 over fiscal year 1963. Is that correct?

General CARAWAY. I believe so. That is right, sir, $125,000-plus.

Mr. PASSMAN. The major increases are $400,000 for classroom construction and $95,000 for English training. Is that a new program?

General CARAWAY. No; it has been going on all along.

Mr. PASSMAN. It does not show you have had it in prior years. English language training, $95,000, is a new one.

General CARAWAY. That is right, for an English language center, which we find to be an absolute necessity.

Mr. PASSMAN. On public school construction you have gone from $600,000 up to $1 million, an increase of $400,000.

General CARAWAY. Yes, sir.

That school construction goes entirely into the junior and senior high school classroom construction.

Mr. PASSMAN. Would it be fair to say the United States has completed its elementary school construction program and is now embarking upon a junior and senior high school construction program?

General CARAWAY. We built some junior and senior high school classrooms before. Yes; we are, because as the age of the children and the increase comes up, they do not have the classrooms.

Mr. PASSMAN. The next step would be to build colleges and universities, would it not?

Mr. AILES. We have done that, in part.

General CARAWAY. The university is not even asking for construction funds this year.

Mr. PASSMAN. I made a fair statement, that the elementary school construction program in effect has about come to completion and you are starting on the junior and senior high school construction?

General CARAWAY. The United States is not providing any more money for construction in elementary schools. The Government of the Ryukyu Islands is from its resources providing all classroom construction in the elementary school system.

Mr. PASSMAN. In effect, my statement is correct, that the elementary school construction program is coming to an end and you are starting a new program primarily for junior and senior high school construction.

Can you project the ultimate cost of this new program, sir?

General CARAWAY. I could only speak for this 1 year, sir.

Mr. PASSMAN. Can any supporting witnesses give us information as to what the completion cost finally will be?

General CARAWAY. We can get some idea of it, perhaps.

Mr. O'FLAHERTY. There will be a deficit of classrooms in fiscal year 1965.

Mr. PASSMAN. And right on through to the year 2000? That is the trend?

Mr. O'FLAHERTY. Not necessarily.

Mr. PASSMAN. You have a program here. Could you actually expect the Congress to support you until you can project it to what it will cost us ultimately? You may ask us for three times this much next year.

Mr. O'FLAHERTY. No, sir.

Mr. RHODES. How many classrooms will you construct for this money?

Mr. O'FLAHERTY. 310 classrooms.

Mr. RHODES. That is a somewhat higher number than you could construct in the United States for that amount of money.

Mr. AILES. Yes, sir, this is extremely simple construction. A concrete shell is what it amounts to. I have been through a fair number of the schools we have built out there. It is a great improvement over what they have, but it is far from fancy.

Mr. PASSMAN. What is the type of construction?

General CARAWAY. Reinforced concrete frame with concrete block curtain walls.

Mr. PASSMAN. Semipermanent structure?

General CARAWAY. Permanent structure.

Mr. PASSMAN. At one time they met in grass huts.

Mr. RHODES. Are they typhoonproof?

General CARAWAY. Typhoon resistant. They can blow the windows out.

Mr. PASSMAN. Could you project the number of classrooms required in the relatively near future so we can arrive at the cost there?

General CARAWAY. Actually, as far as my projection goes, we project that there will be about 42,000 students in the senior high schools by 1968 as against 20,000 in the senior high schools in 1961.

In junior high school its peak will be reached in 1965 when we have 85,000 students. It drops off to 79,000 in 1968.

WAGE RANGE OF THE LABOR FORCE

Mr. PASSMAN. What is the hourly wage for the Okinawans?

General CARAWAY. The basic wage, the bottom level by law of the cheapest Okinawan is 9 cents an hour. They average, all but the agricultural workers, about $70 a month. That's the average across.

WAGES FOR TEACHERS

Mr. PASSMAN. How do you justify paying $2 an hour to Ryukyuans for part-time work under the new English training program?

General CARAWAY. Those are part of the Golden Gaters educated in the United States.

Mr. PASSMAN. Okinawans?

General CARAWAY. Yes. This is 50 cents less than the University of Maryland, under its extension courses, pays the people to teach English in the Ryukyu Islands.

Mr. PASSMAN. In that course you are talking about Americans teaching out there. You are talking here about Okinawans.

General CARAWAY. That is right, but these men and women are very good teachers.

Mr. PASSMAN. I would not be a bit surprised, but what is going to happen to the economy there when you have one group of Okinawans working for 9 cents an hour and another group of Okinawans, even though they speak English and teach English, getting $2?

General CARAWAY. The 9 cents would only go to some poor child who can only sweep the floor. The bulk of the people will be getting 14, 18, 22, 25 cents an hour.

Mr. PASSMAN. But if you take that 14, 18, 25 cents an hour, move it up to $2, that is quite a spread, is it not?

General CARAWAY. Yes, sir; but that is labor. These people are not laborers. They are teachers. University professors get $90 to $125 a month, paid by the Government of the Ryukyu Islands, to teach in the university.

Mr. PASSMAN. How much does an Okinawan professor get a month?

General CARAWAY. From $90 to about $120.

Mr. PASSMAN. Let us settle at $100 a month. Go back and pick up these Ryukyuan teachers getting $2 an hour. Let us break that down at 40 hours a week. That is $80, $320.

General CARAWAY. Yes, sir, but they do not teach that much.

Mr. PASSMAN. I am thinking about the hourly wage, gentlemen. It is going toward an hourly wage almost in all plants now.

I do not know who fixed that rate, but if a college professor may be getting 66 cents an hour and a Ryukyuan teacher of English is getting $2 an hour, I would raise Cain if I were the professor, but I am not the professor.

General CARAWAY. Let us go back to look at the teachers. A beginning teacher, who just has a bachelor of arts degree, gets $65 a month. He gets $70 a month in Japan. A teacher with 10 years' experience gets $98 a month, and he gets $121 a month in Japan. A teacher with 20 years' experience gets $138 a month, while he gets $180 a month in Japan.

Mr. PASSMAN. I am just trying to understand.

General CARAWAY. Mr. Chairman, if they were hired on a monthly basis, that is one thing; but when you are hiring them to teach 26 weeks and they do not teach but 1 hour, this is not quite a fair comparison. If you want it on the basis of everything they are going to get, sure.

Mr. PASSMAN. You are asking for 7½ hours per week. That is for 24 weeks. Let us take the 7½ hours a week, $60 per month. For 30 hours per month this Okinawan is going to get almost as much as your other teacher is going to get for a full month.

General CARAWAY. Yes, sir.

Mr. PASSMAN. If you can make them happy with that, more power to you. You could not make me happy under that condition, but that is your problem.

How did this thing get set up on that basis? Did you have an evaluation board?

General CARAWAY. I cannot give you the details.

Mr. PASSMAN. What do they do when not teaching, if anything?

General CARAWAY. These people who are teaching?

Mr. PASSMAN. Yes. They are going to get 30 hours a month, $60 a month.

General CARAWAY. Yes, sir.

Mr. PASSMAN. What does this lowest paid teacher get?

General CARAWAY. $65.

Mr. PASSMAN. This person here will get within $5 for 30 hours what the other individual will get for a month?

General CARAWAY. Yes.

Mr. PASSMAN. What do they do in addition to teaching?

General CARAWAY. Some work as bank clerks, some work in other types of business establishments. They have jobs commensurate with their age and grade.

Mr. PASSMAN. I would think this arrangement might create some dissatisfaction.

General CARAWAY. No, sir; these people are in a special category.

COST TO CONSTRUCT A MUSEUM

Mr. PASSMAN. Do you not plan to construct a museum out there?

General CARAWAY. Yes, sir.

Mr. PASSMAN. You are asking for $150,000 for that purpose in fiscal 1964?

General CARAWAY. Yes, sir.

Mr. PASSMAN. What do you estimate the final total cost to be?

General CARAWAY. As far as our payments are concerned, I think it stands at $150,000. I do not know of any program that goes beyond that.

Mr. PASSMAN. Is this just a one-time appropriation?

General CARAWAY. This is a building, a one-time appropriation for the building. This was picked, as you know, by the first Legislature of the State of Hawaii, which suggested that we do something for the cultural side of the Ryukyus. This is one of the things that we should do to show our interest in the people's historical and cultural background. It is that kind of thing. You might as well leave something that is a monument.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

REQUEST FOR INCREASED FUNDS TO THE CENTRAL BANK

Mr. PASSMAN. On page 46 I see that you want an increase of $1,135,000 above the 1963 contribution of $365,000 to the Central Bank for Agriculture, Forestry, and Fisheries.

General CARAWAY. That is right.

Mr. PASSMAN. Is that the same as this other outfit we talked about?

General CARAWAY. This is the Central Bank for Co-ops, for Agriculture, Fisheries, and Forestry.

Mr. PASSMAN. Why do they not get the money out of this other general fund that is worth about $59 million, with profits this year of $8 million? You provide funds out of that general fund for activities of this type, do you not?

General CARAWAY. This is a requirement that cannot be met on this particular——

Mr. PASSMAN. Even though on this $58 million investment you are going to make nearly $8 million in 1963, the expansion program is so fast you have to get another appropriation out of the American taxpayers of an additional $1,135,000, in addition to the profit you may spend out of the general fund?

General CARAWAY. That is right.

Mr. PASSMAN. This is getting better as we go along. That is about a 300-percent increase over what you allocated for the same purpose last year?

General CARAWAY. No, sir; it is about a 300-percent increase over what we managed to squeeze out after the allocation was cut last year.

Mr. PASSMAN. The request is about 300 percent over the allocation last year. You allocated $365,000?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Is that a statement of fact?

General CARAWAY. We asked for $2 million last year. We only asked for $1.5 million this year.

Mr. PASSMAN. You got $365,000 last year. There has been no hardship actually?

General CARAWAY. There have been hardships; 10,000 farmers did not have funds that could be met out of the Central Bank.

Mr. PASSMAN. Nevertheless, the bank that we own made profits of about $8 million. You could have just as easily allocated more to the farmer. You cannot do everything in 1 year.

You have a request, I believe, for education and training at $470,000 for fiscal 1964. How much is that above your allocation for the same account in fiscal 1963?

General CARAWAY. $175,000 more.

I would like to make one point before we leave this.

YOUTH EDUCATION PROGRAMS

One of the most valuable programs you could have is the education of young people of the area.

Mr. PASSMAN. I do not disagree with that.

General CARAWAY. Part of this is to increase the students that can be brought to the United States and educated here and sent back to the Ryukyus. They are not educated to all be AB's or to learn how to parse the literature of Shakespeare in Japanese. They are being taught things they need to have in order to help the economy and help the Ryukyuan society.

Mr. PASSMAN. Would it not be better to teach them there than to bring them here?

General CARAWAY. We teach them out there, but they come here to take postgraduate courses, not to take a degree, but to take the necessary postgraduate courses so that they can go back and enter in a productive fashion into the economy.

Mr. PASSMAN. You might be surprised to know how many of the students from abroad, once they have experienced the standards of living in America, are unhappy about going back to their own countries.

We are having a lot of trouble in this respect. Many of the outstanding people in the colleges as well as others familiar with the situation are seriously concerned.

General CARAWAY. I am not trying to have too many. Out of 66,000 foreign students in 1961 that came to this country, I believe 6,000 of them were supported fully by the U.S. Government scholarships. The United States had 34 Ryukyuan students. The United States has the total responsibility for those Ryukyuan Islands.

Mr. PASSMAN. There is some justification for bringing some of them in. I think, however, we have permitted it to go too far.

Mr. AILES. Mr. Chairman, they are some of the best friends we have. I think anybody there would agree this program does a tremendous amount of good for the United States.

Mr. PASSMAN. Are you talking about the overall program?

Mr. AILES. No, sir.

Mr. PASSMAN. I am not quarreling with you about your educational program. I think we should bring some of them in, but they should be very carefully selected.

Mr. AILES. They are.

Mr. PASSMAN. I have made a statement of fact. I do not think there is a Member of Congress who would not agree that there is a lot of dissatisfaction among foreign students, maybe not from Okinawa but from other places. They do not want to go back. I do not know that I blame them.

General CARAWAY. I am talking about the entire program here.

Mr. PASSMAN. Are you talking about the overall Ryukyuan program?

General CARAWAY. No, I am talking about the student program.

USE OF MEDICAL EDUCATOR

To go a step further, part of that increase is accounted for this year by taking to the Ryukyus this year a medical man who will be able to hold sessions with the doctors in the Ryukyus who have been trained outside the Ryukyus and who will then be able to feel they can keep up with the trends of medicine worldwide.

Mr. PASSMAN. Will that be the World Health consultant you are requesting?

General CARAWAY. No, that is a survey. This man would be a teacher.

Mr. PASSMAN. You are asking for $2,500 for a World Health consultant to make a survey?

General CARAWAY. This is a medical educator on page 59, item 9, medical educator, $2,500. We are asking to bring him to the Ryukyus to teach for a period of time.

MEDICAL SURVEY EXPENSE

Mr. PASSMAN. Is that the survey item?

General CARAWAY. The survey item is to set up either a Public Health nurse or—I have been trying to find the answer. Please let me look again.

No, I stand corrected, sir. This man is to make a 30-day survey. We also have——

Mr. PASSMAN. A 30-day survey at a cost of $2,500?

General CARAWAY. Yes, sir.

Mr. PASSMAN. Would you break that down for us? Is he paid on a per diem basis?

General CARAWAY. Yes; it will cost 30 days at $63 a day and then his transportation.

Mr. PASSMAN. How much of that is compensation to the individual for services?

General CARAWAY. $1,890.

Mr. PASSMAN. For 30 days that what this man gets?

General CARAWAY. Yes, sir; he gets his travel, which comes to $608.

Mr. PASSMAN. Is he a doctor or teacher or professor?

General CARAWAY. He is a doctor.

Mr. PASSMAN. Out of the Public Health Service?

General CARAWAY. I am not sure where he will be recruited.

Mr. PASSMAN. $1,890 goes to the doctor himself for his professional service?

General CARAWAY. Yes. I do not think he is Public Health because we do not pay the full consultant fee to Government men.

Mr. PASSMAN. With all the doctors we have in the Public Health Service and the Army, why could they not make that survey? Why could it not be made by our own doctors out there? You indicate there are 367 of all types.

General CARAWAY. That is the Ryukyuan doctors.

Mr. PASSMAN. How many American military doctors do you have?

General CARAWAY. We do not have anything like that. They have a full workload.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

General CARAWAY. I cannot recall, sir, I am sorry.

Mr. PASSMAN. Do you have a shortage of doctors out there in the military?

General CARAWAY. Yes.

Mr. PASSMAN. Where will this particular doctor come from?

General CARAWAY. From the States.

Mr. PASSMAN. Is he coming out of a university, a teaching institution?

General CARAWAY. It does not say, sir. It will have to be put up to recruitment. I would not be able to even hazard a guess.

Mr. PASSMAN. When these surveys start, not just in the medical field, there seems to be no stopping place. We have had experience with setting up surveys.

WATER SYSTEM PROJECT

It would appear you have a water system project planned and are requesting $2 million.

General CARAWAY. Yes, sir.

Mr. PASSMAN. Will you give us a little information on that system.

Mr. O'FLAHERTY. We can give you a great deal, Mr. Chairman. The existing water system provides a firm 23 million gallons a day in dry weather. Of this amount the civilian population consumes only 8.2 million. In dry weather, as frequently occurs after the torrential rains when the water runs off, they have to be provided water by the military.

Mr. PASSMAN. Where do they get water for the military?

Mr. O'FLAHERTY. From water points on the military reservation. There are no actual facilities——

Mr. PASSMAN. Where did they get their usable water before we went in?

General CARAWAY. Before we went in, they got their usable water from shallow wells. They call them shallow wells as against deep wells. They got them from springs, from flowing streams.

Mr. PASSMAN. Has that supply been dried up to a large extent?

General CARAWAY. Part of that supply has been dried up. Part of the supply dries up in dry weather in a drought such as we have now. Part of that supply is still being used. Prewar there were about 500,000 people in all of the Ryukyus. Now there are 904,000 people.

In addition, sir, they have been, by the military on Okinawa having taken over part of the lands for the necessary base, they have been displaced and the old patterns are to a certain extent disrupted.

Mr. PASSMAN. This is improving their water system. It will improve their sanitation system along with it?

General CARAWAY. Yes; this will also help supply many American families that live off the base now, living on the civilian economy, because there is not enough quartering on the bases.

Mr. PASSMAN. When did you first request funds for this item?

Mr. O'FLAHERTY. We had a request in fiscal year 1959, I think, or 1960.

Mr. PASSMAN. This is something that is not new. It is something you have been considering for a long time that would be advantageous to the island, but it is not actually any emergency situation?

Mr. O'FLAHERTY. It certainly is new in the sense that the proposed expansion of the totally inadequate system is now a problem that has to be undertaken, Mr. Chairman.

Mr. PASSMAN. What do you think the completion cost will be? Can you project it?

General CARAWAY. We have the projection on the cost of this system.

Mr. MCLAUGHLIN. The whole system, the present extension now is in the neighborhood of $20 million. This is part of a program that began in 1958.

Mr. PASSMAN. The program is underway?

Mr. MCLAUGHLIN. Congress appropriated $600,000 one year to build a dam and pumping station, which is part of the system. Over two and a quarter million dollars was provided from the general fund to build these facilities beginning in 1958 through the present.

Mr. PASSMAN. You are following the original estimate of $20 million?

Mr. MCLAUGHLIN. No; this $20 million is the present program. We have part of it. It is already funded in 1963 from the general fund, from earnings of the Ryukyu Development Loan Corp., and the balance will be over the next 5 years.

Mr. PASSMAN. This is a project that has been planned?

Mr. MCLAUGHLIN. Yes, sir.

Mr. PASSMAN. You have the estimated cost of $20 million?

Mr. MCLAUGHLIN. Yes, sir.

Mr. PASSMAN. It is presently under construction?

Mr. MCLAUGHLIN. Partly.

Mr. PASSMAN. It is being financed out of your general fund, the one we discussed earlier?

Mr. MCLAUGHLIN. Yes, sir.

General CARAWAY. Partially.

Mr. PASSMAN. If the fund continues to make a profit and you did not get an appropriation, you could eventually complete the project out of the general fund?

General CARAWAY. There would be a stretchout; yes, sir.

Mr. PASSMAN. Thank you, gentlemen.

Mr. O'FLAHERTY. May I correct the record on one point?

Mr. PASSMAN. Yes.

Mr. O'FLAHERTY. It is not quite accurate to say that this program, which is a 5-year program Mr. McLaughlin described, has been funded out of fiscal year 1963 general fund assets. What has been accomplished, what is being done in fiscal year 1963 is some modification of the existing system and some exploration. It is not an integral part of the $20 million program.

Mr. PASSMAN. You have your plans, your specifications, you have your estimated completion cost. It is partially under construction now out of profits generated out of your general fund. It could

eventually be completed out of that, but it would require a stretchout.

Mr. O'FLAHERTY. The design work was funded out of the general fund.

Mr. PASSMAN. It would be a question of taking longer to complete the project if you funded it out of profits out of this $58 million investment fund we talked about.

Does Okinawa get any money from any of the United Nations accounts? You have your World Health Organization mentioned, your expanded technical aid program, the children's programs, the International Fund.

General CARAWAY. Not in the sense you mean it, sir, as I understand it.

Our people do attend certain of their seminars. They get partial support when there, but there is nothing being paid into the Ryukyu Islands.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I believe, General, that the committee has been somewhat generous in previous years in following fairly closely the requests for the representation allowance. So far as I am concerned, I am not going to quarrel with a reasonable representation allowance.

BIRTH RATE IN THE RYUKYU ISLANDS

Mr. RHODES. Can you furnish, if you have not already, the birth rate of the Ryukyuans?

General CARAWAY. It is about 20,000 a year.

Mr. RHODES. How does that compare with the birth rate in the United States? Could you furnish that for the record?

Mr. AILES. Yes, sir.

(The information to be supplied follows:)

Comparative birth statistics—United States and Ryukyus, 1961

	Births	
	Number	Per 1,000 population
Ryukyu Islands	20,981	23.6
United States	4,268,326	23.3

TEACHING OF ENGLISH IN RYUKYUAN SCHOOLS

Mr. RHODES. How much English is taught in the Ryukyuan schools? At what level is it taught and for how many years?

General CARAWAY. English is taught as a compulsory subject in the Ryukyuan schools commencing with the first year of junior high school and continuing through senior high school. The students who go to the University of the Ryukyus or the other two private universities on the island normally will almost 100 percent continue English in their freshman year. Thereafter it continually drops off until you get about the normal amount of English, being a second language, that you get in any American university, about 5 or 6 percent of students

in their senior year will be taking English still unless they are majoring in English.

Then there are a number of adult courses, part of this money we talked about is for the adult courses. A great many adult courses are run by our people-to-people program, but we need more.

As to the teaching of English, let me say that, although I know I had a small disagreement here with the chairman, the teaching of English and educating the young Ryukyuans, selected Ryukyuans, in the United States, those are two of our strongest instruments, if you want to call it that, two of our strongest supports if we carry it out properly. We are at the moment, sir, helping to sponsor a program that is under the auspices of the Michigan State University advisory group, the advisers for the University of Ryukyus. They are developing an English language course that will be put on a trial basis, if it can be worked out properly, commencing with the fourth grade in the elementary schools.

If it turns out successfully, and its benefits can be demonstrated to the Ryukyuan people, I trust we will be able to get the school authorities to change so that they will have elementary grade English taught commencing in the third or fourth grade and continuing through senior high school.

Mr. RHODES. Is there a respectable number of Ryukyuans who are now bilingual in English and Japanese?

General CARAWAY. They acquire a very low proficiency in spoken English because they are taught spoken English as the Japanese schools teach it, which is a phonetic type English. Many of them learn English better from our own people-to-people voluntary teachers program which teaches English in the high schools and other schools. Many of the teachers continue, on their own time, conversational English with students and others who wish to talk to them. There is not a satisfactory proportion, as far as I am concerned, of Ryukyuans at this time who can speak English and Japanese.

VOCATIONAL EDUCATION IN THE RYUKYUS

Mr. RHODES. I noticed that on page 20 one of the few items decreased in this budget is vocational education equipment. Is the vocational education program getting smaller, or do you have enough equipment for the time being?

General CARAWAY. I think we felt we could cut back on the program somewhat in the position we are now and stretch it out. That is just an off-the-cuff answer.

Mr. RHODES. Is this because you feel the program is large enough at the present time or is it because of a desire to put emphasis on something else?

General CARAWAY. Let me see what my justification says for a minute.

Mr. O'FLAHERTY. What is the page number, please?

Mr. RHODES. No. 20 is the page the item is on.

General CARAWAY. I cannot give you a satisfactory answer as to what the underlying reason was. I am sorry.

Mr. AILES. We can supply it, if you like.

Mr. RHODES. Would you mind supplying a statement as to the status of vocational education in the islands and your plans for the future of it?

General CARAWAY. Yes, sir.

(The information supplied follows:)

The $215,000 decrease in funds for vocational education from $425,000 in fiscal year 1963 to $210,000 in fiscal year 1964 reflects the one-time procurement of vocational education equipment for the University of the Ryukyus in fiscal year 1963. The program for equipment of junior high schools is to continue at approximately the same level as in fiscal year 1963. One of the considerations in a vocational education equipment program is the availability of trained teachers; and this continues to be a major factor in our program in the Ryukyus. Future plans include resumption of the program for equipping senior high schools which was temporarily suspended in fiscal year 1962.

Mr. RHODES. As you probably guessed, I have some affinity for vocational education, particularly in an underdeveloped state like this. It seems to me it is one of the things we can probably do best and get most from.

General CARAWAY. It is one of the most important of all subjects, sir.

FINANCING URBAN DEVELOPMENT

Mr. RHODES. What kind of urban development do you finance?

General CARAWAY. This is the sewer systems in this particular one, the basic start of the sewer system for Koza and Naha, the two largest cities that are jammed up against our base and which now have no underground sewer system.

Mr. RHODES. Will you provide all the financing for those sewer systems?

General CARAWAY. At the present time the water is highly polluted by sewage from Koza, and the chlorine requirement at the water treatment plant is abnormally high. The project is expected to take 4 years to complete, at a total cost of $1,100,000. The installation of mains, pumping station, and a part of the treatment plant will be begun in fiscal year 1964 in Center Ku which, with a population of 4,000, has the greatest amount of sewage. Koza city is prepared to add $30,000 of its own funds to the $250,000 for additional main sewerline construction.

Mr. RHODES. How much will Naha contribute?

General CARAWAY. Naha is the capital city of the Ryukyus and has a population of approximately 225,000. Its storm and sanitary sewage flows through three principal open canals. The project will take about 5 years to complete. The cost for the first year is estimated at $300,000, of which Naha City is prepared to contribute $50,000.

MOTOR VEHICLES UTILIZATION

Mr. RHODES. Mr. Merrill points out an interesting fact. It says here that the 40,000 motor vehicles which currently ply Ryukyuan roads contrast sharply with the prewar figure, reported to be about 200. The interesting part of this is that last year there were 36,000 motor vehicles.

General CARAWAY. Yes.

Mr. RHODES. There has been a 10-percent increase in this 1 year?

General CARAWAY. Yes. Part is American vehicles and part of it is expansion of the Ryukyuan bus system not only in Okinawa but also the other two main islands. They have increased their taxicabs and private vehicles. They are not Cadillacs such as the Middle Eastern potentate has. They are Datsun and Toyapet, small motorcycles—they include scooters.

Mr. RHODES. Where are the Datsuns made?

General CARAWAY. Japan. Almost all the vehicles are Japanese made except they buy secondhand American vehicles when they can get them.

POLICY ON USE OF U.S. PRODUCTS

Mr. RHODES. We do not have a buy-American policy as far as the contribution we make to the Ryukyuan economy, do we?

General CARAWAY. We have an exception to this because if we carry this too far in regard to the Ryukyuan economy, we have to request greater aid. Therefore, we buy from the Ryukyuans, and as long as it is manufactured or the end product comes from the Ryukyus, we do not require raw materials to be American unless American raw materials are available locally.

Mr. RHODES. How about material which is brought by the Ryukyuan Government for capital expenditures? Do we insist that they buy American products?

General CARAWAY. Off the record, please.

(Discussion off the record.)

Mr. RHODES. That is all.

Mr. PASSMAN. Thank you, Mr. Secretary, and thank you, General Caraway, for the presentation.

You are enthusiastic for your program and it should not be any other way. We assure you we will be fair, but our judgment may not necessarily satisfy you. We hope, however, that our recommendations will prove to be to the best interests of all concerned.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Thank you again, gentlemen.

FRIDAY, MAY 3, 1963.

ASSISTANCE TO REFUGEES IN THE UNITED STATES (CUBAN REFUGEES)

WITNESSES

DR. ELLEN WINSTON, COMMISSIONER OF WELFARE
JOSEPH H. MEYERS, DEPUTY COMMISSIONER OF WELFARE
ROY L. WYNKOOP, EXECUTIVE OFFICER, WELFARE ADMINISTRATION
JOHN F. THOMAS, DIRECTOR, CUBAN REFUGEE PROGRAM
ANTONIO A. MICOCCI, STAFF ADVISER, CUBAN REFUGEE PROGRAM
JAMES F. KELLY, DEPARTMENT BUDGET OFFICER

Object classification

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
11 Personnel compensation: Permanent positions	308	522	595
12 Personnel benefits	10	15	18
21 Travel and transportation of persons	9	15	15
22 Transportation of things	4	2	2
23 Rent, communications, and utilities	53	200	200
24 Printing and reproduction	2	45	45
25 Other services	287	90	115
Services of other agencies	3,780	5,133	4,205
26 Supplies and materials	20	20	20
31 Equipment	45	15	15
33 Investments and loans	956	1,348	1,500
41 Grants, subsidies, and contributions	33,029	48,905	50,040
Contingencies			13,230
Total obligations	38,502	56,310	70,000

Personnel summary

	1962 actual	1963 estimate	1964 estimate
Total number of permanent positions	98	115	115
Average number of all employees	62	100	110
Number of employees at end of year	82	115	115
Average GS grade	5.3	5.4	
Average GS salary	$4,981	$5,265	

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
Program by activities:			
1. Reception, registration, and classification of refugees	628	1,090	
2. Welfare assistance and services	28,065	43,800	
3. Resettlement and employment opportunities	3,780	4,600	
4. Education	5,463	9,690	
5. Health services	386	990	
6. Contingencies		10,110	70,000
Total program costs, funded	38,322	70,280	70,000
Change in selected resources [1]	180	−170	
Total obligations	38,502	70,110	70,000
Financing: Comparative transfers from other accounts	−38,502		
New obligational authority (appropriation)		70,110	70,000

[1] Selected resources as of June 30 are as follows: 1961, none; 1962, $180,000; 1963, $10,000; 1964, $10,000.

Mr. PASSMAN. The subcommittee will come to order.

We shall consider this afternoon a request from the Department of Health, Education, and Welfare, under the Welfare Administration, for assistance to refugees in the United States. Dr. Ellen Winston, Commissioner of Welfare, is accompanied by several witnesses, whose names will be inserted in the record.

The caption is "Assistance to Refugees in the United States." Does your request deal with funds for any refugees other than those from Cuba?

Dr. WINSTON. Our statement deals with the Cuban refugees, Mr. Chairman.

Mr. PASSMAN. I do not believe the program designations attached to your statement mentions anything about the Cuban refugees, does it?

Mr. WYNKOOP. "Assistance to Refugees in the United States" is the appropriation title, Mr. Chairman, but the request is related solely to Cuban refugees, sir.

Mr. PASSMAN. Please insert, if you will, under the appropriation title, the designation, "Cuban Refugees."

This is, of course, only one part of our total program of assistance to refugees.

Mr. KELLY. We shall be glad to do that.

Mr. PASSMAN. Please do.

JUSTIFICATION OF THE ESTIMATE

Last year the Congress appropriated $70,110,000 for this program. You are requesting $70 million for fiscal 1964. We shall insert in the record at this point pages 3, 4, and 5 of the justifications.

(The pages referred to follow:)

Amounts available for obligation

	1963	1964
Appropriation	$70,110,000	$70,000,000

Obligations by activity

Description	1963 estimate		1964 estimate		Increase (+) or decrease (−)	
	Positions	Amount	Positions	Amount	Positions	Amount
Direction and coordination of program, including reception, registration, and classification of refugees	115	$924,000	115	$1,025,000		+$101,000
Welfare assistance and services		40,864,000		41,651,000		+787,000
Resettlement and employment opportunities		3,965,000		2,704,000		−1,261,000
Education		9,389,000		9,889,000		+500,000
Health services		1,168,000		1,501,000		+333,000
Contingencies				13,230,000		+13,230,000
Total obligations	115	56,310,000	115	70,000,000		+13,690,000
Unobligated balance		13,800,000				−13,800,000
Total obligations and balance	115	70,110,000	115	70,000,000		−110,000

Obligations by object

	Estimated, 1963	Estimated, 1964	Increase or decrease
Total number of permanent positions	115	115	
Average number of all employees	100	110	+5
Number of employees at end of year	115	115	
11 Personnel compensation	$522,000	$595,000	+$73,000
12 Personnel benefits	15,000	18,000	+3,000
21 Travel and transportation of persons	15,000	15,000	
22 Transportation of things	2,000	2,000	
23 Rent, communications, and utilities	200,000	200,000	
24 Printing and reproduction	45,000	45,000	
25 Other services	90,000	115,000	+25,000
Services of other agencies	5,133,000	4,205,000	−928,000
26 Supplies and materials	20,000	20,000	
31 Equipment	15,000	15,000	
33 Investments and loans	1,348,000	1,500,000	+152,000
41 Grants, subsidies, and contributions	48,905,000	50,040,000	+1,135,000
Contingencies		13,230,000	+13,230,000
Total obligations by object	56,310,000	70,000,000	+13,690,000

Summary of changes

1963 enacted appropriation	$70,110,000
Unobligated balance	−13,800,000
Total estimated obligations, 1963	56,310,000
1964 estimated obligations	70,000,000
Total change	+13,690,000
INCREASES	
Program increases:	
A. Direction and coordination of the program, including reception, registration, and classification of Cuban refugees	101,000
B. Welfare assistance and services to needy Cuban refugees	787,000
C. Educational services for Cuban refugees	500,000
D. Health services for Cuban refugees	333,000
E. To provide for contingencies	13,230,000
Subtotal, increases	14,951,000
DECREASES	
Resettlement and employment opportunities for Cuban refugees	−1,261,000
Subtotal, decreases	−1,261,000
Total net change requested	+13,690,000

Mr. PASSMAN. Dr. Winston, if you have a statement to present to the committee, we welcome it at this time.

Dr. WINSTON. Thank you, sir. We have many subdivisions within this request, and we have tried to be very brief in the discussion of each one.

I am sure that the first section of this is very well known to you, but I would like to read it for the record, please.

STATEMENT OF THE COMMISSIONER OF WELFARE

Thousands of Cuban people who fear oppression from the Communist regime in Cuba have fled that country and sought refuge in the United States and other nations of this hemisphere. For those

who escape to the United States, the principal port of entry is Miami, Fla.

The refugees arrive in this country with virtually no personal resources. Most of them know little or no English. The economic and social problems posed by the heavy Cuban refugee population in Miami and in southern Florida are of a serious magnitude.

In January 1961, about 40,000 Cuban refugees had entered this country. The rapidly increasing Cuban population in Miami was already beyond the community's ability to cope with it. Because of the national character of this problem the President directed the Department of Health, Education, and Welfare to develop and administer a program of assistance designed to deal with the problems of the Cuban refugees and to alleviate the pressures on the Miami area. The program to assist Cuban refugees in the United States provides:

(*a*) Financial assistance to refugees who are in need of assistance for the essentials of life;

(*b*) Financial assistance to meet the cost of resettlement and the location of employment opportunities outside of the Miami area;

(*c*) Care of unaccompanied children;

(*d*) Health services, including medical screening, X-ray examinations, outpatient medical care for needy refugees, and long-term hospitalization costs of persons with tuberculosis and mental disorders;

(*e*) Funds to meet part of the extra expenses which the Miami schools have to assume because of the large number of refugee children; funds for loans to college students, and for English classes and certain types of vocational training to enable the refugees to obtain jobs; and funds for the retraining of physicians, teachers, and other professional persons.

Administration of the program is delegated to the Commissioner of Welfare. In operating the program, use has been made of the facilities of existing public and private agencies. These include the Office of Education, the Public Health Service, and the Bureau of Employment Security of the Department of Labor, as well as components of the Welfare Administration. State and local agencies (especially the Florida Department of Public Welfare, the Dade County Board of Public Instruction and the Dade County Health Department) and several private welfare agencies are also used.

SIZE OF PROGRAM

Until October 23, 1962, when commercial flights bringing refugees from Cuba to Miami stopped, about 1,700 refugees were arriving in Miami weekly. Since October, the number of new arrivals has dropped substantially. About 250 refugees now register weekly at the Federal Cuban Refugee Center in Miami. These include refugees who have been in Miami but have not previously registered, and refugees reaching the United States in small boats and through other countries. A substantial number of refugees have also reached the United States in recent months on ships and planes returning from Cuba after delivering medicines and drugs in connection with the prisoner exchange. It is estimated that there are now about 100,000 Cuban refugees in the Miami area who have registered at the Cuban

Refugee Center. Over 58,000 others have been resettled under Government auspices to other parts of the United States.

PROGRAM EMPHASIS

As in fiscal year 1963, the major objective of the program in 1964 will be the resettlement of refugees from Miami to other parts of the Nation where job opportunities exist and where the refugees will be able to use their training and skills. Resettlement is also a primary means of reducing the refugee population in Miami and the social and economic impact on the community. Resettlement of the refugees must be carefully planned if their relocation is to be successful. When large numbers of refugees were arriving in Miami, a substantial number of those resettled consisted of persons who had been in Miami for relatively short periods. With fewer refugees now arriving from Cuba, resettlements include a growing proportion of persons who have become settled in the Miami Cuban community. The resettlement of such refugees requires more systematic and more extensive efforts, and it is on such efforts that the program will concentrate during fiscal year 1964. The major steps which are being taken include:

1. Increased work with both public and private organizations to stimulate greater participation in resettlement throughout the country. Particular emphasis is being given to stimulating communitywide participation through Governors' and mayors' committees and community councils.
2. Increased public information programs aimed at encouraging sponsorship of refugees.
3. Increased orientation of Cuban refugees in Miami toward resettlement through information about successful resettlements of their compatriots.
4. Intensified language and vocational training programs in Miami to better prepare refugees for job placement through resettlement.
5. Use of caseworkers in the Cuban refugee welfare assistance unit of the Florida Department of Public Welfare to encourage resettlement at the time of home visits and office interviews which are designed to recheck eligibility of welfare recipients.

BUDGET REQUEST AND EXPLANATION OF REQUIREMENTS

For fiscal year 1963, $70,110,000 was appropriated for assistance to Cuban refugees. The cessation of commercial flights from Cuba to Miami in October 1962 has reduced the number of refugee arrivals well below the number estimated in the 1963 budget request. It is therefore currently estimated that only $56,310,000 of the $70,110,000 will be required for 1963.

The detailed budget estimate for 1964 is based on the assumption that regular commercial flights from Cuba to Miami will not resume. The budget request contemplates that registrations of refugees at the Federal Cuban Refugee Center will continue at approximately 250 persons a week, and that an average of 400 persons a week will be resettled from the Miami area. Based on these assumptions, it is estimated that $56,770,000 will be required in the fiscal year 1964 for

the implementation of the Cuban refugee program. In addition, the 1964 budget request contains a contingency fund of $13,230,000 to be used to meet unbudgeted requirements in the event regular flights from Cuba to Miami are resumed. Thus, the total request for fiscal year 1964 is $70 million.

The budget request is presented under five activity headings: (1) "Direction and Coordination of the Program, Including Reception, Registration, and Classification of Refugee"; (2) "Welfare Assistance and Services"; (3) "Resettlement and Employment Opportunities"; (4) "Education"; and (5) "Health Services." A description of the program and the basis for our estimate follows.

DIRECTION AND COORDINATION OF PROGRAM, INCLUDING RECEPTION, REGISTRATION, AND CLASSIFICATION OF REFUGEES

From the beginning of the Cuban refugee program, a federally operated Cuban Refugee Center in Miami has served as a focal point for refugee registration and resettlement activities, and has coordinated the local aspects of the Federal Government's program of assistance and service to Cuban refugees. Refugees register at the Center where they are interviewed and classified as to job skills and where a record of the family is established and maintained. The refugees are then referred to appropriate agencies within the program for a medical examination, for counseling and assistance in resettlement, and if necessary, for financial assistance. To date nearly 163,000 refugees have registered at the Center. Before commercial flights from Cuba to Miami ceased, about 1,700 persons were registering weekly. As previously described, registrations are now well below this number and it is estimated that they will average 250 a week during the fiscal year 1964.

The 1963 appropriation provided funds for a staff of 132 persons for the operation of the Center and for the national direction of the program. Because of the cessation of flights, it is now contemplated that it will be necessary to fill only 115 of the 132 positions this fiscal year and a similar number is budgeted for 1964. During 1964 the Center will continue to register refugees and provide referral and counseling services on an accelerated basis. Increased emphasis will also be placed on job placement and on improving resettlement opportunities for the refugees; on stimulating national and community organizations to sponsor refugees for resettlement; and on encouraging the refugees in Miami to resettle to other parts of the country. Since the cessation of flights in October, the Center has been conducting a review of the entire refugee population in Miami for the purpose of encouraging refugees to resettle and determining what action is needed in individual cases to help refugees qualify for employment elsewhere. This activity will require almost all of fiscal year 1964 to complete, and is one of the major projects designed to promote resettlements and reduce the impact of the refugee population on Miami.

During the fiscal year 1964 $1,025,000 will be required for direction and coordination of the Cuban refugee program and for carrying out the activities described above.

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WELFARE ASSISTANCE AND SERVICES

Most of the refugees entering this country have no possessions except the clothes they are wearing and have no funds or resources for providing even the essentials of life. Many of them cannot speak English. Many children have arrived in this country unaccompanied by relatives or friends. To cope with the problems this situation creates, the Federal Government, with the cooperation of State and local governments and private agencies, has developed a welfare and assistance program which is estimated to require $41,651,000 during fiscal year 1964. A description of each phase of this program follows.

FINANCIAL ASSISTANCE TO NEEDY REFUGEES IN THE MIAMI AREA

The Federal Government, through the Florida Department of Public Welfare, provides financial assistance to Cuban refugees in the Miami area who are in need of assistance for the essentials of life. The standards of assistance are the same as those applied in the Federal-State program of assistance for Florida residents. It is estimated that the number of cases of Cuban refugees receiving financial assistance in the Miami area at the beginning of fiscal year 1964 will be 30,250, and that this number will drop to 27,250 by the end of the fiscal year. Based on an average monthly payment of $81, $27,824,000 will be required for financial assistance payments in 1964.

TRANSITIONAL RESETTLEMENT ALLOWANCES

Each refugee person or family on assistance in Miami receives an extra month's check upon relocation to another State. The purpose of this transitional resettlement allowance is twofold: (1) To increase the willingness of refugees to resettle from Miami by assuring them that they will have some funds on which to live when they first arrive at a new location; and (2) to increase the willingness of sponsors at the place of resettlement to take on the task of helping refugees find jobs and living quarters. For fiscal year 1964, it is estimated that 6,200 persons or family units will receive resettlement allowances at an estimated cost of $550,000.

ASSISTANCE TO RESETTLED CUBAN REFUGEES WHO BECOME NEEDY

As refugees leave Miami and resettle in other parts of the country, it is inevitable that some will not realize or sustain their employment expectations, and will at some time be in need of temporary cash assistance. The standards for assistance to refugees in States other than Florida are the same as those applied in Federal-State assistance programs for local residents. For fiscal year 1964, it is estimated that each month a little less than 4 out of each 100 cases which have been resettled will require assistance. At an average payment of $150 a month, an estimated 17,500 payments will be made, totaling $2,622,000.

UNACCOMPANIED CHILDREN

Nearly 8,000 unaccompanied children have received institutional or foster home care for periods of time through the Cuban refugee program. Many of these children have been reunited with their

parents or close relatives, but there are still nearly 3,700 children in care under the Cuban refugee program. The 1964 budget estimate assumes that, with the exception of those reaching adulthood, most of the children currently in care will remain in the program throughout the fiscal year, and the number of children receiving care at the end of the fiscal year 1964 will be about 3,500. The cost of care for these children, computed at $5.50 a day in foster homes and $6.50 a day in institutions, is estimated at $8 million.

DISTRIBUTION OF SURPLUS COMMODITIES

About 60 percent of the cases who receive financial assistance also receive surplus agricultural products each month. Costs of receiving, storing, packaging, and distributing these commodities are borne by the Cuban refugee program. It is estimated that the cost of administering this program in 1964 will be about the same as in 1963—$156,000.

HOSPITALIZATION UP TO 30 DAYS

Hospitalization up to 30 days is provided to needy Cuban refugees in the Miami area for acute conditions. For the fiscal year 1964 it is estimated that an average of 250 cases a month will require hospitalization, for a total cost of $894,000.

STATE ADMINISTRATION OF ASSISTANCE AND HOSPITALIZATION PROGRAM

Costs of the Florida State Welfare Department in administering the financial assistance and hospitalization program are estimated at $1,605,000 during the fiscal year 1964. Included in the estimated costs of administering the programs are funds to continue in fiscal year 1964 sufficient staff to conduct regular home visits to refugees receiving assistance in order to assure that assistance is given only to bona fide cases. Caseworkers will also participate in efforts to resettle refugees from Miami to other parts of the country by encouraging refugees to resettle. The staff allowance provides for 1 caseworker for each 165 cases receiving assistance under the program. This is a substantially larger workload per worker than that associated with the domestic general assistance programs.

RESETTLEMENT AND EMPLOYMENT OPPORTUNITIES

A basic objective of the Cuban refugee program is the resettlement and employment of refugees in areas other than Miami. Such resettlement is essential if the refugees are to become self-supporting, productive, and taxpaying members of our society and if the burden on the Miami area is to be lessened.

Four private nonprofit agencies are under contract with the Federal Government to resettle Cuban refugees. These are: (1) Church World Service (Protestant), (2) National Catholic Welfare Conference, (3) United HIAS Service (Jewish), and (4) the International Rescue Committee (nonsectarian). These agencies have a long history of service in the refugee field.

The major steps that will be taken during fiscal year 1964 to promote resettlements have already been described and we expect that resettlements will become increasingly difficult since we will be working

almost entirely with refugees who have become established in the Cuban community in Miami. Factors such as a colder climate in other parts of the country and language problems will continue to be a barrier to resettlement. Based on these considerations, and after giving due regard to increased resettlement emphasis we estimate that we will be able to resettle 20,800 Cuban refugees, or an average of 400 a week during the fiscal year 1964. At an average cost of $130 per person, $2,704,000 will be required during 1964 for administrative and operational expenses of the agencies and for travel expenses of the refugees.

EDUCATION

The presence of over 100,000 Cuban refugees in the Miami area has created serious educational problems. For example, the Dade County public school system is currently providing facilities for about 18,000 Cuban children in elementary and secondary schools. Many Cuban refugees do not speak English; a majority of the adults require language orientation, and vocational training or professional retraining before they can obtain jobs. The total cost of the educational program for 1964 is estimated at $9,889,000. A brief description of each part of the educational program and the basis for the budget estimate follow.

ASSISTANCE TO DADE COUNTY PUBLIC SCHOOLS

In the estimate for aid to the Dade County public school system, $6,066,000 has been provided. The largest single item is for $5,513,000 to cover costs of educating Cuban refugee children in the elementary and secondary schools. The 1964 estimate provides for 17,700 Cuban refugee children in average daily attendance for the first semester of the school year and 17,300 for the second semester. The total cost per child for the school year 1963–64 (both American and Cuban children) is estimated to be $525. Because of the special problems posed by the Cuban children, it costs about 20 percent more to educate a Cuban child than it does a non-Cuban child. The Federal share per Cuban refugee child has been based upon 50 percent of the estimated cost of educating a Cuban child or $315 per child.

VOCATIONAL TRAINING FOR YOUTH AND ADULTS

In the estimate for English language and vocational training of Cuban adults in Miami to prepare these refugees for life in the American community and to increase their chances for employment outside the Miami area, $1,881,000 is provided. Many refugees have a skill which would provide them with employment if they had a workable knowledge of English. Others have no such skills but with vocational training can develop a skill. The estimate provides for 276,000 hours of English training per month at a cost of 48 cents per hour, and 37,000 hours of vocational and shop training per month at a cost of 60 cents per hour.

ASSISTANCE TO COLLEGE STUDENTS

In the estimate for loans to approximately 1,750 Cuban refugee college students, $1,500,000 is provided. Criteria for granting loans in this program are similar to those for U.S. students. The maximum loan to a student is $1,000 per academic year.

PROFESSIONAL TRAINING AND PLACEMENT

In the estimate for professional retraining and placement, $442,000 is included. Many Cuban refugees have been trained in professional fields in Cuba. With current shortages of trained persons in teaching and other professions, it is important to American interests as well as to the Cubans to provide for the retraining and placement of such Cuban professional persons.

For fiscal year 1963, $167,000 was provided for training about 400 physicians, lawyers, and teachers. The $442,000 requested for 1964 will retrain nearly 1,000 persons, and permit an expansion of the program to include social workers and many more teachers, as well as physicians and lawyers.

HEALTH SERVICES

Federal participation in the financing of health services for Cuban refugees in the Miami area has become necessary not only to protect the Cuban refugees but also the health of the community. The total estimate for health services for fiscal year 1964 is $1,501,000.

REFUGEE HEALTH CLINIC AND OUTPATIENT MEDICAL SERVICES

Sum of $615,000 is for a federally financed clinic operated in the Cuban Refugee Center by the Dade County Health Department. At the clinic a general health screening, including chest X-ray and immunizations, is performed on each newly registered refugee, and refugees without resources may obtain certain types of medical care for which they would otherwise have to be referred to hospital outpatient clinics. Emergency dental care as well as dental care for children and expectant mothers are also available at the clinic. For those needy refugees requiring medical care not available at the refugee clinic, $240,000 has been provided in the 1964 budget estimate for outpatient clinical services at local hospitals at a rate of $7 a visit.

MATERNAL AND CHILD HEALTH AND SCHOOL HEALTH SERVICES

Sum of $225,000 is included in the estimate to provide maternal and child health and school health clinical services to the Cuban refugee population, as well as clinical services for handicapped Cuban refugee children.

HOSPITALIZATION FOR LONG-TERM ILLNESS

Sum of $421,000 is included in the estimate to finance the cost of hospitalization of individuals with active tuberculosis or acute psychosis and of hospitalization beyond 30 days that may be required by needy refugees for other serious conditions.

Mr. Chairman, that concludes my general statement. If you have any questions, I will be very glad to try to answer them.

Mr. PASSMAN. Thank you very much, Dr. Winston. I do not mean this to be facetious, but if Americans start pretending to be Cubans and get caught, is there any penalty?

Dr. WINSTON. I think every effort has been made to provide services that are comparable to, but not essentially different from, services that are available to our American citizens.

Mr. PASSMAN. Available if they have the money. I think it will be established for the record that this is a service which is superior to that given to a lot of very poor Americans.

CONSULTANTS FEES

What amount do you pay per day for consultants, Doctor?

Dr. WINSTON. I shall ask Mr. Wynkoop, our fiscal officer, to answer.

Mr. WYNKOOP. As a matter of fact, we have employed very, very few consultants.

Mr. PASSMAN. But what do you pay per day?

Mr. WYNKOOP. We pay the top of grade 15, which is $68.96 a day.

Dr. WINSTON. That would be the same rate that we would pay for consultants generally.

Mr. PASSMAN. That is the average paid in the Government?

Dr. WINSTON. Yes.

Mr. PASSMAN. Some of them are as low as $40, but you are using the average.

Mr. WYNKOOP. We only bring in people like top-notch doctors where we need specialized service.

STATUS OF A CHILD OF CUBAN PARENTS BORN IN UNITED STATES

Mr. PASSMAN. What is the citizenship status of a child of Cuban parents born in the United States?

Mr. WYNKOOP. It is an American citizen.

USE OF CUBANS AS SPANISH TEACHERS

Mr. PASSMAN. On page 2, Doctor, you mention:

> Funds to meet part of the extra expense which the Miami schools have to assume because of the large number of refugee children; funds for loans to college students, and for English classes and certain types of vocational training to enable the refugees to obtain jobs; and funds for the retraining of physicians, teachers, and other professional persons.

We had another agency before the committee a few days ago, and it was suggested that people be brought in from some of the Latin American countries—particularly, I believe, Venezuela was mentioned—to teach Spanish in some of the schools in America. The language of these Cubans is Spanish, is it not?

Dr. WINSTON. Yes, sir.

Mr. PASSMAN. If this other agency could inform you as to the schools to which they would like to bring these Spanish teachers, I wonder if that request could be filled from the Cuban refugees?

Dr. WINSTON. We would certainly welcome referrals from them to see what we could work out cooperatively here.

Mr. PASSMAN. What do you mean, cooperatively? If you have them and they are qualified in every respect, they are the ones who should be assigned.

RETRAINING CUBAN PHYSICIANS

In retraining physicians, are you going to retrain him to be a physician by American standards, or will he go into some other profession or vocation?

Dr. WINSTON. We have really two problems here. One, as you know, is that there are many requirements that must be met for a physician to qualify under our various States provisions.

Consequently, we have some very good Cuban physicians, but they have to have help in order to qualify.

Mr. PASSMAN. My question is, Are you going to retrain them so they can practice medicine in America, or are you going to train them in fields where maybe they will do something other than practice medicine?

Mr. MEYERS. The effort generally in the medical field, Mr. Chairman, is to retrain them so they can do medical work as doctors.

Mr. PASSMAN. They will continue to be doctors. That is fine.

Off the record.

Mr. PASSMAN. We are, it seems, trying to work out a Utopia here in America.

EMPLOYMENT OF CUBAN REFUGEES

Have you any complaints from the people where you are resettling the Cubans about their taking jobs that rightfully belong to the community?

Dr. WINSTON. This, of course, is a matter to which we have given special attention, sir, because we recognize its importance. I would like Mr. Thomas, who is working constantly on the resettlement program, to comment on this.

Mr. PASSMAN. Just tell us whether or not you are having complaints from the people where you are resettling the Cuban refugees.

Mr. THOMAS. We are not having complaints.

Mr. PASSMAN. Are you taking them where there is maybe 100 percent employment?

Mr. THOMAS. We have an Employment Service man right with us in Miami. We check with the local employment service, and before families go into an area we are certain it will not create more unemployment.

Mr. MINSHALL. Did I understand you correctly to say you are not having complaints?

Mr. THOMAS. We are not having complaints.

Mr. MINSHALL. From whom?

Mr. THOMAS. From the general public.

Mr. MINSHALL. I just visited Miami——

Mr. THOMAS. Miami, sir?

Mr. PASSMAN. Are you employing a lot of these people in the Miami area?

Mr. THOMAS. No, sir.

Mr. PASSMAN. None of them?

Mr. THOMAS. There are some persons employed in the Miami area, but they are not employed on our recommendation. They are persons who go off and get jobs on their own. We try to move people out of Miami.

Mr. MINSHALL. Where haven't you had complaints?

Mr. THOMAS. I am talking about New York, New Jersey, Puerto Rico, California, the State of Washington.

Mr. MINSHALL. You have not had complaint No. 1 from any of those areas?

Mr. THOMAS. Not to speak of.

Mr. MINSHALL. Not to speak of. What do you mean by "not to speak of?"

Mr. THOMAS. We get an occasional letter.

Mr. MINSHALL. Then you have had complaints, but you said there had been no complaints.

Mr. THOMAS. I thought the chairman was talking in terms of complaints that were sizable, that meant trouble.

Mr. PASSMAN. A lot of these people in my State and in all States are good, honest, industrious people who do not have any jobs, but many of them would not know how to complain or to whom to complain.

RESETTLEMENT AND EMPLOYMENT OF CUBAN REFUGEES

Let me ask ask this question: Can you prepare for the record a statement showing (1) the States in which you have resettled the refugees, (2) the towns or communities in the States, (3) the occupations, (4) whether or not it is in a "distresed" area where the community facilities and accelerated public works programs might be in effect?

Mr. KELLY. We can identify that, Mr. Chairman. I have envisioned one problem with your request and would like to comment on it, if I might.

Mr. PASSMAN. If a "distressed" area is involved, that would indicate a surplus of labor.

Mr. KELLY. I do not think we will have difficulty with the distressed areas portion.

Mr. PASSMAN. My question was not intended to get into debate, but just to ascertain by what standards they are resettled. The witness says you have received no complaints, but all over the United States there are "distressed areas," and if these people are being relocated in these areas, we want to know it.

Mr. MINSHALL. I know you are familiar, Mr. Chairman, with the hearings our colleagues, Mr. Fascell and Mr. Pepper, had in Miami last March 14 and 15. At that time it was suggested by them that, in addition to Miami as a port for those people to come in, they open your neighboring city of New Orleans. That was one of their suggestions. I thought you should know this.

Mr. PASSMAN. That is why we are particularly anxious to know where you are locating these people, so we can look into the accelerated public works program, community facilities program, and many of the others that are being worked out.

Mr. WYNKOOP. This will be quite a list, Mr. Chairman.

Mr. PASSMAN. We are desirous of receiving the information.

Mr. MICOCCI. May I add, some of this we can provide tomorrow.

Mr. PASSMAN. We want it all together, not piecemeal.

Mr. MICOCCI. One problem is that we do not know too well exactly what they are doing at this point.

Mr. PASSMAN. You mean what they are doing?

Mr. MICOCCI. Exactly what job they are holding.

Mr. PASSMAN. You are speaking of the Cubans?

Mr. MICOCCI. Yes.

Mr. PASSMAN. Then there should not be too much stress on the fact that you are finding employment for them, should there?

Mr. KELLY. Let us do the best we can on it.

Mr. PASSMAN (reading):

* * * resettlement of refugees from Miami to other parts of the Nation where job opportunities exist and where the refugees will be able to use their training and skills.

Please give us the information as completely as you can, and especially the job, the community or city, and the State, and whether or not it is in a "distressed" area.

(The information supplied follows:)

GEOGRAPHICAL AND OCCUPATIONAL DISTRIBUTION OF RESETTLED CUBAN REFUGEES

Local representatives of national voluntary agencies in over 1,000 localities throughout the United States perform the task of job finding for Cuban refugees as a part of the total resettlement process. These local agencies do not report to their national organizations the job classification in which they place refugees. Therefore, it is not possible to comply completely with the committee's request for information on occupations held by the refugees. There is attached as exhibit A a listing of 54,324 resettlements of Cuban refugees by location. Those locations classified as areas eligible for area redevelopment assistance are identified by an asterisk.

In order to be as responsibe as possible to the committee's request for information as to the occupational placement of the refugees, we have obtained from the U.S. Employment Service unit at the Miami center data associated with 1,929 placements in which the USES cooperated with the voluntary agencies. The attached listing, exhibit B, shows by place of resettlement the positions in which the 1,929 refugees were resettled and whether the resettlement locations were classified as areas eligible for area redevelopment assistance.

REFUGEES RESETTLED IN REDEVELOPMENT AREAS

There are currently about 2,500 areas in the United States designated as redevelopment regions under the Area Redevelopment Act. Cuban refugees have been relocated in only 66 of these redevelopment areas. During the period, April 1961 through April 20, 1963, 54,324 persons had been relocated to 1,355 communities in the United States. Only 1,694, or 3.1 percent of the total, were relocated in the 66 redevelopment areas.

Two-thirds of the redevelopment areas received four persons or less. Only 11 redevelopment cities received over 18 persons.

While redevelopment areas contain about 37 million persons, or 20 percent of the U.S. population, only 3.1 percent of all the refugees resettled have been resettled to these burdened areas.

It should be noted that the Federal Government itself does not send refugees on its own initiative anywhere. The relocation process is a voluntary activity which starts when a citizen or an organization—usually a church—sponsors the relocation of a Cuban refugee individual or family. The sponsor undertakes to assist the refugee breadwinner in finding living quarters and a job.

The resettlement of refugees to areas suffering from relatively high unemployment is largely limited to those refugees with special shortage skills which are needed in the community. This is true, for example, in the case of the large number of doctors who have been resettled to all parts of the country to work in medical institutions. It applies also to schoolteachers, architects, draftsmen, accountants, engineers, and similarly skilled persons.

EXHIBIT A. GEOGRAPHIC DISTRIBUTION OF RESETTLEMENTS

February 15, 1961, through April 20, 1963

There were 54,324 Cuban refugees resettled in 1,355 cities in 49 States and Puerto Rico from February 15, 1961, through April 20, 1963. The following list identifies these resettlements by States and communities: (Those cities marked with an asterisk are those designated as areas eligible for assistance under the Area Redevelopment Act.)

Geographical distribution of Cuban resettlements

State	Total persons	Total cities	City	Persons
Alabama	166	19	Alexander City	4
			Anniston	4
			Auburn	3
			Birmingham	34
			Camp Hill	3
			Cullman	2
			Decatur	11
			Huntsville	15
			Jacksonville	5
			Mobile	32
			Montgomery	15
			Montevallo*	10
			Mount Vernon	5
			Phenix City	2
			St. Bernard	4
			Selma	3
			Sylacauga	6
			Tuscaloosa	5
			Tuskegee	3
Arizona	112	6	Ganado	3
			Mesa	4
			Phoenix	3
			Sells	3
			Tucson	96
			Window Rock	3
Arkansas	17	9	Arkadelphia*	2
			Batesville	2
			Booneville	3
			Branch	1
			Carlisle	1
			Fort Smith	1
			Gentry	2
			Little Rock	2
			Magnolia*	3
California	4,937	157	Alameda	10
			Alhambra	12
			Altadena	1
			Anaheim	4
			Arcadia	3
			Arlington	2
			Auburn	4
			Azusa	5
			Bakersfield	25
			Baldwin Park	14
			Bell	2
			Bellflower	4
			Belmont	3
			Belvedere	4
			Berkeley	57
			Beverly Hills	3
			Bloomington	3
			Blythe	9
			Burbank	34
			Burlingame	6
			Canoga Park	8
			Capitola	4
			Carpinteria	3
			China Lake	3
			Chowchilla	7
			Chula Vista	4
			Claremont	2
			Coachella	6
			Colusa	1
			Compton	17
			Concord	10
			Corning	10
			Corona	2
			Corte Madera	4
			Culver City	41
			Daly City	2
			Delano	2
			Downey	10
			Duarte	5
			Edison	4
			El Cajon	8
			El Centro	1
			El Cerrito	4
			Emeryville	4
			Escondido	1
			Fontana	2
			Fremont	9
			Fresno	3
			Fullerton	12
			Gardena	5

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
California—Continued			Garden Grove	27
			Glendale	98
			Glendora	4
			Hawthorne	2
			Hayward	28
			Healdsburg	4
			Hermosa Beach	1
			Hillsborough	3
			Hollywood	90
			Huntington Park	40
			Inglewood	6
			Kings Beach	1
			La Crescenta	1
			La Habra	7
			La Jolla	5
			Lakeside	1
			La Mirada	2
			La Puente	17
			Larkspur	4
			La Verne	8
			Lawndale	7
			Lennox	2
			Lenwood	5
			Long Beach	119
			Los Altos	4
			Los Angeles	2,523
			Mammoth Lakes	3
			Manhattan Beach	1
			Maywood	6
			Menlo	3
			Mill Valley	3
			Monrovia	188
			Montebello	1
			Monterey Park	17
			Monterey	2
			Montrose	7
			Mountain View	1
			National City	2
			Niles	10
			North Hollywood	109
			Northridge	3
			Norwalk	6
			Oakland	34
			Orange	15
			Orangevale	1
			Orcutt	4
			Otay	1
			Oxnard	11
			Pacific Beach	3
			Pacoima	18
			Panorama City	2
			Pasadena	141
			Pico Rivera	1
			Pomona	9
			Porterville	2
			Port Hueneme	5
			Portola Valley	5
			Rancho Cordova	3
			Redondo Beach	4
			Redwood City	6
			Rialto	3
			Richmond	12
			Riverbank	4
			Riverside	15
			Rosemead	7
			Sacramento	21
			San Bernardino	6
			San Diego	68
			San Fernando	11
			San Francisco	372
			San Gabriel	8
			San Jose	41
			San Leandro	27
			San Lorenzo	1
			San Marino	7
			San Mateo	14
			San Pedro	6
			San Rafael	3
			Santa Ana	12
			Santa Barbara	11
			Santa Cruz	2
			Santa Monica	15
			Santa Paula	5
			Santa Rosa	4

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
California—Continued			Seaside	3
			Sepulveda	12
			Sherman Oaks	27
			Solana Beach	3
			Sonoma	4
			Stateline	8
			Stockton	12
			Studio City	3
			Sunnyvale	6
			Sun Valley	22
			Tahoe	1
			Temple City	8
			Thermal	5
			Torrance	30
			Tujunga	1
			Van Nuys	38
			Venice	18
			Walnut Creek	4
			West Covina	2
			Whittier	16
			Wilmington	1
			Woodland Hills	2
			Yuba City	1
Colorado	691	14	Arvada	5
			Aurora	5
			Brighton	5
			Colorado Springs	2
			Denver	631
			Englewood	19
			Glenaire	2
			Golden	1
			Longmont	3
			Monte Vista	2
			Pueblo	7
			Security	2
			Sterling	5
			Westminster	2
Connecticut	623	40	Ansonia*	9
			Bridgeport	128
			Byram	14
			Colchester	5
			Danbury	14
			Darien	4
			Derby	2
			East Hartford	6
			Fairfield	5
			Farmington	5
			Greenwich	2
			Groton	3
			Hartford	181
			Lebanon	4
			Madison	2
			Manchester	13
			Meriden	13
			Middletown	3
			New Britain	32
			New Canaan	3
			New Haven	30
			Noroton	1
			North Haven	3
			Norwalk	9
			Norwich	1
			Ridgefield	1
			Riverside	5
			Rocky Hill	13
			South Norwalk	2
			Stamford	61
			Stratford	1
			Thomaston	10
			Torrington	4
			Wallingford	9
			Washington	3
			Waterbury	10
			Waterford	2
			West Hartford	3
			Westport	1
			Willimantic	6
Delaware	66	5	Dover	11
			Harrington	1
			Milford	3
			New Castle	4
			Wilmington	47
District of Columbia	615	1	Washington	615

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Florida	766	53	Anna Maria Island	1
			Apalachicola	1
			Arcadia	4
			Archer	3
			Avon Park	1
			Brooksville	6
			Chatahoochie	7
			Clearwater	7
			Clermont	1
			Dade City*	2
			Daytona Beach	8
			De Land	8
			Dunedin	3
			Eau Gallie	3
			Fellsmere	1
			Fort Pierce	2
			Gainesville	40
			Haines City	2
			Jacksonville	102
			Key West	11
			Kissimmee	7
			Lake City	2
			Lakeland	6
			Lantana	1
			Largo	5
			Leesburg	5
			Mango	2
			Melbourne	3
			Milton	1
			Naples	18
			Nichols	1
			Ocala	4
			Orange Park	1
			Orlando	118
			Pahokee	3
			Palm Beach	4
			Pensacola	30
			San Antonio	1
			Sanford	4
			Sarasota	6
			St. Augustine	13
			St. Petersburg	49
			Starke	5
			Tallahassee	3
			Tampa	228
			Venice	1
			Vero Beach	8
			Waldo	1
			Wauchula	4
			West Palm Beach	9
			Winter Garden	1
			Winter Haven	1
			Winter Park	8
Georgia	525	30	Athens	3
			Atlanta	302
			Augusta	7
			Avondale Estates	4
			Brunswick	3
			Carrollton	2
			Cedartown*	6
			College Park	6
			Columbus	11
			Cordele	1
			Cuthbert	1
			Decatur	28
			Doraville	3
			Douglas	2
			Dublin	3
			Forsyth*	1
			Fort Benning	8
			Gainesville	4
			Griffin	2
			Jenkinsburg	4
			Macon	17
			Marietta	5
			Milledgeville	79
			Mount Berry	1
			Norman Park	2
			Quitman	3
			Rome	6
			Savannah	7
			Waleska	2
			West Point	2

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Hawaii	23	3	Honolulu	16
			Kaneohe	4
			Wailuku, Maui	3
Idaho	4	2	Boise	1
			Nampa	3
Illinois	2,718	83	Arlington Heights	9
			Aurora	21
			Barrington	1
			Belleville	3
			Bellwood	7
			Berwyn	7
			Bloomington	7
			Blue Island	5
			Broadview	1
			Cary	3
			Centralia	2
			Cahokia	3
			Champaign	12
			Chicago	2,142
			Chicago Heights	6
			Cicero	5
			Downey	1
			Decatur	1
			Deerfield	2
			East Hazelcrest	2
			East Moline	2
			Elgin	15
			Elmhurst	19
			Evanston	31
			Evergreen Park	2
			Finley Park	7
			Flossmoor	1
			Freeport	2
			Galesburg	1
			Glenview	5
			Grayslake	6
			Harvey	2
			Hillside	1
			Hickory Hills	1
			Kinsdale	3
			Henry	1
			Homewood	4
			Jacksonville	4
			Joliet	80
			Kankakee	1
			La Grange	12
			Lake Bluff	1
			Lake Forest	4
			Libertyville	2
			Lincoln	2
			Lincolnwood	2
			Lombard	12
			Lyons	4
			Metamora	1
			Mattoon	1
			Melrose Park	36
			Midlothian	3
			Moline	4
			Momence	2
			Mount Prospect	7
			Mundelein	7
			Murphysboro	5
			Naperville	5
			Niles	10
			Norridge	6
			Oak Forest	2
			Oak Lawn	9
			Oak Park	14
			Palatine	4
			Palos Park	1
			Park Ridge	2
			Peoria	9
			Riverdale	2
			River Forest	1
			Riverside	1
			Robinson	1
			Rockford	4
			Roselle	1
			Skokie	25
			Springfield	37
			St. Elmo	1
			Sterling	5
			Urbana	7
			Waukegan	8

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Illinois—Continued			Western Springs	1
			Wheaton	15
			Wilmette	8
			Winnetka	6
Indiana	378	29	Anderson	10
			Bloomington	3
			Bluffton	5
			Clarksville	2
			Columbus	22
			Evansville*	26
			Elkhart	4
			Fort Wayne	32
			Gary	7
			Hammond	2
			Indianapolis	187
			Jeffersonville	6
			Kentland	3
			Kokomo	3
			Lafayette	11
			Lawrence	9
			Logansport	5
			Michigan City	9
			Mooresville	2
			North Manchester	1
			Paragon	1
			Perrysville	2
			Richmond	1
			South Bend	9
			Valparaiso	2
			Walton	1
			Whiting	11
			Winchester	1
			Winona Lake	1
Iowa	168	20	Afton	4
			Ames	4
			Aurelia	1
			Council Bluffs	17
			Clinton	4
			Davenport	6
			Denison	1
			Des Moines	42
			Dubuque	35
			Glenwood	1
			Iowa City	6
			Knoxville	5
			Lansing	5
			Monticello	3
			Muscatine	2
			Neola	1
			Nevada	2
			Pella	24
			Sigourney	1
			Spencer	4
Kansas	256	17	Atchison	5
			Augusta	2
			Chanute	8
			Dighton	4
			Emporia	3
			Garden City	4
			Kansas City	7
			Larned	11
			Lawrence	5
			Leavenworth	5
			Osawatomie	14
			Plains	1
			Russell	1
			Talmage	6
			Topeka	32
			Wichita	122
			Winfield	26
Kentucky	134	22	Ashland	6
			Berea	3
			Campbellsville	1
			Covington	2
			Danville*	17
			Eddyville*	6
			Fern Creek	4
			Fort Campbell	1
			Fort Mitchell	3
			Frankfort	14
			Fulton*	4
			Greenville	7
			Hopkinsville	4

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Kentucky—Continued			Lexington	4
			Louisville	31
			Murray	4
			Nazareth	6
			Paducah*	6
			Pikeville*	3
			Richmond*	4
			Shively	1
			Winchester	3
Louisiana	973	29	Alexandria	9
			Baton Rouge	126
			Covington	1
			Franklin*	4
			Grainville	2
			Grand Coteau	3
			Gretna	1
			Hammond	1
			Houma	11
			Jeanerette	21
			Kenner	5
			Lafayette*	14
			Lake Charles	10
			Lockport	3
			Marrero	4
			Martinville	4
			Metairie	12
			Montegut	6
			Morgan City	4
			Napoleonville	3
			New Orleans	686
			Pineville	3
			Port Allen	10
			Reserve	3
			Shreveport	15
			Slidell	2
			Thibodaux	5
			Vacherie	4
			Youngsville	1
Maine	13	6	Auburn	1
			Bangor	5
			Dexter	1
			Hinckley	4
			Vassalboro	1
			Westbrook	1
Maryland	479	34	Aberdeen	1
			Baltimore	222
			Bel Air	5
			Bethesda	28
			Bowie	2
			Capitol Heights	2
			Catonsville	2
			Chevy Chase	3
			College Park	3
			District Heights	1
			East Riverdale	1
			Edgewood	2
			Frederick	2
			Hyattsville	25
			Indian Head	4
			Laurel	1
			Laurel Hills	2
			Lexington Park	2
			Lowel Pines	2
			Massey	2
			McDonogh	4
			Mount Rainier	1
			New Windsor	4
			Reisterstown	8
			Rockville	1
			Severna Park	6
			Silver Spring	119
			Sykesville	1
			Takoma Park	9
			Temple Hills Park	2
			Towson	1
			Westminster	3
			Wheaton	3
			Woodlawn	5
Massachusetts	1,731	64	Alston	11
			Andover	11
			Arlington	11
			Ashland	1
			Attleboro	9
			Auburndale	5

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Massachusetts—Continued			Belmont	15
			Benham	3
			Beverly	4
			Boston	856
			Bradford	2
			Braintree	1
			Brighton	9
			Brockton	1
			Brookline	238
			Cambridge	43
			Canton	1
			Charlestown	3
			Chelsea	3
			Concord	21
			Dedham	7
			Dorchester	34
			East Falmouth	1
			Gardner	1
			Hudson	3
			Hyde Park	3
			Jamaica Plain	15
			Lawrence	96
			Lenox	1
			Lincoln	2
			Littleton	4
			Lowell*	87
			Malden	1
			Marlboro	1
			Mattapan	1
			Melrose	1
			New Bedford*	1
			Newton	10
			North Adams*	30
			North Andover	1
			North Pembroke	2
			Peabody	5
			Pepperell	3
			Pittsfield	12
			Plymouth*	4
			Quincy	5
			Reading	3
			Revere	2
			Rockport*	3
			Roslindale	1
			Roxbury	38
			Salem	4
			Scituate	2
			Somerville	6
			South Woodstock	1
			Springfield	22
			Swansea	1
			Waltham	14
			Walpole	5
			Weston	5
			Westover	6
			Westboro	5
			Weymouth	5
			Worcester*	29
Michigan	537	35	Ann Arbor	1
			Battle Creek	4
			Bay City	5
			Benton Harbor	5
			Coldwater	1
			Dearborn	6
			Detroit*	191
			East Detroit	3
			East Lansing	2
			Eloise	1
			Garden City	4
			Grand Rapids	129
			Grandville	3
			Grosse Pointe	4
			Flint	16
			Highland	1
			Highland Park	4
			Houghton	1
			Huntington Woods	18
			Jackson	1
			Kalamazoo	18
			Lansing	56
			Livonia	12
			Marquette*	5
			Midland	22
			Oak Park	6

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Michigan—Continued			Oxford	1
			Pontiac	1
			Rochester	1
			Saginaw	1
			Sand Lake	2
			Southfield	3
			St. Joseph	4
			Temperance	2
			Warren	3
Minnesota	249	8	Cloquet	2
			Frontenac	1
			Minneapolis	165
			Mound	4
			Richfield	4
			St. Louis Park	3
			St. Paul	68
			Winona	2
Mississippi	66	11	Canton*	4
			Clermont Harbor	1
			Gulfport	3
			Jackson	6
			Laurel	1
			Meridian	9
			Natchez	5
			Pass Christian	1
			State College	1
			Vicksburg	27
			Waynesboro	8
Missouri	549	21	Chillocothe	6
			Clayton	4
			Columbia	18
			Flat River*	1
			Independence	4
			Joplin	4
			Kansas City	323
			Kirkwood	7
			Lexington	1
			Marshall	2
			New Madrid	1
			Olivette	2
			Poplar Bluff	4
			Raytown	1
			Rogersville	1
			Rolla	1
			Sedalia	4
			Springfield	10
			St. Joseph	1
			St. Louis	153
			Warrensburg	1
Montana	28	9	Bigfork	1
			Billings	2
			Butte	4
			Dillon	1
			Great Falls	2
			Helena	11
			Kalispell	2
			Libby	1
			Warmsprings	4
Nebraska	198	8	Burwell	5
			Chadron	4
			Imperial	1
			Ingleside	2
			Kearney	5
			Lincoln	41
			Omaha	135
			Wayne	5
Nevada	279	4	Lake Tahoe	5
			Las Vegas	243
			Reno	30
			Sparks	1
New Hampshire	58	10	Bethlehem	2
			Concord	4
			Laconia	17
			Manchester	9
			Nashua	14
			Newbury	1
			Orford	3
			Pike	3
			Salem Depot	4
			Wolfeboro	1

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
New Jersey	7,047	177	Asbury Park	1
			Atlantic City*	23
			Basking Ridge	1
			Bayville	4
			Bayonne	34
			Belleville	9
			Bergen	1
			Bergenfield	16
			Berkeley Heights	9
			Blackwood	3
			Bloomfield	9
			Bogota	9
			Bound Brook	7
			Brick Town	4
			Caldwell	4
			Camden	8
			Carneys Point	4
			Carteret	10
			Cedar Knolls	2
			Chatham	14
			Cherry Hill	3
			Clark	1
			Cliffside	2
			Clifton	12
			Cliffside Park	3
			Closter	6
			Colonia	15
			Cranford	8
			Cresskill	3
			Demarest	3
			Dover	60
			Dumont	1
			East Brunswick	1
			East Orange	53
			Edgewater	7
			Elizabeth	718
			Elizabethport	1
			Englewood	27
			Fair Lawn	6
			Fairview	12
			East Paterson	8
			Fanwood	1
			Florham Park	8
			Fordham	1
			Fort Dix	2
			Fort Lee	16
			Franklin Lakes	11
			Franklinville	3
			Garden State Park	3
			Garfield	5
			Gibbstown	1
			Glassboro	3
			Glen Ridge	3
			Guttenberg	14
			Hackensack	46
			Hackettstown	5
			Haddonfield	6
			Hammonton	4
			Hanover	7
			Harrison	9
			Hawthorne	6
			Hoboken	476
			Irvington	7
			Iselin	2
			Jackson	1
			Jamesburg	2
			Jersey City	227
			Kearny	7
			Kenvil	2
			Lafayette	2
			Lake Hopatcong	4
			Lakeland	2
			Lavallette	5
			Lakewood*	2
			Leonia	4
			Levittown	5
			Linden	3
			Livingston	4
			Lodi	1
			Long Branch*	6
			Lyndhurst	4
			Madison	3
			Maplewood	2
			Marlboro	1

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
New Jersey—Continued			Maywood	2
			Merchantville	2
			Metuchen	2
			Midland Park	4
			Millburn	1
			Millville	4
			Montclair	34
			Montville	5
			Morris Plains	2
			Morristown	16
			Mountain Lakes	3
			Murray Hill	3
			New Brunswick	34
			New Vernon	4
			Newark	1,480
			New Milford	1
			Nixon	3
			North Arlington	10
			North Bergen	65
			North Haledon	9
			Northvale	1
			Norwood	1
			Oakhurst	1
			Ocean City*	1
			Orange	14
			Palisade	6
			Palmyra	1
			Paramus	7
			Park Ridge	3
			Passaic*	119
			Paterson*	241
			Paulsboro	7
			Pennington	2
			Pennsauken	1
			Perth Amboy	72
			Phillipsburg	3
			Pine Brook	2
			Pitman	4
			Plainfield	25
			Point Pleasant	3
			Prospect Park	4
			Rahway	9
			Red Bank	6
			Ridgefield	3
			Ridgefield Park	14
			Ridgewood	5
			River Edge	1
			Riverside	3
			River Vale	1
			Roselle	5
			Roselle Park	20
			Rutherford	7
			Saddle Brook	3
			Saddle River	3
			Rockleigh	1
			Salem	3
			Shrewsbury	3
			Short Hills	2
			South Belmar	1
			South Bound Brook	2
			South Hackensack	7
			South Orange	4
			Sparta	8
			Spotswood	1
			Stewartville	4
			Succasunna	2
			Springfield	3
			Summit	13
			Teaneck	3
			Tenafly	20
			Toms River	4
			Trenton	4
			Union City	1,547
			Verona	4
			Vineland	35
			Waldwick	6
			Washington	6
			Watchung	6
			Wayne	7
			Weehawken	56
			Wenonah	1
			West Englewood	3
			Westfield	6

See footnotes at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
New Jersey—Continued			Westmont	6
			West Paterson	1
			West New York	844
			West Orange	12
			White Meadow Lake	1
			Woodbury	2
			Woodline	2
			Wood-Ridge	81
			Woodstown	1
			Wyckoff	5
New Mexico	238	9	Albuquerque	190
			Cuba	1
			Fort Bayard	2
			Gallup	4
			Las Cruces	1
			Roswell	1
			Santa Fe*	5
			Silver City*	33
			Socorro	1
New York	[1] 18,000	1	Metropolitan area (5 Boroughs, Nassau, Suffolk, Westchester).	
	[1] 500	35	Upstate New York:	
			Albany	
			Amsterdam*	
			Annandale	
			Batavia	
			Binghamton	
			Bolton Landing	
			Buffalo	
			Churchville	
			Clarence	
			Elmira	
			Fallsburgh	
			Fort Plain	
			Geneva	
			Homer	
			Ithaca	
			Kenmore	
			Kingston	
			Middletown	
			Monticello	
			Newburgh	
			Oneonta*	
			Orangeburg	
			Poughkeepsie	
			Rensselaer	
			Rochester	
			Rockland	
			Roxbury	
			Saranac Lake	
			Schenectady*	
			South Fallsburg	
			Spring Valley	
			Syracuse	
			Troy	
			Utica	
			Watertown*	
North Carolina	267	30	Asheville	5
			Banner Elk	2
			Belmont	4
			Brevard	1
			Burlington	1
			Buxton	1
			Chapel Hill	4
			Charlotte	80
			Cherokee*	1
			Durham	16
			Fayetteville*	12
			Guilford	4
			Goldsboro	2
			Greensboro	8
			Hamlet	7
			High Point	31
			Hudson	3
			Jacksonville	9
			Laurinburg	4
			Lexington	6
			Midway Park	1
			Pembroke	1
			Raleigh	30
			Sanford	4
			Statesville	7

See footnotes at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
North Carolina—Continued			Swannanoa	5
			Tarawa Terrace	3
			Wilmington	5
			Winston-Salem	7
			Zebulon	3
North Dakota	37	5	Fargo	14
			Jamestown	5
			Minot	11
			Regent	1
			San Haven	6
Ohio	870	42	Akron	30
			Ashtabula*	6
			Athens*	3
			Bellbrook	3
			Berea	5
			Bluffton	5
			Brecksville	15
			Canton	17
			Cincinnati	118
			Cleveland	310
			Clyde	3
			Columbus	120
			Dayton	53
			Covington	4
			Defiance	1
			Elyria	1
			Findlay	6
			Germantown	4
			Hamilton	6
			Kent*	5
			Lakewood	5
			Lorain	1
			Louisville	1
			Loveland	4
			Mansfield	4
			Marion	5
			Middletown	5
			Mount St. Joseph	1
			Niles	1
			North Bend	10
			North Madison	3
			Ottawa	3
			Havenna	28
			Shelby	3
			Springfield	3
			Tiffin	5
			Toledo	45
			Warrensville	1
			Wickliffe	3
			Willoughby	4
			Wilmington	6
			Youngstown	14
Oklahoma	258	17	Bartlesville	4
			Clinton	5
			Eufaula	3
			Garber	2
			Lawton	8
			Marlow	9
			Norman	3
			Oklahoma City	72
			Okmulgee*	6
			Sapulpa	9
			Shawnee	4
			Stillwater	2
			Sulphur	5
			Tahlequah*	4
			Tulsa	111
			Vinita	4
			Wewoka	7
Oregon	184	4	Charleston	1
			Dallas	5
			Portland	175
			Salem	3
Pennsylvania	1,192	73	Allendale	1
			Allentown	29
			Ardmore	11
			Arlington	1
			Bangor	5
			Belle Vernon	1
			Berwyn	6
			Beaver Falls	1
			Bethlehem	10
			Bryn Mawr	12

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Pennsylvania—Continued			Butler*	2
			Canonsburg	1
			Carlisle	3
			Carnegie	1
			Chambersburg	1
			Chester	3
			Coatsville	1
			Conshohocken	2
			Croydon	1
			Darby	1
			Downingtown	1
			Doylestown	13
			Drexel Hill	7
			Easton	17
			Elkins Park	4
			Erie*	6
			Glenfield	1
			Green Lane	19
			Greensburg	1
			Greenville	2
			Harleysville	8
			Harrisburg	71
			Honey Brook	3
			King of Prussia	2
			Laceyville	1
			Lancaster	21
			Lansdale	4
			Lansdowne	1
			Langhorne	5
			Lemoyne	1
			Levittown	8
			Lima	3
			McKeesport	1
			Meadville	1
			Mechanicsburg	2
			Media	1
			New Castle	3
			Norristown	13
			North Wales	15
			Penndel	1
			Pennsburgh	3
			Philadelphia	547
			Pittsburgh*	169
			Radnor	1
			Reading	23
			Riegelsville	1
			Rosemont	6
			Roseto	1
			Scranton*	3
			Somerset	1
			Souderton	14
			State College	3
			Swarthmore	21
			Tamiment	2
			Upper Darby	10
			Valley Forge	4
			Villanova	16
			Warminister	4
			Wayne	16
			Wernersville	5
			West Chester	5
			Wilmerding	1
			York	7
Puerto Rico	[1] 5,000	7	Rio Piedras	----------
			Roosevelt	----------
			Rosemont	----------
			San Juan	----------
			Santurce	----------
			Vega Baja	----------
			Villa Capri	----------
Rhode Island	159	11	Barrington	1
			Block Island	3
			Bristol	3
			Cranston*	5
			Kingston	1
			Newport	5
			Pawtucket*	29
			Providence*	106
			Warwick	2
			Westerly	3
			West Warwick	1

See footnotes at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
South Carolina	90	15	Aiken	2
			Barnwell	5
			Bethune	2
			Charleston	2
			Cheraw	1
			Clemson	4
			Columbia	43
			Fort Jackson	3
			Georgetown	6
			Greenville	1
			Greenwood	6
			Mount Pleasant	4
			Orangeburg*	4
			Spartanburg	3
			Taylors	4
South Dakota	42	7	Aberdeen	4
			Brookings	2
			Faith	4
			Hot Springs	8
			Mitchell	5
			Rapid City	11
			Yankton	8
Tennessee	233	21	Bolivar	10
			Chattanooga	29
			Chuckey	1
			Clarksville	1
			Collegedale	1
			Donelson	8
			Greenville	12
			Jackson	1
			Jefferson City	1
			Johnson City	5
			Kenton	1
			Kingsport	2
			Knoxville	8
			Memphis	95
			Murfreesboro	9
			Nashville	28
			Oak Ridge	3
			Sewanee	2
			Shelbyville	3
			Smyrna	9
			Union City	4
Texas	1,676	69	Abilene	16
			Amarillo	31
			Arlington	25
			Athens	1
			Austin	36
			Beaumont	17
			Beeville	3
			Bellaire	5
			Big Spring	4
			Brenham	3
			Brownfield	12
			Brownsville	6
			Bryan	3
			Channelview	3
			College Station	1
			Canutillo	3
			Corpus Christi	21
			Dallas	600
			Del Rio	5
			Denison	1
			Donna	1
			Eagle Pass*	2
			Edinburg	1
			El Paso	70
			Fort Worth	138
			Freeport	2
			Freer	4
			Galveston	2
			Garland	4
			Grand Prairie	2
			Harlingen	1
			Hawkins	7
			Houston*	343
			Humble	2
			Huntsville	1
			Hurst	4
			Irving	4
			James Connally	1
			Kerrville	3
			Kingsville	1

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Persons
Texas—Continued			Lake Jackson	7
			Lamesa	2
			Laredo*	21
			Lilleen	1
			Lubbock	12
			Marlin*	4
			McAllen	6
			Nacogdoches	5
			Navasota	6
			New Braunfels	6
			Odessa	4
			Pharr	5
			Plainview	1
			Port Arthur	2
			Portland	3
			Raymondville	2
			Robstown	2
			San Angelo	4
			San Antonio	71
			San Marcos	5
			Seagoville	4
			Sherman	1
			Simonton	3
			Terrell	12
			Texas City	6
			Tyler	18
			Waco	53
			Waxahachie	4
			Wichita Falls	17
Utah	4	1	Richfield	4
Vermont	32	3	Burlington	27
			Craftsbury	1
			Saxtons River	4
Virginia	636	38	Alexandria	29
			Arlington	125
			Bedford	4
			Blacksburg	1
			Bon Air	2
			Boydton	1
			Bristol	2
			Charlottesville	3
			Fairfax	5
			Falls Church	70
			Fort Eustis	5
			Glasgow	3
			Glenallen	4
			Hampton	11
			Harrisonburg	10
			Hopewell	3
			Lynchburg	16
			Manassas	2
			Martinsville	9
			McLean	4
			Montgomery	1
			Nassawadox	5
			Newport News	47
			Norfolk	18
			Oceana	1
			Petersburg	3
			Portsmouth	22
			Quantico	3
			Richmond	167
			Roanoke	7
			Sandston	3
			South Boston	6
			Staunton	28
			Tabb	3
			Vienna	4
			Warrenton	3
			Wytheville	1
			Yorktown	5
Washington	137	15	Alderwood Manor	4
			Anacortes	1
			Bellevue	3
			Colfax	27
			Kent	3
			Lynnwood	4
			Moses Lake	1
			Olympia	24
			Onalaska	1
			Parkland	5
			Pullman	4
			Seattle	38
			Snohomish	3
			Tacoma	10
			Yakima*	9

See footnote at end of table.

Geographical distribution of Cuban resettlements—Continued

State	Total persons	Total cities	City	Person
West Virginia	59	10	Bluefield	4
			Charleston*	22
			Fairmont	2
			Logan*	9
			Man	2
			Montgomery	4
			Morgantown*	4
			Welch*	5
			Weston*	6
			Wheeling	1
Wisconsin	293	12	Antigo	1
			Colgate	2
			De Pere	1
			Green Bay	9
			Horicon	2
			La Crosse*	1
			Madison	7
			Mequon	4
			Milwaukee	255
			Shorewood	3
			Superior	5
			Watertown	3
Wyoming	11	4	Casper	3
			Lander	1
			Laramie	1
			Riverton	6
Total persons for all localities	54,324			
Total cities involved		1,355		

[1] Estimated.
*Eligible for assistance under Area Development Act.

NOTE.—Please not that detailed statistics concerning resettlements are only available since April 1961 and, therefore, the total number included in this listing is less than the 58,000 persons resettled which was mentioned in the opening statement and which represents the total number of resettlements since the inception of the program.

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Alabama	Alexander City	Nurse	1
		Physician	1
	Aubrey	Engineer	1
	Decatur	Accountant	2
	Montgomery	Teacher	1
		Telephone operator	1
		TV repairman	1
	Morristown	Teacher	1
	Selma	Auto mechanic	1
Arizona	Phoenix	Physician	1
	Sells	do	1
	Tucson	do	1
Arkansas	Booneville	do	2
	Branch	College professor	1
		Lawyer	2
California	Blythe	Electronics technician trainee	1
	Corning	Teacher	1
	La Jolla	Engineer	1
		Medical technician	1
	Los Angeles	Architect	3
		Cartographer	1
		Laborer	1
		Manicurist	1
		Nurse	1
		Truck driver	2
		Salesperson	4
		Waiter	1
	Mammoth Lakes	Hotel maid	3
	San Diego	Lawyer (legal work)	1
	San Francisco	Architect	1
		Engineer	1
	Santa Monica	Architect	1
	Venice	Accountant	1
Colorado	Arvada	Cabinetmaker	2
	Denver	Dentist (PHS)	1
	Sterling	Teacher	2

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Connecticut	Bridgeport	Baker	1
	Hartford	Assembler (factory)	1
		Physician	1
		Receptionist	1
	Norwalk	Governess	1
		Teacher	2
	Windsor	Engineer	1
	Winsted	Carpenter	1
Delaware	Dover	Accountant	2
		Accounting clerk	2
		Physician	2
		Tile setter	1
	Harrington	Foreman	1
	Milford	Manager	1
	Wilmington	Engineer	1
		Nurse	1
District of Columbia		Architect	2
		Auto mechanic	2
		Bellman	5
		Cement finisher	1
		Dentist (PHS-NIH)	3
		Doorman	1
		Draftsman	1
		Engineer	2
		Foreman	1
		Hotel maid	2
		Kitchen help	8
		Labor	1
		Physician	11
		Stenographer	1
		Tile setter	1
		Veterinarian (private laboratory)	8
		Waiter	1
Florida	Apalachicola	Salesman	1
	Archer	Engineer	1
	Boca Raton	Teacher	2
	Fort Lauderdale	Bank officer	1
		Pharmacist	2
		Physician	11
	Fort Pierce	Chemist	1
		Nurse	4
		Pharmacist	3
	Gainesville	Engineer	2
		Medical technician	1
		Physician	1
	Haines City	Bank officer	1
	Islamorada	Tile setter	2
	Jacksonville	Accountant	1
		College professor	2
		Engineer	1
		Physician	1
	Key West	do	1
	Lake City	do	1
	Lake Wales	Cabinetmaker	3
	Melbourne	Bank officer	1
	Miami	Clerk (general)	[1] 25
		Lawyer	[2] 265
		Messenger	[1] 2
		Receptionist	[1] 1
		Sculptor	1
		Secretary	[1] 6
		Social Worker	[1] 7
		Stenographer	[1] 6
		Teachers aid	423
		Telephone operator	[1] 2
		Truckdriver	1
	Orlando	Accountant	1
		Harness repairman	1
	Rockledge	Engineer	1
	St. Petersburg	Barber	2
	San Marino	Teacher	2
	St. Petersburg	Bookkeeping machine operator	1
	Sanford	Bank officer	1
	Tampa	Assembler	5
		Carpenter	1
		Compositor	1
		Linotype operator	1
		Physician	1
		Teacher	3

[1] Mainly employment on Cuban refugee program.
[2] Estimated.

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Florida	Vero Beach	Architect	1
		Chemist	1
		Nurse	4
		Research assistant	1
	Vines	Tractor operator	2
	West Palm Beach	Bookkeeper	1
Georgia	Atlanta	Architect	1
		Engineer	1
		Kitchen help	7
		Lathe operator	1
		Lawyer	1
		Nurse	4
		Physician	5
		Typewriter serviceman	1
	Milledgeville	Chemist	1
		Physician	3
	Morrow	Cement finisher	1
Hawaii	Honolulu	Accountant	1
Idaho	Nampa	Physician	1
Illinois	Berwyn	Engineer	7
		Oiler	1
	Chicago	Bellman	3
		Beautician	1
		Carpenter	1
		Clerk (general)	1
		Laborer	1
		Lawyer (legal publishing)	5
		Librarian	2
		Pharmacist	4
		Physician	11
		Lathe operator	3
		Slitting machine operator	1
		Machinist	5
	Lake Bluff	Teacher	1
	La Salle	General factory worker	2
	Mattoon	Teacher	1
	Skokie	Chemist	1
Indiana	Bluffton	Teacher	1
	Elkhart	Chemist	2
	Indianapolis	do	2
		Stenographer	1
	Mooresville	Veterinarian	1
Iowa	Afton	Teacher	1
	Clarinda	do	1
	Council Bluffs	Lawyer (trial assistant)	1
		Maintenance man	1
		Physician	1
		Teacher	1
	Des Moines	Physician	1
	Glenwood	Teacher	1
	Nevada	Bank officer	1
	Paullina	Teacher	1
Kansas	Dighton	Pharmacist	1
	Kansas City	Physician	2
	Plains	Teachers	1
	Wadsworth	Physician	1
	Winfield	do	1
Kentucky	Ashland	do	1
	Covington	Teacher	1
	Danville *	Physician	1
	Frankfort	Orderly (hospital)	1
		Physician	1
	Greenville	Accountant	1
	Hopkinsville	Physician	1
	Murray	Gardener	1
		Nurse	4
	Pikeville *	Physician	1
Louisiana	Alexandria	Accountant	1
		Bookkeeper	1
	Baton Rouge	Engineer	1
	Morgan City	Welder	2
	New Orleans	Engineer	1
		Nurse	4
		Teacher	1
		Welder	2
	Thibodaux	do	2
Maine	Hinckley	Teacher	1

See footnotes at end of table.

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Maryland	Baltimore	Dentist	1
		Governess	1
		Physician	12
		Teacher	4
	Bethesda	Auto mechanic	1
		Physician	3
		Veterinarian	1
	Boyds	Teacher	1
	McDonogh	do	1
	Westminster	Engineer	5
Massachusetts	Boston	Diesel mechanic	1
		Laborer	3
		Medical technician	3
		Musician	3
		Nurse	1
		Secretary	1
		Warehouseman	1
	Brockton	Candymaker	3
	Elgrove Village	Apprentice machine operator	4
	Lawrence	General factory worker (shoe, etc)	10
		Laborer	1
		Teacher	1
	Lowell*	General factory worker (shoe, etc)	26
	North Adams*	Apprentice machine operator	44
		Carpenter	2
		Clerk (general)	1
		Electrical repairman	1
		Fur cleaner	1
		Laborer	5
	Pittsfield	Engineer	1
		Steel detailer	1
	Revere	X-ray technician	1
		Secretary	1
Michigan	Ann Arbor	Librarian	1
	Detroit*	Accountant	3
		College professor	2
		Wrestler (midget)	1
		Physician	1
	Highland Park	do	1
	Kalamazoo	Accountant	1
		Pharmacist	1
	Midland	do	1
		Salesman	1
	Saint Lake	Dressmaker	1
	Sunlake	Cook	1
Minnesota	Minneapolis	Lawyer	1
Mississippi	Canton*	Teacher	1
	Chillicute	do	1
	Jackson	Engineer	1
		Stenographer	1
	Laurel	Physician	1
	Vicksburg	do	2
		Nurses aid	2
Missouri	Clinton	Manager	1
	Warrensburg	Pharmacist	1
	Poplar Bluffs	Architect	1
		Teacher	1
	St. Louis	Accountant	1
		College professor	4
		Librarian	1
		Physician	2
Montana	Warmsprings	do	1
Nebraska	Burwell	Teacher	1
	Chadron	do	1
	Omaha	Bookkeeper	1
		Engineer	1
	Wayne	Teacher	1
Nevada	Las Vegas	Accounting clerk	2
		Barman	3
		Cabinetmaker	1
		Card dealer	1
		Catering (manager)	1
		Clerk (general)	6
		Engineer	1
		IBM operator	1
		Kitchen help	16
		Manager	1
		Painter	1
		Stenographer	1

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Nevada	Las Vegas	Studio engineer	1
		Teacher	1
		Truckdriver	1
	Reno	Librarian	1
New Hampshire	Laconia	General factory worker (shoe)	10
		Laborer	6
		Lawyer (accountant)	1
		Lawyer (Spanish teacher)	1
		Secretary	1
		Teacher	1
	Manchester	Clicking machine operator	1
		General factory worker (shoe)	6
		Sewing machine operator	1
		Teacher	1
	Wolfeboro	do	1
New Jersey	Atlantic City*	Assistant to pathologist	1
		Physician	2
	Dover	do	1
	Hoboken	Farmhand	1
	Jersey City	Accountant	1
		Beautician	1
		Maintenance man	1
		Pharmacist	1
		Physician	1
		Nurse	1
	Levittown	Physician	1
	Lyndhurst	Engineer	1
	Newark	Housekeeper	1
	New Brunswick	Hand sewer	3
		Laborer	1
		Sewing machine operator	13
	Rahway	Pharmacist	1
	Salem	Physician	2
	South Hackensack	Welder	1
	Summit	Physician	1
	Union City	Carpenter	1
	Vineland	Physician	3
		Teacher	1
New Mexico	Albuquerque	Engineer	1
		Librarian	1
		Physician	3
	Gallup	Dentist (PHS)	1
	Silver City*	Physician	1
New York	Albany	Kitchen help	1
	Buffalo	Bellman	2
		Cook	1
	Canton	Teacher	3
	Clarence	do	2
	Freeport, Long Island	Draftsman	3
	Fort Plain	Butcher	4
	Island Park	Cook	1
		Teacher	2
	Ithaca	Physician	1
	Kings Park	do	2
	Lake Placid	Beautician	1
	Levittown	Physician	1
	Lindenville	Kitchen help	1
	Long Island City	Salesperson	4
		Kitchen help	1
	Mineola	Clerk (general)	1
	New York City	Accountant	3
		Assistant to pathologist	1
		Auto body repairman and painter	2
		Auto mechanic	4
		Baker	1
		Bell captain (1), bellman (3)	4
		Bookkeeping machine operator	1
		Cataloger	1
		Chauffeur	1
		Chemist	2
		Clerk (general)	3
		Cook	1
		Economist	1
		Engineer	6
		Food checker	1
		Foreman	2
		Gardener	2
		Garment worker	1
		Housekeeper	1

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
New York	New York City	Librarian	2
		Maintenance man	1
		Manager	1
		Pharmacist	1
		Physician	3
		Salesman	5
		Secretary	1
		Translator	1
		Upholsterer	1
		Waiter	1
		Warehouseman	1
	Oakdale	Teacher	1
	Odely	do	1
	North Hyde Park	Butcher	1
	Plattsburg	Neon sign repairman	1
	Rochester	Cook	1
		Hand sewer	4
		Hand cutter	1
		Kitchen help	1
		Maintenance man	2
		Service station attendant	1
		Sewing machine operator	19
		Tailor	1
	Rome	Physician	1
	Saugerties	Teacher	4
	Syosset	Clerk (general)	3
		Nurse	1
		Teacher	3
	Troy	do	1
	Watertown*	Auto mechanic	1
North Carolina	Boone	College professor	1
	Cherokee*	Physician	1
	Durham	do	1
	Fayetteville*	Hand cutter	1
		Teacher	2
	Raleigh	Photoengraver	1
		Painter	1
North Dakota	Fargo	Physician	1
	Fort Yates	do	1
	Regent	Tractor operator	1
Ohio	Athens*	Physician	1
		Teacher	2
	Cincinnati	Engineer	2
		Physician	1
		Telegraph instructor	1
	Cleveland	Engineer	2
		Physician	23
	Columbus	do	1
	Dayton	Accountant	1
		Foreman	1
		Physician	1
	Defiance	do	1
	Euclid	do	3
	Garfield Heights	do	1
	Hamilton	do	2
	New Concord	College professor	1
	Ravenna	Physician	1
	Youngstown	Foreman	1
Oklahoma	Lawton	Dental technician	1
		Physician	1
	Muskogee	Dentist	1
	Oklahoma City	Auto mechanic	1
		Physician	1
Oregon	Salem	Lawyer (hearing examiner)	1
Pennsylvania	Beaver Falls	Barber	1
	Green Lane	Assemblers	19
	Laceyville	Draftsman	1
		Teacher	2
	Lima	do	1
	Meadville	do	1
	Philadelphia	Barman	1
		Chemist	2
		Clerk (general)	1
		Embroiderer	1
		Engineer	1
		Garment Worker	2
		Hand cutter	1
		Laborer	1
		Manager	1

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Pennsylvania	Philadelphia	Physician	1
		Salesman	1
		Sewing machine operator	2
	Pittsburgh*	Teacher	1
	Pottstown	do	1
	Reading	Engineer	1
Puerto Rico	(Rio Piedras, Roosevelt, Rosemont, Santurce, Vega Baja, Villa Capri).	Accountant	34
		Airplane mechanic	1
		Architects	4
		Engineer	26
		Foreman	11
		Librarian	1
		Linesman	6
		Musician	5
		Physician	7
		Sales manager	2
		Secretary	3
		Station installer	6
		Telephone inspector	2
		Telephone operator	2
		Traffic inspector	1
		Veterinarian	2
	San Juan	Cable operator	1
		Central office repairman	1
		Clerk (general)	1
		Compositor	1
		Exchange repairman	4
		Manager	2
		Mechanical inspector	2
		Pressing machine operator	1
		Refrigeration mechanic	2
		Salesman	12
		Welder	1
Rhode Island	Block Island	Kitchen help	1
	Kingston	do	2
	Providence*	Clerk (general)	1
		Gardener	1
		Physician	1
South Carolina	Charleston	do	2
		Pressing machine operator	1
	Columbia	Architect	1
		College professor	1
		Physician	1
		Teacher	3
		Welder	1
	Laurens	Teacher	1
	Mount Pleasant	Fisherman	13
	Orangeburg	Lawyer (legal work)	1
		do	2
South Dakota	Faith	Teacher	1
	Rapid City	Physician	1
	Sanator	do	1
Tennessee	Bolivar	do	1
	Chattanooga*	do	1
	Donelson	do	1
	Memphis	Teacher	1
Texas	Amarillo	Physician	2
	Beaumont	Dentist	1
		Nurse	1
		Physician	2
	Big Spring	Clerk (general)	1
		Machinist	2
		Milker	2
		Salesperson	3
	Dallas	Accountant	4
		Electronics technician (trainee)	4
		Assembler	53
		Engineer	2
		Teacher	3
	El Paso	Physician	3
	Fort Worth	do	2
	Galveston	do	1
	Houston*	Actor	1
		Auto mechanic	2
		Physician	1
		Service station attendant	1
	Kerrville	Physician	1
	Navasota	do	1
	Odessa	Lawyer	1

EXHIBIT B.—*Geographic locations of resettled Cuban refugees, by occupation, in placements participated in by U.S. Employment Service*—Continued

[Locations marked with asterisk are those classified as areas eligible for area redevelopment assistance]

	City	Occupation	Persons
Texas	Terrell	Physician	1
	Tyler	College professor	1
		Physician	1
	Wichita Falls	Accountant	1
		Physician	1
Vermont	Craftsbury	Teacher	1
	Saxtons River	do	1
Virginia	Arlington	Architect	2
		Auto mechanic	1
	Boydton	Teacher	1
	Charlottesville	Clerk (general)	1
	Falls Church	Auto mechanic	1
	King George	do	1
	Martinsville	Engineer	1
	Newport News	Physician	6
	Norfolk	Engineer	1
		Physician	1
	Oceana	Carpenter	1
	Petersburg	Barber	1
	Plymouth	Physician	1
	Portsmouth	Architect	1
		Draftsman	1
		Teacher	1
	Staunton	Physician	1
West Virginia	Fairmont	Architect	1
	Logan*	Physician	1
	Weston*	do	2
Wisconsin	Madison	Chemical engineer (trainee)	1
		Engineer	1
		Teacher	1
		Tool designer	1
	Marshfield	Engineer	1
	Milwaukee	Physician	1
Wyoming	Lander	Teacher	1
	Riverton	College professor	1
		Lawyer (teaching Spanish)	1
Total			1,929

AMOUNT OF WELFARE ASSISTANCE PAYMENT

Mr. PASSMAN. On page 7 you state: "based on an average monthly payment of $81.00." That is the prevailing rate for the welfare people?

Dr. WINSTON. Exactly.

Mr. PASSMAN. Is that per person, or per family?

Dr. WINSTON. This is the average rate.

Mr. WYNKOOP. It is an average rate per person and family. There is a maximum payment of $60 per person and $100 per family.

Mr. PASSMAN. Let us say that you have a man and his wife, possibly a person over 65, what would they get?

Mr. WYNKOOP. The maximum they could get would be $100 for the two of them. From that has to be deducted income.

Mr. PASSMAN. What kind of income?

Mr. WYNKOOP. If they have an income of their own, that is deducted.

Mr. PASSMAN. That is true for Americans receiving public assistance, is it not?

Mr. WYNKOOP. Yes.

Dr. WINSTON. We follow the same procedures in determining need and the size of the grant.

Mr. PASSMAN. If a person is 65 or over, one individual, would he get $81 per month?

Mr. WYNKOOP. No, sir; the maximum that any one individual can get is $60, and the average for all one-person cases is $51. The average for all families is $95.

Mr. PASSMAN. You say here, "based on an average monthly payment of $81.00."

Mr. WYNKOOP. Yes.

Dr. WINSTON. This takes your entire caseload, your single persons and your families and your couples. This is what it works out to be.

Mr. PASSMAN. When you say average, you are talking about an average person or an average family?

Mr. KELLY. It is average family, but it includes some one-person families.

Mr. PASSMAN. If you have one person, what would that person get?

Mr. WYNKOOP. The average person, one-person check, is $51.

Mr. PASSMAN. Do you think this is clear? "* * * and that this number will drop to 27,250 by the end of the fiscal year. Based on an average monthly payment of $81 * * *.

When you say average, it could be average for the community, average for the family, or average for the individual. Average what?

Dr. WINSTON. May we insert a clarifying paragraph for the record?

Mr. PASSMAN. Yes; but give us an answer now.

Mr. WYNKOOP. There is a maximum payment of $100 where there are two or more persons involved in the family. The average for those in the total Miami area is $95, because these people have virtually no income.

Mr. PASSMAN. What does this mean when you say "based on an average monthly payment of $81"?

Mr. KELLY. This is the composite of both the two- and more-person families and the one-person family. It is an average of $95 for the two or more persons, and an average of $51 for the families that consist of only one person, for an aggregate, when you put the two together, of $81 per case, per family.

Mr. PASSMAN. It does not say that here, does it?

Mr. KELLY. We will put in a table that will provide that.

(The information follows:)

BASIS FOR COMPUTING AVERAGE MONTHLY FINANCIAL ASSISTANCE PAYMENT

For the month of February, there were 29,407 financial assistance checks totaling $2,256,529 issued to Cuban refugees in Miami, Fla.; 16,832 of these checks were issued to families consisting of two or more persons and 12,575 checks were issued to single persons. Average payments for each of these two categories of cases and the average payment for the total number of cases is shown in the table that follows. As explained in the budget justification the average payment for the total number of cases has been increasing about 50 cents a month because of an increase in the number of multiperson cases. Projecting this same average monthly increase for fiscal year 1964 results in an estimated average monthly payment of $81 per month per case, family cases and one-person cases combined.

	Number of checks (number of cases) (1)	Total financial assistance payments (2)	Average financial assistance payment per case (col. 2÷col. 1)
Family cases (2 or more persons)	16,832	$1,605,521	$95.38
1-person cases	12,575	651,008	51.77
Total	29,407	2,256,529	76.73

Mr. MINSHALL. You do not continue the support, do you, when these people relocate to Spain or to Latin American countries? You stop, do you not?

Mr. WYNKOOP. We assist in this country only.

Dr. WINSTON. This is in Florida.

CHECK ON PERSONS RECEIVING PAYMENTS

Mr. MINSHALL. What check do you have on them to know they have not left?

Mr. WYNKOOP. In the first place, the checks are mailed to them——

Mr. MINSHALL. By "check," I mean what way do you have to find out whether or not they have left the country?

Mr. WYNKOOP. In the first place, we mail their checks. The postman will not deliver the check to anyone except the addressee. If they have moved——

Mr. MINSHALL. You mean he knocks on the door as with a registered letter, and says, "Are you Mr. Cardono?"

Mr. WYNKOOP. He does not do that, but the check is supposed to be returned to us if that individual is not at that address. Besides, we make a check about every 3 to 6 months to assure that only eligible persons are receiving the aid.

Mr. MINSHALL. What kind of check?

Mr. WYNKOOP. We have a home visit by one of the people in the financial assistance section in Florida Welfare Department.

Mr. MINSHALL. How many of those people do you have investigating?

Mr. WYNKOOP. There are probably 100 persons actively engaged in this.

Mr. MINSHALL. They make a check right at the home every 3 to 6 months?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. So as to guard against duplication of payment, or paying those who may have returned to Cuba or to some other country with a relative behind who could draw it for them, could you not issue an identification card with the person's photograph on it, and let them come to headquarters and get their checks? If they are working, they do not get a check. If they are not working, they probably do not have very much else to do, anyway. That would be a lot less expensive than having 100 people out checking on the matter. You may want to give some thought to it.

Mr. MINSHALL. What is to stop people from forging these checks and possibly sending the cash to the people where they are relocated? This system is not airtight, by any means.

Mr. THOMAS. There is a possibility.

Mr. MINSHALL. There is a strong possibility.

Mr. WYNKOOP. We have referred quite a few cases like this——

Mr. MINSHALL. You are in a state of flux, with the situation changing from day to day. It seems to me you should be having a more careful investigation than apparently you are giving to it.

Mr. PASSMAN. You do not have to deliver the groceries to them, do you?

Mr. WYNKOOP. No, sir. They come after the groceries.

Mr. MINSHALL. How much is involved in this every month?

Mr. WYNKOOP. Roughly $2.5 million a month.

NUMBER RECEIVING FINANCIAL ASSISTANCE

Mr. PASSMAN. How many individuals are involved?

Mr. WYNKOOP. Thirty thousand cases. Let me translate that to people. Roughly 60,000 people.

Mr. PASSMAN. Rather than have 100 people out checking on them, if you would set up this identification card system, have the card with the individual's photograph and signature, and let this individual come to the pay window, you could get rid of about 75 of the 100 employees, and let them starting doing something else and use 25 as paymasters. Would you check into it and give the committee a little note of what you think of the idea?

(Information requested follows:)

The possibility of using an identification card containing the refugee's picture and the possibility of having the refugees pick up their checks at the public assistance office will be studied after consultation with the Florida Department of Public Welfare and a report thereon will be furnished to the committee.

SURPLUS AGRICULTURAL PRODUCTS TO REFUGEES

Mr. PASSMAN. You state:

About 60 percent of the cases who receive financial assistance also receive surplus agricultural products each month.

Do you have a limitation on the amount?

Mr. WYNKOOP. This is a standard allowance that has been worked out by the Department of Agriculture.

Mr. PASSMAN. Per individual?

Mr. WYNKOOP. Per individual.

Mr. PASSMAN. What does the individual get?

Mr. WYNKOOP. Sir, I cannot tell you.

Mr. PASSMAN. Who can tell us?

Dr. WINSTON. I cannot give you the exact quantities of this, but the Department of Agriculture has worked out so much of each of its surplus items, and then it is related to the size of the family.

We follow the same procedure here that we do for the citizens of Florida or Louisiana or any other State where there is distribution of surplus commodities.

Mr. PASSMAN. That still does not answer my question.

Dr. WINSTON. No, sir. We can give you the exact amounts.

Mr. PASSMAN. Can any of your supporting witnesses tell us the type of agricultural commodities and the quantities?

Dr. WINSTON. Yes, sir. These vary from time to time, and we will get the current items and current quantities.

(The information requested follows:)

QUANTITIES AND KINDS OF SURPLUS FOODS DISTRIBUTED TO NEEDY PERSONS IN DADE COUNTY, FLA.[1]

Dried pea beans: 2 pounds per person per month.
Cornmeal: 2½ pounnds per person per month.
White flour: 10 pounds (for three-family group).
Lard: 1 pound per person per month.
Dried milk: 4½ pounds per person per month.
Rolled wheat: 1 pound per person per month.
Peanut butter: one-half pound per person per month.
Chopped meat (Spam): one 30-ounce can per person per month.
Rice: 4 pounds per person per month.
American processed cheese: 1¼ pounds per person per month.

Mr. PASSMAN. I will say this about America: We are so charitable that we probably spoil more people than we improve, just by doing too much for them.

Have you any other cash that accrues to their credit, other than the amount mentioned a little while ago, the average of $81?

Mr. WYNKOOP. No, sir.

MEDICAL CARE FOR REFUGEES

Mr. PASSMAN. They get hospitalization and medicine in addition to that——

Mr. WYNKOOP. They get hospitalization, sir, for acute illnesses. For example, a person with a chronic hernia cannot go in and get an operation. It has to be an acute condition, something that requires immediate hospitalization.

Mr. PASSMAN. Have you set up clinics?

Mr. WYNKOOP. We have a clinic, yes, sir; where a needy person can go and get care for a cold or sore throat or sprained arm, but this does not permit them to go to a hospital.

Mr. PASSMAN. They can go to the hospital if it is an acute situation or an emergency?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. Beyond that, they get the regular care?

Mr. WYNKOOP. At the clinic.

Mr. PASSMAN. Is medicine given to them?

Mr. WYNKOOP. Yes.

Mr. MINSHALL. What is the disease rate? What is the nature of their illnesses?

Mr. WYNKOOP. I think there is a good bit of malaria, and there is a good bit of malnutrition among some of the people who have been coming out of Cuba because of the limitations on diet. There are a number of fungus cases. The children have pulmonary problems. The great bulk of these cases are handled right in the clinic where we have employed Cuban doctors at very nominal salaries, something like $5,000 a year.

Mr. MINSHALL. Have they much venereal disease?

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[1] Does not differ between Cuban refugees and other persons. As of May 7, 1963.

Mr. WYNKOOP. It is relatively slight, sir, very slight. As a matter of fact, I think the rate is lower than the going rate.

Mr. MINSHALL. I am not familiar with the going rate.

Mr. WYNKOOP. I am not, either, but this has been told to me, sir, and I am doing my best to respond to you.

Mr. PASSMAN. Of course, you do not work these programs out. We would not want you to think that we are actually trying to blame you for all these things, but we overdo just about everything we get into.

(Off the record.)

Mr. PASSMAN. You are giving them a check every month. You are meeting the broadest standards.

In addition to that you are giving them food, agricultural commodities. Then you give them their medicine and their doctors.

We are actually doing more for these refugees than for many of our own needy people.

STATUS OF REFUGEES

Doctor, if there is ever again a free Cuba are these people going to be returned there or are they going to be permanently in the United States?

Mr. WYNKOOP. These people do not have permanent rights to stay in this country. They have been granted only temporary asylum.

Consequently, in the event that Cuba should become free, certainly it is our judgment—and this is not within our province since we do not move people—it is our guess they would be returned to Cuba.

The President at one time committed himself to assisting them to return at Government expense.

Mr. MINSHALL. You are not conditioning them for permanent exile?

Mr. WYNKOOP. They have only temporary visas in this country and no permanent status whatsoever.

Mr. MEYERS. This is the great bulk of them. Some come in as permanent residents but the great bulk of them have come in on what is known as a visa waiver. They get indefinite parole and do not have permanent residence status.

Mr. PASSMAN. What is indefinite status?

Mr. MEYERS. There is no time limit.

Mr. PASSMAN. They can stay here the rest of their lives?

Mr. MEYERS. There is no definite time limit set on it.

Mr. PASSMAN. Really at this time there are no plans to return them even if Cuba should again join the community of free nations?

Mr. WYNKOOP. One reason these people want to stay in Miami is that it is only 120 miles or so from Havana, and it would be easy for them to return to Cuba.

Mr. ANDREWS. Are they free to go anywhere they want to?

Mr. WYNKOOP. Yes, except the few who have been limited, because of security reasons, to a particular area, but the bulk of them can move.

Mr. PASSMAN. In time, a lot of babies are going to be born to the refugee couples. The children will be Americans and the parents will be Cubans.

You might want to give thought to making recommendations that some policy be established. You cannot send these adults back if they have children born in America. Perhaps they should not be sent back, but you should have some plan to deal with the situation.

Off the record.

(Discussion held off the record.)

REFUGEES WHO ARE CONSIDERED A POLITICAL RISK

Mr. RHODES. If a refugee is determined to be a political risk, do you treat him any differently from any other refugee?

Mr. THOMAS. He doesn't get in, sir. The screening is done before they come into the country and they are refused admittance. This has been done.

Mr. RHODES. Do they send them back?

Mr. THOMAS. That is right.

Mr. ANDREWS. How many have you sent back or refused?

Mr. THOMAS. I understood from the Immigration and Naturalization Service people it has been well over 100.

Mr. PASSMAN. Out of how many thousands?

Mr. THOMAS. Out of 160,000.

Mr. PASSMAN. About one-half of 1 percent.

Mr. THOMAS. That is right.

Mr. RHODES. Did you not say earlier that all you did was to limit the movement of those people in Miami?

Mr. THOMAS. Those admitted. I refer now to those screened out before they are admitted.

Mr. RHODES. I refer to those admitted who are political risks.

Mr. WYNKOOP. The process is this: The Immigration and Naturalization Service and the State Department make a check before they grant a visa waiver to these people which is sent to them in Cuba. Thus there is a potential for eliminating any known cases of persons whose entry in this country would not be in our interest.

Mr. RHODES. Who are these people you talk about whose activity is limited? Did you mention that earlier?

Mr. WYNKOOP. Yes, sir. A few of these people, for example, were those engaged in raids. There were 25 or so restricted to a particular town or community.

There are a few others, and I cannot speak to this with a great deal of authority, because of other reasons. They have been restricted to a particular town and they have to report periodically to Immigration and Naturalization Service.

Mr. RHODES. They are against Castro and not for him?

Mr. WYNKOOP. Most of these people are against Castro; yes.

REQUIREMENTS FOR WELFARE ASSISTANCE

Mr. RHODES. How long can these people stay on welfare?

Dr. WINSTON. As long as they meet the eligibility requirements. This means if they continue to be in need they would continue to receive assistance just as do our own citizens.

Actually, there is a very fine record in terms of the persons who have been resettled. I think it is less than 4 percent, if I recollect correctly, of those who have been resettled who require assistance. That is one of the important reasons for helping them get located elsewhere in the country, where they can get jobs and get off of assistance.

Mr. RHODES. Am I wrong in believing that our people have to register for a job with the Employment Service, and if they get a job they have to go off welfare?

Dr. WINSTON. It depends, sir. It depends upon whether they are employable, and what the terms of the particular requirements are. This is a State-administered program. We expect, generally, if people are employable they should be seeking jobs, and if they have a bona fide job offer they are expected to take that job and their assistance would be terminated.

Mr. RHODES. Who has charge of determining whether or not they are employable? When do they become employable, in other words?

Dr. WINSTON. Speaking to the Cubans or speaking to the general welfare program?

Mr. RHODES. If there is a difference, let us have them both so we can see the difference.

Dr. WINSTON. So far as the Cubans are concerned, many of them come over here with language problems, many of them with a lack of skills. We have a large group of unemployed people who technically, except for such handicaps, would be employable.

With regard to our public assistance program, actually, in most States, the load is made up of people who are too old to work, too disabled to work, or children. Increasingly, the States are moving into programs which do involve some people who are employable, and in those instances there are careful policies around seeking and taking work. Advantage is also taken of retraining opportunities.

If they fail to take advantage of those opportunities, they make themselves ineligible.

SUPERVISION OF EMPLOYABLE PERSONNEL

Mr. RHODES. What about the Cubans? Does anybody check on the Cubans to be sure that when they become employable they actually display a certain amount of diligence in looking for work?

Dr. WINSTON. Yes, sir. I would like to answer part of your question and then ask Mr. Thomas to answer the rest of it.

In the first place, there are the usual steps in processing these cases.

I grant you the caseloads are very high. When you expect 1 worker to be responsible for an average of 165 cases you immediately make it difficult to carry out as well as you could the objective you are getting at here.

However, they must work with the cases. They visit the cases. They make home visits where they can see the circumstances, where they can check with the people, where they can talk with them and encourage them to do everything possible to help themselves, but there are also definite provisions for helping them to find employment.

Mr. Thomas can speak to that.

Mr. THOMAS. We find ourselves caught in a dilemma. There is an impact of 100,000 persons in a community the size of Miami, limited in industrial employment, mainly a resort center. We have found it would be preferable to try to find employment outside the Miami area. That gives us the dilemma, as you can see.

We cannot very well tell the employable adult he must take a job in Miami because that perhaps would mean we might be taking a job away from a Miami citizen.

RELOCATION OF REFUGEES

Mr. RHODES. Can you tell him he either resettles or gets off welfare?

Mr. THOMAS. We give him what we consider a reasonable resettlement offer—and we make that decision along with the voluntary agency—and if he refuses to take the resettlement, we remove him from the public assistance rolls.

Mr. ANDREWS. A number of people in Miami, including some Congressmen, have been complaining that a lot of the American citizens, particularly low-income brackets, were being displaced by these Cubans. What happens to an American when he is working down there in low-salaried jobs and he is displaced by a Cuban refugee?

If an American can't get a job does he go on the American plan of relief?

Dr. WINSTON. If he qualifies under the Florida regulations.

Mr. ANDREWS. He has been working and he is replaced by a Cuban refugee. He is not working now and he is destitute. He then should qualify, should he not?

Dr. WINSTON. We believe very strongly in the State adopting a program of aid to families with dependent children due to unemployment of the father.

NUMBER RECEIVING FINANCIAL ASSISTANCE

Mr. ANDREWS. Doctor, can you tell me what percentage of the 160,000 Cuban refugees are working? How many do you have on the relief rolls?

Mr. WYNKOOP. About 60,000 persons.

Mr. ANDREWS. 60,000?

Mr. WYNKOOP. There are 160,000 Cubans in the country as a whole. There are about 100,000 in Miami of whom about 60,000 are on assistance. It would leave a residual group of 40,000.

NUMBER OF REFUGEES EMPLOYED IN MIAMI

Mr. ANDREWS. 40,000 are working?

Mr. WYNKOOP. Either that or they are dependents of persons who are working.

MAXIMUM BENEFITS TO REFUGEES

Mr. ANDREWS. What is the maximum benefit that a Cuban refugee gets?

Mr. WYNKOOP. $100 a month per family under this program.

Mr. ANDREWS. Does that include living quarters?

Mr. WYNKOOP. That includes everything except, as the chairman just pointed out, surplus foods which are made available through the Department of Agriculture program and medical care for emergency items.

Mr. ANDREWS. What do you think the one package deal would be worth—medicare, free groceries, shelter, and $100 cash?

Mr. WYNKOOP. Shelter is included in the maximum payment of $100, sir. There is no extra allowance.

Mr. PASSMAN. Do you have campsites?

Dr. WINSTON. No, sir.

Mr. ANDREWS. Of course, if he gets a job and goes to work he gets off your relief rolls?

Mr. WYNKOOP. That is right.

INELIGIBLES RECEIVING ASSISTANCE

Mr. ANDREWS. I think I have read of cases where you have had people working and also on your relief rolls. Do you know of any such cases?

Mr. KELLY. We have a continuous check. As soon as we encounter such a case——

Mr. ANDREWS. Have you encountered any?

Mr. WYNKOOP. Yes, sir. We have referred a substantial number of cases, I cannot tell you the precise number, to the Attorney General's Office.

NUMBER OF REFUGEES ARRIVING

Mr. MINSHALL. I have here an extract from the hearings held in Miami by Mr. Fascell and Mr. Pepper.

Mr. Thomas, director of the Cuban refugee program, said these things—resettlement is the major objective of the program. Prior to the cessation of commercial air flights between Cuba and the United States on October 23, 1962, between 1,600 and 1,800 refugees a week were arriving in the United States.

Since then registrations at the Refugee Center have been averaging 385 persons a week.

RESETTLED REFUGEES

In 1961 a little over 16,000 persons were resettled. In 1962 it was 36,000. From the start of the program about 56,000 or 60,000 have been resettled.

My question is this: How many of these resettled refugees remained resettled and how many have become welfare burdens to the communities to which they have been removed?

Mr. WYNKOOP. As of February of 1963 there were 1,159 persons who had been resettled outside the Miami area who were receiving financial assistance. That is out of 60,000, those on assistance represent 3.8 percent of those persons resettled.

When you consider that 60 percent of the people who are in Miami are getting financial assistance, we still make out very, very well financially by resettling them.

UNEMPLOYMENT TRENDS IN MIAMI AREA

Mr. MINSHALL. Along with Mr. Andrews' query about how many of these people displaced are U.S. citizens who are displaced. How many of them go into relief?

Mr. WYNKOOP. I don't have that information.

Mr. ANDREWS. Can you get it from the Florida office?

Mr. WYNKOOP. We can give you the unemployment situation.

Mr. ANDREWS. Give us the trend of unemployment in the Miami area since the influx of Cuban refugees started.

Mr. WYNKOOP. Yes, sir.

(The information requested follows:)

UNEMPLOYMENT TRENDS

The Department of Labor, in cooperation with the affiliated Florida Industrial Commission, has recently completed a special study of unemployment among Cuban refugees in the Miami (Dade County), Florida, labor market area. The study showed that approximately 20,000 Cuban refugees were found to be unemployed during each of the first 3 months of this year. The attached table summarizes the findings of the study with respect to unemployment among the Cuban refugee group in the Miami area during the preceding 4 calendar years as well as the initial months of 1963, and presents revised total unemployment estimates for the area as a whole during this period.

Unemployment in the Miami (Dade County) labor market area, including unemployment among Cuban refugees, 1959–March 1963

Period	Number of unemployed			Unemployment rate [1]	
	Excluding Cuban refugees	Unemployed Cuban refugees	Including Cuban refugees [2]	Excluding Cuban refugees	Including Cuban refugees
Annual averages:				(*Percent*)	(*Percent*)
1959	21,300	4,000	25,300	5.2	6.1
1960	21,900	7,000	28,800	5.2	6.8
1961	28,600	15,100	43,500	6.7	9.8
1962	24,900	19,700	44,500	5.8	9.8
1963—January	23,900	20,300	44,000	5.4	9.5
February	25,500	20,200	45,500	5.6	9.6
March	24,000	19,500	43,300	5.3	9.2

[1] Unemployment as a percent of work force.

[2] Revised estimates of unemployment may be slightly below sum of previous area estimates and Cuban refugee unemployment because of small adjustment to eliminate duplicate counting of Cuban refugee unemployed. Special study indicated that approximately 1 percent of unemployed Cuban refugees had already been counted in the previous area unemployment estimates.

Source: U.S. Department of Labor, Bureau of Employment Security, U.S. Employment Service.

INELIGIBLES RECEIVING ASSISTANCE

Mr. ANDREWS. One final question. I believe you stated there had been cases where some of the refugees got jobs and continued to draw welfare benefits, and that you turned some of those cases over to the Justice Department?

Mr. WYNKOOP. Yes, sir.

Mr. ANDREWS. I would like to know how many of those cases you had and what disposition was made of them.

Mr. WYNKOOP. We shall be glad to give you that, sir.

(The information requested follows:)

Since the beginning of the program, about 300 cases have been referred to the U.S. Attorney's Office. Of these, 250 cases have been closed with no action. One person was brought to trial and convicted. The remaining cases are being investigated.

TIGHTER CONTROL ON WELFARE ASSISTANCE

Mr. PASSMAN. I think we can improve upon our system, and the better the system the better it is for all who are involved.

We have discussed that perhaps an identification card, one that could not be remade or used by some other individual, including a picture and a signature, might be a good idea.

If you had a brief questionnaire, if they knew they would have to fill in and sign this questionnaire when they came in for the check, it could include the question, "Have you been employed full or part time since receiving your last check?"

You would have a nearly airtight program, for this phase of it, if you would do that, and they would have more respect for us because of that fact.

WELFARE PAYMENTS MADE ACCORDING TO STATE IN WHICH REFUGEE RESETTLES

If you transfer refugees from Florida to the State of Louisiana, as an example, and we have a more favorable welfare program, do you make the adjustment and give them the same monthly payment as Louisiana pays its citizens or do you still operate according to the Florida law?

Dr. WINSTON. We operate according to the policies of the State to which the person moves.

Mr. PASSMAN. Which means if they come to Louisiana, where we pay a higher welfare—off the record.

(Discussion held off the record.)

Mr. PASSMAN. If they move into a community where there are recipients of the Louisiana welfare program, then you make the adjustment after 1 month there to receive the same consideration as our own aged citizens?

Dr. WINSTON. Actually these people are moving because they can be resettled because of job opportunities. They don't move generally on their own.

Old people really are the ones who are beginning to make up part of the hard core in Miami.

Of course we know Louisiana has been an extremely generous State to its old people relatively, but I do not think you have the problem of elderly Cuban refugees moving on their own.

Mr. PASSMAN. But if you move only one or a few they would be paid on the same basis as the aged person in Louisiana?

Dr. WINSTON. Right.

MEDICAL CARE FOR THE AGED

Mr. PASSMAN. Would you cut off his provisions or his free medicine?

Mr. WYNKOOP. No, sir——

Mr. PASSMAN. You would not know if you have not resettled them. You are in Miami. You are not giving the aged American people in Miami these three commodities?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. I am talking not about Cubans but the Browns and Smiths—

Mr. WYNKOOP. They have surplus food.

Mr. PASSMAN. Medical care?

Mr. WYNKOOP. The same.

Mr. PASSMAN. In the State of Florida they have free medical clinics where the aged people go down and, say, they have a cold, get their nostrils sprayed——

Mr. WYNKOOP. They have the Jackson Memorial Hospital which has an extremely large outpatient clinic which services indigent persons.

MEDICAL CARE FOR REFUGEES

Mr. PASSMAN. We have an excellent charity hospital system in Louisiana. Let us get down to cases. All of these refugees can go down if they have a bad cold. They do not have to be in Miami. They can be up the road somewhere, whereas the American citizen would have to go to Miami to get his nose sprayed. You may have a clinic there to take care of Cubans. However, they are entitled to this free medical care wherever they are?

Mr. WYNKOOP. If they are in need and have no resources they can go——

Mr. PASSMAN. What do they have in the monthly check? They still get the medicine free?

Mr. WYNKOOP. Yes, because there is no provision made in the check for that.

Mr. PASSMAN. I think they are getting better treatment than some of our own citizens.

NUMBER OF REFUGEES ARRIVING

Mr. MINSHALL. You are processing about 385 a week?

Dr. WINSTON. 250.

Mr. MINSHALL. How many are you processing now? When will this stop? Has the administration given you an indication of how many more will be coming in?

When is the exchange of exiles going to stop?

Mr. WYNKOOP. We expect it will end during this fiscal year.

Mr. MINSHALL. Let us give it a calendar date here.

Mr. WYNKOOP. We assume by the 10th of June.

Mr. THOMAS. Three more ships are due to go out with medical supplies. They estimate that this should be done within the next 2 months and that should end the exchange.

Mr. MINSHALL. How many more refugees do you expect in that period of time?

Mr. THOMAS. They expect the ships will return with about 2,000 more in that period.

Mr. PASSMAN. That would close it out?

Mr. THOMAS. Yes, except for the few who come on boats, escaping, and so on.

Mr. PASSMAN. It will stabilize, then?

Mr. WYNKOOP. We estimate it will, at 250 a week.

Dr. WINSTON. It is a decreasing problem relatively.

Mr. PASSMAN. We hope so.

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. Provided it is the best thing for those who actually think as we do.

ESTIMATE OF CURRENT YEAR OBLIGATIONS

What is your best estimates as to the amount of the appropriation for this fiscal year that will be obligated as of June 30?

Mr. WYNKOOP. $56 million, sir.

Mr. PASSMAN. That is your estimate as of June 30?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. What amount did the committee recommend?

Mr. WYNKOOP. $55 million.

Mr. PASSMAN. Last year?

Mr. WYNKOOP. Yes, sir.

We estimate we will have an unobligated balance of some $13,-800,000.

Mr. PASSMAN. Will that amount lapse or is that a no-year appropriation?

Mr. WYNKOOP. We expect that money will lapse, sir.

Mr. PASSMAN. In the final conference, the Congress appropriated——

Mr. KELLY. $70 million.

Mr. PASSMAN. You will have about $13.8 million left over?

Mr. WYNKOOP. That is right.

Mr. PASSMAN. In submitting your request last year that was your best estimate at that time?

Mr. WYNKOOP. That is right.

Mr. PASSMAN. Do you think that for fiscal 1964 it may be about the same amount over?

Mr. WYNKOOP. We do not.

Mr. PASSMAN. There is a possibility?

APPROPRIATION REQUEST FOR 1964

Mr. KELLY. In a sense, Mr. Wynkoop, we do. We have asked the committee to consider an appropriation of $70 million. We have detailed for you a program based on our assumptions of a little over $56 million. We are asking for the $70 million because we are unable to say to you with any degree of certainty that there will not be a resumption of flights.

CONTINGENCY FUNDS

Mr. PASSMAN. What amount did you have in contingencies for this fiscal year?

Mr. WYNKOOP. Nothing.

Mr. PASSMAN. What will you have next year?

Mr. KELLY. $13 million.

Mr. PASSMAN. You would want us to go home if you thought this committee would actually recommend funds on this basis?

Would you comment as to the basis on which this budget is predicated? Page 11 of the justification indicates that the rate will be 250 persons per week. If you turn to page 14, the last sentence of the paragraph states that the fiscal year 1964 budget is based on the assumption that registrations will continue at about 250 persons per month.

In one place you show 250 a week and in another it is 250 a month.

Dr. WINSTON. It is 250 per week. That was an error.

Mr. KELLY. It should have been per week.

Mr. PASSMAN. Agencies are not prone to ask for less money than they think they will need for a full program.

After you have worked out what you thought would be your needs, then you put in contingencies of $13,200,000 in the event the rate of Cuban refugees should exceed the amount of your present estimate of 250 a week?

Mr. WYNKOOP. Based largely, sir, on the possibility that flights from Cuba might be resumed.

People often say to us, "If you need money and more money, come back to Congress."

Mr. PASSMAN. Who said that?

Mr. WYNKOOP. We have been told this by people here and there.

I am pointing out something that you know better than I do—when you ask for money and when you get it is something else.

Mr. PASSMAN. You agree there is an asking price and a taking price?

Mr. WYNKOOP. No, sir.

Mr. PASSMAN. I misunderstood you.

Mr. WYNKOOP. This budget is our best judgment, sir.

Mr. PASSMAN. You do not have people associated with you who would deliberately make a low estimate, do you?

Mr. WYNKOOP. Yes, sir; we have made low estimates.

Mr. PASSMAN. Are any present?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. I want to congratulate them.

Did you make a low one last year?

Mr. WYNKOOP. On several estimates.

Mr. PASSMAN. Last year actually you made a rather high one. You made a budget which exceeded your needs by about $13 million.

Mr. WYNKOOP. Yes, sir; but we assumed flights would continue for the full year.

If the flights had continued and we had continued to get——

Mr. PASSMAN. Then this year you are assuming they will not continue?

Mr. WYNKOOP. That is right.

Dr. WINSTON. But we don't know. That is the reason we need a contingency.

Mr. MINSHALL. There seems to be doubt in your mind. Has someone given you an indication that these flights might continue again?

Dr. WINSTON. We have no control over this.

Mr. MINSHALL. I know you do not. Why did you include this in your budget? You anticipated there would be a resumption?

Mr. MEYERS. We anticipated there would not be in our submittal, sir.

Dr. WINSTON. If they should be resumed we need the money.

Mr. MINSHALL. Nobody told you to gear up for increased traffic?

Dr. WINSTON. No, sir.

Mr. PASSMAN. This is just assuming. With reference to the recent suggestion by the Bureau of the Budget that this would be reduced, can you tell us how much they recommended it would be reduced?

Mr. WYNKOOP. The difference would be the difference we have in the contingency fund.

Mr. PASSMAN. That is the part the Bureau of the Budget has suggested that you eliminate?

Mr. WYNKOOP. That is the only figure they talked with us about.

Mr. PASSMAN. That is the President's budget for this program?

Mr. KELLY. The President's budget is the $70 million.

Mr. PASSMAN. The Bureau of the Budget suggested only recently, did they not, that this be reduced by the $13 million?

Mr. KELLY. They considered it with us and then decided against the submission of a recommendation.

Mr. PASSMAN. Upon persuasion or their own judgment? They thought it should be reduced and your witnesses, after discussing it with them, caused them to decide against it?

Mr. KELLY. We discussed with them the same thing we discussed with you. We are sitting here with an extremely difficult factor to forecast, that is, the rate at which refugees might come in.

We asked them the same thing we ask of you. What we did this year was not to spend the money because the refugees did not come in.

We ask you to have confidence in us that in the event the refugees do not come in in a greater number than we have predicted here that we will not use the funds. If they do, then we will need the funds.

Mr. PASSMAN. I have confidence in you, but most people are prone to spend money if it is in their possession.

Dr. WINSTON. No, sir.

Mr. PASSMAN. Most of us are prone to spend money if we have it in our pockets.

The Bureau took the same position we are taking, that there is a possibility you will not need the $13,200,000 that perhaps you can get along without it?

Mr. KELLY. Yes, sir. If the budget assumptions we have outlined were to prevail, we do not need it.

If they do not, we could be in difficulty about being able to fulfill our obligation.

Mr. PASSMAN. We are definitely having to borrow this money in order to put it out.

USE OF PRESIDENT'S CONTINGENCY FUND

Mr. RHODES. Don't you have a built-in contingency fund? Can't the President allocate $10 million from his contingency fund out of the Foreign Assistance Act?

Mr. KELLY. For this and other refugee programs.

Mr. PASSMAN. He can use it anywhere.

Mr. KELLY. That is right.

Mr. WYNKOOP. This is not only for other refugee programs. I think it is broader than that.

Mr. ANDREWS. As a matter of fact, your budget can almost be estimated or predicted on the number of refugees you have down there in Miami or in America generally.

Dr. WINSTON. That is right. This is really a carefully detailed budget.

Mr. ANDREWS. If for some unknown reason the number of refugees doubled in the next several months, and this policy is carried out, you will have to come up here again.

Dr. WINSTON. That is right.

Mr. ANDREWS. How long do you expect this program to continue—1 year, 5 years, 10 years? What is your estimate?

Dr. WINSTON. Sir, I would say your estimate is probably as good as ours.

We do know we have been very successful in terms of the resettlement program.

REFUGEES STILL ON WELFARE ROLLS

Mr. ANDREWS. But you still have approximately 160,000 on relief rolls?

Dr. WINSTON. No, sir.

Mr. ANDREWS. How many?

Dr. WINSTON. About 62,000 people all told receiving assistance. We know we are currently increasing the total number of refugees in Miami by about 250 a week but we are resettling them at an average of around 400 a week, so that we are, on balance, reducing the size of the problem.

Mr. ANDREWS. Do those on relief appear to be happy or are they restive and anxious to get off of relief and go to work?

Dr. WINSTON. I think the general answer would be that they are anxious to become self-supporting. They get very limited assistance, you know, and it is really not a desirable state. It is very, very difficult for able-bodied people who want to work not to be able to get work.

USE OF PRESIDENT'S CONTINGENCY FUND

Mr. PASSMAN. Would this take care of the situation? Public Law 87-510, 87th Congress, H.R. 8291, enacted June 28, 1962, section 2, paragraph (c):

> **Whenever the President determines it to be important to the national interest, not exceeding $10 million in any fiscal year of the funds made available for use under the Foreign Assistance Act of 1961 as amended, may be transferred to and consolidated with funds made available for this act in order to meet unexpected urgent refugee and migration needs.**

Your agency would qualify under that provision of law?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. Do you not really think that perhaps would take care of you in an emergency?

Mr. WYNKOOP. Let me make one comment, sir.

Mr. PASSMAN. Please do.

Mr. WYNKOOP. It seems to me we were persuasive with the Bureau of the Budget on one point only, Mr. Passman, and that is this:

We went back and tried to determine generally when the first appropriation bill, the first supplemental appropriation bill became law.

Usually we found that this was in early May or sometimes late May.

So that in the event flights were resumed from Cuba early in the fiscal year, we would run out of money before we could come back and get additional funds from your committee.

Mr. PASSMAN. That is why the Congress enacted this legislation, just in the event there should be such an emergency.

Mr. WYNKOOP. Another point, sir. We don't know what the situation will be with respect to 1964 in connection with the aid program. You certainly can tell us better than——

Mr. PASSMAN. There still would be a contingency fund.

Mr. KELLY. We are an eligible recipient. The $10 million would go a long way toward fulfilling the obligation in this contingency.

Mr. PASSMAN. Would you assume that is the purpose of this legislation, to take care of just such an emergency, which you cannot predict but which could exist with respect to the Cuban refugees?

Mr. WYNKOOP. No question about it.

Mr. PASSMAN. Thank you.

Dr. WINSTON. Might I make a point for the record, Mr. Chairman?

Mr. PASSMAN. Please do.

Dr. WINSTON. We have not included contingency requests in our other appropriation request.

Mr. PASSMAN. What other one?

Dr. WINSTON. The main operation of the program.

Mr. PASSMAN. The Cuban program?

Dr. WINSTON. No, sir, our general budget.

Mr. KELLY. Out of a total of 83 appropriations, we have only 2 appropriations where we have contingencies.

Mr. PASSMAN. How many did you have 5 years ago with contingency funds?

Dr. WINSTON. I wasn't here.

Mr. KELLY. One, I think.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

ADMINISTERING FOSTER HOME CARE

Mr. PASSMAN. Please comment briefly on this payment of 50 cents per child per day which is retained by the four voluntary agencies?

Mr. MEYERS. The four agencies who have agreements with the child welfare division of the State department of public welfare get the total fund. They get the total amount for each child.

In turn they make arrangements throughout the country with child-placing institutions and agencies.

The 50 cents is retained by the parent organization as going into the administrative cost of supervising and arranging the whole program.

Mr. PASSMAN. Are you reimbursing them for part of the administrative expense?

Mr. MEYERS. No, sir. We give a flat per diem rate.

Mr. PASSMAN. You place a child in a foster home?

Mr. MEYERS. Yes, sir.

Mr. PASSMAN. There is $15 a month per child. Where does the $15 go? Where is it spent?

Mr. MEYERS. Where is the money spent?

Mr. PASSMAN. Yes. You are going to debit this appropriation $15 per child per month. This child is in a foster home.

Mr. MEYERS. Yes, sir. The money goes originally to the agency which is an overall agency which assumes responsibility for the child. It is centered in Miami.

It in turn makes an arrangement, let us say, with a child-placing agency in Chicago for some children.

It turns over the money we give them except for 50 cents per day to the agency in Chicago, which uses the money to pay for the expenses of the child.

Mr. PASSMAN. The $15 per month?

Mr. MEYERS. That 50 cents per diem is retained by the parent agency to help them for their administrative costs.

Mr. PASSMAN. You are reimbursing them for their expense?

Mr. MEYERS. That is right.

Mr. PASSMAN. After these children have been placed in foster homes, how long do you continue paying this agency which found a place for the children?

Mr. MEYERS. We continue to pay as long as the child is being taken care of in foster care.

Mr. PASSMAN. Say I am operating the Passman Replacement Agency in Miami. We take 10 children and put them in the Minshall-Rhodes Home in Chicago. They get $150 a month for 10 children, so when you place them there they get $150?

Dr. WINSTON. Not necessarily.

Mr. PASSMAN. That is 50 cents per child per day. It is $15 per child per month. Is that correct?

Dr. WINSTON. That is right.

Mr. PASSMAN. The children go in. This is from age 1 to age 10. When do they become adults?

Mr. MEYERS. At 19, sir.

Mr. PASSMAN. So the youngest child could be there 18 years. You are paying that $180 a year for 18 years to that agency? There is no cutoff date?

Mr. MEYERS. It is possible that this could happen.

Mr. PASSMAN. I am using the extreme.

Mr. MEYERS. That is right.

Mr. PASSMAN. I am reviewing the mechanics now.

Mr. MEYERS. That is right.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Do you not think you should give some thought to placing a limitation on the number of months or years that this agency can draw that payment?

Will you drop us a little note and see how that idea is accepted?

Mr. MEYERS. Yes, sir.

(The information supplied follows:)

The suggestion made by Congressman Passman will be carefully considered and a report will be submitted to the committee.

COST OF FOSTER HOME CARE

Mr. PASSMAN. What are you paying per child for foster home care now?

Mr. MEYERS. $5.50 per day.

Mr. PASSMAN. Can you give it to us by month?

Mr. MEYERS. If the child were in foster care for 30 days in a month you would multiply it by the $5.50, and that would be $165 a month.

Mr. PASSMAN. Would you permit four little brothers and sisters to go together, if you found they were attached to each other?

Mr. MEYERS. We would.

Mr. PASSMAN. Six of them is not a big family in Latin America, is it?

If I were living down in—well, living anywhere—and we decided we wanted some children and we could meet your qualifications and and so on, do they get other benefits? or does this cover everything?

Mr. MEYERS. If you could meet the qualifications.

Mr. PASSMAN. What are the qualifications—being good people who are wholesome, having a clean home?

Mr. MEYERS. All the placements are done through nonprofit agencies who are approved by the State.

Mr. PASSMAN. Nonprofit, but they are getting $15 per month, are they not, from the time they place that child and that child either reaches 19 or gets out?

Mr. MEYERS. That is right.

Mr. PASSMAN. I think I follow you and I know the qualifications. It is to have a clean home, and I think they would have to be accepted as wholesome people of good morals.

You would be paying this couple $990 a month to care for those six children.

If those children needed to have their nostrils sprayed, have fever, and so on, do they get other benefits, or does this cover everything?

Mr. MEYERS. The only other benefits covered would be some extraordinary medical expense, some very serious illness which would not be normal.

For routine medical expenditure, it is in there.

Mr. PASSMAN. Bad tonsils, appendicitis, something like that, then they can go to the hospital and have their tonsils taken out or their appendix taken out?

Mr. MEYERS. Yes, sir.

Mr. PASSMAN. If this never should pop up all at once and they did not know what it was, they would go to a hospital, and I expect they would look at that?

Mr. MEYERS. If it was an unusual expense.

Mr. PASSMAN. Chances are you can get good medical care for the children?

Mr. MEYERS. It is supposed to cover complete care of the child under the circumstances I described.

Mr. PASSMAN. What would they pay in Louisiana in a foster home for these children?

Mr. MEYERS. They would pay to the agency——

Mr. PASSMAN. You are paying $990.

Mr. MEYERS. This is the point, sir: We are paying the agency. The agency makes arrangements with the individual home or with the institution or group care facility.

Mr. ANDREWS. Why couldn't you do that without referring it to the agency? You would save $15 a month.

Mr. MEYERS. I don't know anything about it but I would think it would cost us more if we did it ourselves.

Mr. ANDREWS. $15 a month for the life of the——

Mr. PASSMAN. $1,080 a year. You mean you could not get one of your people——

Mr. WYNKOOP. $180 a year.

Mr. PASSMAN. I am talking about six children.

Mr. WYNKOOP. I see.

Mr. PASSMAN. So far as I am concerned it is too much money.

Mr. ANDREWS. It amounts to $180 a month per child.

Mr. PASSMAN. Certainly.

Mr. ANDREWS. $15 for the referring agency and $165 for the foster home.

Why could not your agency do this, Doctor?

Dr. WINSTON. First of all, sir, it is very difficult to locate foster homes. Most large welfare agencies have full-time people as foster-home finders.

You have to locate parents who are willing to accept children. You have to do a great deal of work with them in terms of qualifying them. You have the salaries of your foster-home finders and their travel, so you have substantial costs.

Then you have the administrative cost of the caseworkers who place the children in the homes and who give continuing supervision, so this is not a job which can be absorbed by your regular workers in the welfare agency. You would have to employ additional people to carry all of these responsibilities.

I think it is important, too, to realize that you have some other factors involved in finding foster homes for these unaccompanied Cuban children. It is a little different from finding homes for the average child, and so on.

Mr. ANDREWS. I can understand that an agency which finds the home would be entitled to a fee.

Dr. WINSTON. Yes, sir.

Mr. ANDREWS. Frankly, in my opinion, $15 a month for the duration of the contract, which as the chairman pointed out could last for 19 years, is entirely out of reason. That is my opinion for whatever it is worth.

Mr. PASSMAN. I think your opinion is worth a great deal.

Let us see what could happen here. You are paying the agency which places the child in this foster home $180 a year. Let us put down $180, and let us say there are six children. There are many families with six children.

Let us say they get the maximum of 19 years now.

Now, using the maximum, if you take 1 child at $180 per year times 19, actually you would pay that agency, would you not, $3,420 commission fee if the child stayed there from 1 year until the time he would go out?

Mr. WYNKOOP. Yes, that is the mathematics of it.

Mr. PASSMAN. You say you do have difficulty finding foster homes for these children?

Dr. WINSTON. Yes, sir.

Mr. PASSMAN. You have a lot of dear folks, maybe a man and his wife, in good health, living on welfare checks in Florida, and receiving maybe $65 to $100 a family. If those people could take care of two of these children that would be $330 a month, and that would

be a good supplement to their income and a wholesome place for the children. Why could not something such as that be arranged?

Mr. WYNKOOP. There are several reasons. Dr. Winston has indicated, first, that these children in many instances speak only Spanish. That is an obstacle. Secondly, these are not the ordinary type of children you find in foster homes. These are children that are separated from their parents, hopefully for a temporary period of time. They have been sent here and their parents hope to join them before long. So many foster parents would not want to take a child they have very little possibility of adopting.

Mr. PASSMAN. As it is being handled, are you finding hardhearted people to take these children, people who will not love them and who will not miss them when they leave? I would think most anybody who would accept these children would love them.

Mr. WYNKOOP. And for that reason they would not want to give them up.

Mr. PASSMAN. I think it is unreasonable, so far as I am concerned, to be paying this rate for foster-home care and have a brokerage fee of $180 a year per child on top of it.

NUMBER OF REFUGEE CHILDREN IN FOSTER HOMES

How many children have you placed in foster homes?

Mr. WYNKOOP. A total of 3,700 thus far.

Mr. PASSMAN. In how many States?

Mr. MEYERS. Forty-one States.

Mr. WYNKOOP. Do you want a breakdown of that?

Mr. PASSMAN. Please put it in the record, the breakdown by States.

(The information follows:)

Number of unaccompanied Cuban refugee children in foster care, by State and type of care, Mar. 31, 1963

	Total	Group	Foster family		Total	Group	Foster family
Alabama	13	1	12	Nebraska	47	39	8
Arizona	32	32	0	Nevada	29	11	18
California	82	37	45	New Jersey	182	47	135
Colorado	120	114	6	New Mexico	176	40	136
Connecticut	1	0	1	New York	85	34	51
Delaware	26	26	0	North Carolina	1	0	1
District of Columbia	18	10	8	Ohio	113	36	77
Florida:				Oklahoma	5	3	2
Outside Miami area	121	21	100	Oregon	47	31	16
Miami area	1,179	1,021	158	Pennsylvania	44	12	32
Georgia	12	10	2	Puerto Rico	3	3	0
Illinois	206	99	107	Rhode Island	5	5	0
Indiana	85	36	49	South Carolina	2	2	0
Iowa	52	21	31	Tennessee	38	2	36
Kansas	71	30	41	Texas	114	82	32
Kentucky	18	14	4	Vermont	6	6	0
Louisiana	75	55	20	Virginia	34	30	4
Maryland	2	0	2	Washington	252	82	170
Massachusetts	66	53	13	West Virginia	14	14	0
Michigan	118	60	58	Wisconsin	27	8	19
Minnesota	21	9	12				
Missouri	21	15	6	Total, 41 States	3,664	2,224	1,440
Montana	101	73	28				

Mr. PASSMAN. What is the average number of children in each foster home?

Dr. WINSTON. This will vary from State to State.

Mr. PASSMAN. Do you have instances where you are placing these children in a home where maybe they have a large group of children?

Mr. MEYERS. Institutional group care?

Mr. PASSMAN. Yes; institutional group care.

Mr. MEYERS. We have some.

OTHER DATA ON REFUGEE CHILDREN

Mr. PASSMAN. Here is information the committee will need: (1) The number of children; (2) The number of States in which you have these children; (3) If it is an institutional type of home, the name of the home and the city and State; (4) The percentage of children that are placed in individual homes, and of course the minimum would have to be one, but give us the maximum number you place in the individual homes.

Mr. ANDREWS. I think it would be helpful if we had a list of these agencies.

Mr. PASSMAN. Thank you, and we shall get that next.

Then, the number of agencies and the names of the agencies and where they are domiciled.

Am I going too fast?

Mr. WYNKOOP. Yes. You want the number of children in foster versus institutional?

Mr. PASSMAN. Yes: and the number of agencies, or brokers, who place the children; the names of the agencies, and where they are domiciled, when they were organized, and whether they are nonprofit institutions.

Mr. WYNKOOP. They are all nonprofit.

Mr. PASSMAN. Give this information to us in detail.

And give us the rate that is paid by all States which place children in foster homes, including the District of Columbia, and what the brokerage fee is to the agency placing them, or whether or not the State places them through their welfare department or whether they place them through an agency.

(The information requested follows:)

CUBAN REFUGEES—UNACCOMPANIED CHILDREN

The number of Cuban children in foster care on March 31, 1963, was 3,664 of which 2,224 or 61 percent were in group care, and 1,440 or 39 percent were in foster family care. The children were placed in 41 States, including the District of Columbia and Puerto Rico, and in 109 communities.

The Florida State Department of Public Welfare, acting as agent for the Department of Health, Education, and Welfare, has contracts with the following agencies for the provision of foster care for unaccompanied Cuban refugee children: Catholic Welfare Bureau, Miami; Children's Service Bureau, Miami; Jewish Family and Children's Service, Miami; United HIAS Service, Miami and New York. These four agencies in turn have agreements with child-placing or child-care agencies in the various States which meet State licensing requirements and are approved by the State public welfare agency.

These approved agencies in the States may place the children sent them by the Miami agencies in foster family homes or in institutions, boarding schools, or other group care facilities which meet State standards. The agencies are respondsible for the placement plans, continuing casework supervision of the child, and payment for the child's care.

The $5.50 and $6.50 per diem rates have been calculated as a national average cost. We have not thought it feasible to attempt to reimburse on actual cost figures for each of the 3,664 children in institutions or homes in 41 States. However, on the basis of the cost figures which we have been able to gather, we believe that the total aggregate amount spent in connection with the care for all children exceeds the sum of $5.50 and $6.50 respectively times the number of children in foster care.

Illustrative of a typical case would involve meeting an incoming plane by a representative of the Children's Service, where let us say two brothers aged 14 and 16 are waiting. The children are first taken to a temporary home in Miami. Arrangements are subsequently worked out with the Child Services of Washington, D.C., which finds a suitable institution for the two boys in the Washington, D.C., area and assumes responsibility for their future care. Under the contract between the Florida Welfare Department and the Miami-based voluntary nonprofit agency, the $6.50 per diem with respect to the two boys is paid to that agency. There is no requirement that the Miami agency turn over any specific amount to the Washington agency but the practice has been for them to pay $6 of the institutional per diem rate to the local sponsoring agency. The determination to withhold 50 cents per day as the amount needed to meet its cost is made by the Miami-based agency and is not prescribed by the Federal Government.

The names of the agencies which have agreements wtih the Miami agencies for the care and supervision of Cuban children are:

Name of agency	City	State
Catholic Charities, diocese of	Mobile-Birmingham	Alabama.
Methodist Children's Home	Selma	Do.
Catholic Social Service	Tucson	Arizona.
Catholic Welfare Bureau	Sacramento	California.
Do	Los Angeles	Do.
The Albertinium	Ukiah	Do.
Junipero Serra Center for Girls	San Jose	Do.
Catholic Social Service of Alameda County	Oakland	Do.
The Children's Bureau	Los Angeles	Do.
Vista Del Mar Child Care Service	do	Do.
Catholic Charities	Denver	Colorado.
Do	Pueblo	Do.
Jewish Family and Children's Service	Denver	Do.
Jewish Family and Children's Bureau	Hartford	Connecticut.
Catholic Welfare Guild	Wilmington	Delaware.
Catholic Charities	Washington	District of Columbia.
Family and Child Services	do	Do.
Catholic Charities	Orlando	Florida.
Do	Jacksonville	Do.
Do	Tampa	Do.
Family and Children's Service	St. Petersburg	Do.
Montanari Clinical School	Hialeah	Do.
Naranjo Nursing Home	Naranjo	Do.
Catholic Social Service	Atlanta	Georgia.
Child Service Association	do	Do.
Thomas County Department of Public Welfare	Thomasville	Do.
Catholic Charities	Springfield	Illinois
Do	Joliet	Do.
Do	Rockford	Do.
Catholic Social Service	Peoria	Do.
Catholic Home Bureau	Chicago	Do.
Lawrence Hall, Inc	do	Do.
Lutheran Child Welfare Association	Springfield	Do.
Illinois Lutheran Welfare Association	Chicago	Do.
Family Service	Decatur	Do.
Juvenile Protective Association	Aurora	Do.
Jewish Children's Bureau	Chicago	Do.
Catholic Social Service	South Bend	Indiana.
Catholic Charities	Evansville	Do.
Catholic Charities Bureau	Indianapolis	Do.
Catholic Social Service Bureau	Hammond	Do.
Catholic Social Service	Fort Wayne	Do.
Children's Bureau	Indianapolis	Do.
Catholic Charities	Dubuque	Iowa.
Bureau of Catholic Charities	Davenport	Do.
Catholic Charities	Sioux City	Do.
Do	Des Moines	Do.
Children's Home Society	do	Do.
Catholic Social Services	Wichita	Kansas.
Catholic Charities	Louisville	Kentucky.
Campbell Lodge	Cold Springs	Do.
Catholic Charities	Alexandria	Louisiana.
Associated Catholic Charities	New Orleans	Do.
Louisiana Department of Public Welfare	Baton Rouge	Louisiana.
Seton Psychiatric Institute	Baltimore	Maryland.
Jewish Family and Children's Bureau	do	Do.
Catholic Charitable Bureau	Boston	Massachusetts.
Our Lady of Providence Home	West Springfield	Do.
Catholic Welfare Bureau	Fall River	Do.
Do	New Bedford	Do.
The Church Home Society	Boston	Do.
Children's Service Association	do	Do.
Jewish Family and Children's Service	do	Do.
Catholic Social Service	Lansing	Michigan.
Catholic Social Service of Upper Michigan	Marquette	Do.
Catholic Charities	Saginaw	Do.
Catholic Social Service	Detroit	Do.
Do	Flint	Do.
Bethany Christian Home	Grand Rapids	Do.
Jewish Family and Children's Service	Detroit	Do.
Catholic Social Service	Duluth	Minnesota.
Bureau of Catholic Charities	St. Paul	Do.
Jewish Family and Children's Service	Minneapolis	Do.
Catholic Charities	St. Louis	Missouri.
Jewish Child Welfare Association	do	Do.
Catholic Charities	Helena	Montana.
Catholic Social Service Bureau	Lincoln	Nebraska.
Catholic Welfare Bureau	Reno	Nevada.
Associated Catholic Charities	Newark	New Jersey.
Do	Patterson	Do.
Lutheran Welfare Association	Jersey City	Do.

Name of agency	City	State
Catholic Charities	Albuquerque	New Mexico.
Do	Buffalo	New York.
Do	New York City	Do.
Catholic Child Care Society	Brooklyn	Do.
Catholic Charities	Rochester	Do.
St. Agnes Convent	Sparkhill	Do.
Catholic Charities	Syracuse	Do.
Edwin Gould Lakeside School	Spring Valley	Do.
Bureau of Social Service and Children's Aid Society	Brooklyn	Do.
Suffolk County Department of Public Welfare	Bayshore, L.I.	Do.
Jewish Child Care Association	New York City	Do.
Jewish Family Service	Rochester	Do.
Guilford County Department of Public Welfare	Greensboro	North Carolina.
Catholic Charities	Toledo	Ohio.
Catholic Welfare Bureau	Columbus	Do.
Catholic Community League	Canton	Do.
Catholic Social Service	Steubenville	Do.
Catholic Charities	Cincinnati	Do.
Do	Youngstown	Do.
Catholic Charities Bureau	Cleveland	Do.
Cincinnati Children's Home	Cincinnati	Do.
Jewish Children's Bureau	Cleveland	Do
Associated Catholic Charities	Oklahoma City	Oklahoma.
Oklahoma Department of Public Welfare	do	Do.
Catholic Services for Children	Portland	Oregon.
Catholic Charities	Philadelphia	Pennsylvania.
Do	Harrisburg	Do.
Catholic Social Agency	Allentown	Do.
Family and Children's Service	Pittsburgh	Do.
Dauphin County Child Care Service	Harrisburg	Do.
Association for Jewish Children	Philadelphia	Do.
Jewish Family and Children's Service	Pittsburgh	Do.
Department of Health	Santurce	Puerto Rico.
Diocesan Bureau of Social Service	Providence	Rhode Island.
Catholic Charities	Charleston	South Carolina.
Do	Nashville	Tennessee.
Baptist Children's Home	do	Do.
Catholic Welfare Bureau	San Antonio	Texas.
Catholic Charities	Dallas	Do.
Presbyterian Children's Home	do	Do.
Devereux	Victoria	Do.
Cameron County Dept. of Public Welfare	Harlingen	Do.
Texas Department of Public Welfare	Austin	Do.
Do	Houston	Do.
Catholic Charities	Burlington	Vermont.
Bureau of Catholic Charities	Richmond	Virginia
Catholic Charities	Alexandria	Do.
Do	Spokane	Washington
Do	Yakima	Do.
Do	Wheeling	West Virginia
Catholic Welfare Agency	Superior	Wisconsin
Catholic Social Service	La Crosse	Do.
Catholic Social Service Bureau	Green Bay	Do.
Catholic Social Service	Eau Claire	Do.
Catholic Social Welfare Bureau	Milwaukee	Do.
Jewish Family and Children's Service	do	Do.

The names of the group-care facilities are not available to us or our contracting agents since the agencies listed immediately above are held responsible for the care provided and the casework supervision of the children placed in institutions and boarding schools. For example, the Catholic Charities in Joliet, Ill., is responsible for the care and supervision of Cuban girls placed in two nearby boarding schools, St. Patricks, Momence, Ill., and Holy Family, Beaverville, Ill., as well as in its own foster family homes.

All of the approved child-placing agencies listed above were established prior to the beginning of the program for unaccompanied Cuban refugee children. The date of organization of each agency is not readily available.

All of the group-care facilities in which Cuban children have been placed were in operation before the Cuban children arrived with the exception of seven small facilities. These were established on a temporary basis by the approved agencies to facilitate removal of a large number of teenage children from the Miami area as quickly as possible after their arrival. With the reduction in new arrivals,

these facilities are being closed. The location and agency establishing the facilities established specifically for Cuban children are:

Des Moines, Iowa	Iowa Children's Home Society.
Jersey City, N.J	Lutheran Child Welfare Association.
Helena, Mont	Catholic Charities.
Wilmington, Del	Catholic Welfare Guild.
Lincoln, Nebr	Catholic Social Service Bureau.
Albuquerque, N. Mex	Catholic Charities.
Fort Wayne, Ind	Catholic Social Service.

The number of children cared for in these facilities ranged from 6 to 40.

Information is not available on the maximum number of Cuban children placed in an individual foster family home because the agencies listed earlier are held responsible for the placement plans for individual children. The Miami contracting agencies report that usually the number does not exceed two or three children in a home, although during the peak period the placement of four or five children was sometimes necessary to assure overnight care. In a few rare instances a large number (usually related children) has been placed in one home. The number placed does not exceed the maximum allowed under the licensing requirements of the States where the general practice over the country is to have only two or three children in a home.

BOARD RATES AND OTHER COSTS OF FOSTER CARE FOR AMERICAN CHILDREN

Foster family care

Information concerning the board rates paid to foster families by State public welfare departments is not collected routinely. These rates vary not only from State to State but also frequently from one local community to another within the same State.

The Child Welfare League of America, Inc. (with a membership of 250 public and volnntary child welfare agencies, both sectarian and nonsectarian) reports that on the basis of periodic surveys the costs per child placed in a foster family home range from $2,000 to $2,500 per year, or $5.48 to $6.85 per day. These rates do not relate to the child with serious emotional or physical problems for whom the cost of care is much higher.

We have been able to secure certain information from a number of States which is responsive to the committee's request relating to the board rates paid by State public welfare agencies for children placed in foster homes. This information is included in the attached table "Per Diem Board Rates Paid by Public Welfare Agencies to Foster Families."

This table shows that the items that the board payment covers vary considerably from State to State and within a State. Sometimes the board rate includes allowances for items such as clothing, personal allowances, school carfare, medical care, etc.; often these items are not allowed on a regular basis but are paid for periodically by the public welfare agency in a separate payment to the foster family, or only on an as-needed basis, or no allowance at all may be made for such items.

In the District of Columbia the amount allowed for the various items is as follows:

Board rate	$57
Clothing	7
Medical, dental, and drugs (estimated)	[1] 2
Carfare (average)	4
School tuition (outside District of Columbia, where majority of children are placed)	24 to 60
Total costs for boarding home placement	94 to 130

[1] Health Department supplements this cost by free care.

The Family and Child Services of Washington, Inc., a voluntary agency in the District of Columbia estimates the monthly cost of care of children in foster family homes as follows:

Board	$60
Clothing	12
Medical and dental care	10
Transportation	10
School expenses	4
Allowances	4
Personal and incidental	4
Recreation	4
Administrative and service costs	47
Total costs for foster home care	155

As indicated by the estimate supplied by the Family and Child Services of Washington, Inc., total cost of foster family care includes administrative and social service costs. These costs include the cost of foster-home finding, foster-home studies, licensing homes, placing children, and supervising their care, and working with parents and relatives toward the goal of returning the child to his own home if this is possible. Published studies of the full costs of foster family care not available since determination of costs requires a uniform cost analysis method. Such a standardized method is now being developed by the California State Department of Social Welfare in cooperation with the Child Welfare League of America through the use of grant-in-aid funds of the Children's Bureau.

Purchase of care from voluntary agencies and institutions

All State public welfare agencies placed children directly in foster care. All but seven States (Idaho, Mississippi, Nebraska, Nevada, Oklahoma, South Carolina, and the Virgin Islands) purchase foster care for individual children from voluntary agencies and institutions.

The rates paid by public welfare agencies to voluntary agencies and institutions for purchase of care for individual children usually cover limited categories of the total cost. Quite commonly the rates do not include clothing costs or the costs of medical and dental care or other items related to the direct care of children. Sometimes these costs are paid for separately by the public welfare department or, as in the case of medical care, free care may be obtained from a public health department. Parents or relatives frequently make contributions of cash, clothing, or personal articles. Foster-care payments to voluntary agencies are supplemented by funds available from community chest or united fund drives.

Purchase of care rates typically also do not include service and administrative costs or "fees" for service of the voluntary agency or institution or, if they do, these costs are reimbursed to a very limited extent. Even in New York City where the purchase of care rates are relatively very high (ranging from $5 to over $7 per day), they do not generally cover the full cost to the voluntary agency.

The purchase of care by the Federal Government for Cuban refugee children, on the other hand is intended to cover total cost of care since this is a Federal, and not a local community, responsibility. The rates established cover all major categories of cost except for certain specified types of unusual expenditures (e.g., serious prolonged illness) which must be cleared, case by case, with the Florida State Department of Public Welfare.

Per diem board rates paid by public welfare agencies to foster families

State	Per diem board rate	Explanatory notes
Colorado: Denver	$3.00	Room and board only.
Delaware	2.33–2.50	Excludes prescribed drugs, medical and dental care, and initial clothing allowance.
District of Columbia	1.90	Includes room and board only. Excludes clothing, medical and dental care, carfare, and school tuition.
Illinois	2.83	An average figure. Excludes medical and dental care, service fees, and additional special items.
Kansas	3.00	Excludes incidentals, clothing, medical and dental care, and school expense.
Kentucky	1.75	Includes room and board only. Clothing, medical care, and other allowances provided separately.
Louisiana: New Orleans	1.66	Excludes clothing, medical and dental care, school supplies, allowances, and incidentals. (1961 data.)
Maryland	2.37	Includes room, board, and clothing. Medical care and unusual special expenses provided separately.
Massachusetts	1.86	Minimum board rate excludes medical care, incidentals, etc
Montana	1.95	Rate proposed for 1963; includes room and board, clothing education, recreation, and personal care. Excludes medical care and other costs.
Nevada: Reno	2.50	Includes room and board, clothing, and personal incidentals. Excludes medical care and transportation. (1961 data.)
New York:		
New York City	5.08	This is the per diem cost of the division of foster home care of the city department of welfare in 1961.
Buffalo	2.00	Excludes clothing and medical and dental care. (1961 data.)
Erie	3.17	Excludes clothing and medical and dental care. (1961 data.)
North Carolina	1.67	Includes room and board only. Clothing, medical care, and special expenses provided separately.
Oregon: Portland	2.50	Excludes unusual medical expense, initial clothing, and school transportation. (1961 data.)
Pennsylvania: Philadelphia	2.73	(1961 data.)
Puerto Rico	1.17–1.67	Excludes medical care.
Virginia	1.67	Includes room and board only. This is the maximum rate paid.
West Virginia	0.83–2.50	Usually includes room and board only, but the higher per diem includes clothing and other costs except medical care.

Mr. WYNKOOP. May I make one observation?

Mr. PASSMAN. Certainly.

Mr. WYNKOOP. Particularly in the placement of children in institutions, I think you have a different situation with the Cuban children than in my city of Alexandria, Va., where an institution is caring for children. I participate in the charity drives in Alexandria that go to support institutions in Alexandria. I would expect my money to take care of the Alexandria children. I am not sure I would expect the city of Alexandria to pick up the tab for a large number of Cuban children.

Mr. PASSMAN. I am in accord with that view.

Mr. WYNKOOP. In many places, because of these contributions by local communities, welfare institutions do not pay the actual cost. They pay substantially less than the actual cost.

Mr. MEYERS. Mr. Chairman, do you think it would help the committee if we would supply information on the composition of the children who go in here? For example, we know 60 percent are over 13 years old. A very high percentage are teenage males. I think some information of this sort also will be helpful to the committee.

Mr. PASSMAN. You can give it to us in every bracket, male, female, and mixed.

Dr. WINSTON. And it is much more difficult to get foster care for teenage boys than pretty little 2-year-old girls.

Mr. MEYERS. Forty-four percent are teenage boys.

Mr. PASSMAN. I yield to Mr. Rhodes.

COST OF INSTITUTIONAL CARE

Mr. RHODES. Would you list the States of the Union and the average that they pay for foster-home care? I note in your statement you pay the average that the States pay. I do not doubt the veracity of your statement, but I do not know any States which pay that much, I would like to have the figures to substantiate your statement.

Dr. WINSTON. The rates that are paid for this program which we are talking about are rates that are negotiated with the agencies that provide the care, and it is a different basis from public assistance. These children are not being processed in the same way through our State welfare departments. So we are talking about two different programs.

Mr. RHODES. Then you have not tried to set the rate which you pay for Cuban children in foster homes at the average rate that is paid in the United States for all children?

Dr. WINSTON. No, sir.

Mr. RHODES. Why do you pay a negotiated rate?

Mr. WYNKOOP. This is something really that we inherited early in the game.

Mr. RHODES. From whom?

Mr. WYNKOOP. This program was originally administered by Mr. Tracy Voorhees, who was a special assistant to President Eisenhower. He had started a program down in Miami, and a relatively large number of these unaccompanied children had been sent to Miami by their parents in order to avoid their being sent to Russia or receiving Communist indoctrination. He had entered into an agreement which, as I recall, was 50 cents a day higher than the rate we are now paying. Is that right, Mr. Meyers?

Mr. MEYERS. My recollection is it was higher than that, that it was around $8.

Mr. RHODES. An agreement with whom?

Mr. WYNKOOP. With the private agencies in Miami, which are virtually the same ones we are using to place these children. When we stepped into this problem we attempted to renegotiate this figure. To be perfectly frank, it struck us as being a high figure. But, again, we were comparing what the public agencies were paying in many States, which was not the actual cost of caring for these children. When we got the actual costs we were persuaded that this figure was a good figure. It is a reduced figure from the one we inherited from the organization that administered this program prior to the time we took it over.

We did, because of this committee's admonition last year, take another very careful look at this, and we had some cost studies run in Miami and other places that indicated that the institutions are not making money at this rate.

Mr. PASSMAN. They are poor operators if they are not.

Mr. WYNKOOP. We are going to continue to look at this, but at the moment we really have no basis for changing the figure.

Mr. RHODES. Will you supply for the record the cost study upon which you base those findings?

Mr. WYNKOOP. Yes, sir; we certainly will.

(The report follows:)

COST OF INSTITUTIONAL CARE

A number of reports of institutional care costs are available.

Institutional care of Cuban children in Miami, Fla.

A study prepared by the Catholic Welfare Bureau, Inc., reported that the average cost per day in the five institutions used for Cuban children was $6.09 in 1962. A total of 1,144,000 child-care-days was provided these children during the year. Average annual costs for the individual institutions were as follows:

St. Raphael's Hall	$9.71
Kendall	5.44
Matecumbe	6.15
Florida city	5.52
Jesuit Boy's Home	8.20

The average cost of $6.09 per day for all institutions was spent as follows:

Salaries	$0.96
Food service	1.83
Equipment and furniture	.36
Clothing	.36
Medical	.34
Educational	.48
Other expenses	[1] 1.76
Total	6.09

[1] Other expenses include insurance, rent, repairs and maintenance, recreation, power and water, telephone and telegraph, laundry, cash advanced, group insurance, and social security (employer's contribution).

St. Louis, Mo.

One of the most comprehensive cost studies is described in the Health and Welfare Council of Metropolitan St. Louis report entitled "Cost and Income in Children's Institutions—1960." For 11 institutions, the council reported an average daily expenditure of $6.77. When the value of donated goods and services was included, the average daily expenditure rose to $7.82. The lowest total daily expenditure was $3.74; the highest was $17.52. Two of the Catholic institutions which have accepted Cuban children were included in this study. The cost per day in these two institutions was $9.33 and $7.

Washington

Another detailed analysis was prepared by the State of Washington Department of Public Assistance entitled "Per Capita Expenditures—Voluntary Child-Caring Agencies." In its 1960–61 report, the average daily cost for 15 child-caring institutions was about $8. The lowest was $4, the highest was $10.

Connecticut

The Connecticut State Welfare Department purchases care from a number of child-caring institutions. Each of these institutions submitted financial statements for 1961–62. Of the seven serving children, two reported per diem costs below $6 (namely, $5.45 and $4.30); five reported costs ranging from $7.82 to $20; the average per diem was $9.20. The three highest institutions in this group provide casework, psychological, and some psychiatric services.

Cleveland, Ohio

The Welfare Federation of Cleveland periodically compiles costs in institutions. In its report for January through October 1961 and 1962, three general child care institutions reported per diem costs of $5.90, $7.33, and $7.71. However, one specialized institution for adolescents with limited services reported $4.75, and another reported $5.22.

NUMBER OF CHILDREN UNDER INSTITUTION CARE

Mr. RHODES. How many children were in this program when you took it over?

Mr. WYNKOOP. A relatively few—several hundred.

Mr. RHODES. Less than 1,000?

Mr. WYNKOOP. Yes, I would say so.

Mr. RHODES. Would it be less than 500?

Mr. WYNKOOP. If you will bear with me a moment.

Dr. WINSTON. I think while he is looking for that we might point out that the number of children is declining.

Mr. MINSHALL. By what rate?

Dr. WINSTON. We have had a total of nearly 8,000 all told. We are figuring our budget for 1964 on the basis of around 3,700 by the end of the year.

Mr. PASSMAN. Is this the number yet to be placed?

Mr. MEYERS. No; they are there now.

Mr. PASSMAN. What did you do with the other children? Did they grow up?

Mr. MEYERS. One of two things. They either grow up or another part of the program—and this contributes to our costs—is an effort to reunite these children and put them back with their families or relatives. Many of them came because their parents or relatives were anxious to get them out and they could not get out themselves. Later some relative takes them. There is a constant effort to put them back in a family relationship situation.

Mr. RHODES. Do you have the figures?

Mr. WYNKOOP. The first figure I have is June 1961. We took over this program in February. The figure on June 30 was 681. So I would assume there were probably 350 to 400.

Mr. RHODES. Prior to that time it was operated out of the White House?

Mr. WYNKOOP. It was operated by Mr. Tracy Voorhees, who was an appointee of President Eisenhower. He had received an allocation from the President's Emergency Fund.

COST OF INSTITUTIONAL CARE AT BEGINNING OF PROGRAM

Mr. RHODES. How much was paid per child at the time the program was taken over by you? Will you provide that for the record?

Mr. WYNKOOP. We will do our best. We did not inherit all the records of the parent agency, but I think we can get that.

Mr. RHODES. You can tell how much was being paid at the time you took it over?

Mr. WYNKOOP. Yes.

(The information requested follows:)

A review of vouchers submitted to the International Cooperation Administration from the Catholic Relief Services for the care of unaccompanied children for the period December 26, 1960, through January 13, 1961, indicates reimbursement for such care at the rate of $8.53 per day for institutional care and $5.40 per day for care in foster family homes.

PLACING OF REFUGEES' CHILDREN IN FOSTER HOMES

Mr. KELLY. I might add I was down there and talked to some of the agencies about this cost, and one of the things they called our attention to was the difficulty they had of actually locating institutional and foster care homes and the way the children backed up in the Miami area in camps and so forth until they could get them located. And although we were inquiring why we had to pay that much, they were saying that the asking price is such they were having difficulty in locating the children.

Mr. RHODES. It is hard to square this with the lower cost of foster home care in the District of Columbia. True, they have difficulty in locating foster homes, but I daresay if you could pay $5.50 a day you would not have a child in Junior Village. You would have them all in foster homes.

Dr. WINSTON. We would be very happy to see the rate raised.

Mr. ANDREWS. What are they paying in the District of Columbia?

Mr. WYNKOOP. The cost in institutions is approximately $150 a month.

Mr. PASSMAN. It seems to me it would be relatively easy, with all the personnel you have in the different agencies, to locate foster homes.

(Discussion off the record.)

Mr. PASSMAN. After you place these children in foster homes or institutional homes where they have met your qualifications, the people who place these children may go by and make a check, but they do not remain in the homes, do they?

Dr. WINSTON. No, but the homes are supervised by the staff placing them. They make regular visits to the homes.

Mr. PASSMAN. You do not have anybody supervising them to see that they go? Their main job is to place these children in a reputable institution?

Dr. WINSTON. That is the first step.

Mr. PASSMAN. And when they place them in a reputable institution, that institution is responsible for that child.

Do you pay their transportation also?

Mr. WYNKOOP. If, after a child is relocated, he is moved from one place to another, we do.

Mr. PASSMAN. Do you set that out in your justifications in a separate item, transportation?

Mr. WYNKOOP. Yes, sir.

Mr. PASSMAN. If we could ever get money growing on bushes we would have no problem at all.

NEWSPAPER ARTICLE ON INVASION OF CUBA

Mr. MINSHALL. Mr. Chairman, I have one article I would like to place in the record by William L. Ryan entitled "Exiles' Invasion Hopes Fade."

Mr. PASSMAN. Without objection the article will be placed at this point in the record.

(The article follows:)

[From the Evening Star, Washington, D.C., Apr. 21, 1963]

EXILES' INVASION HOPES FADE

(By William L. Ryan)

* * * * * * *

CASTRO AMNESTY POSSIBLE

A refugee doctor widely acquainted with Cuban exiles says some are talking glumly about the possibility of going back to Cuba, despite the Communists.

"I believe," he said, "that if Fidel Castro broadcast that all is forgiven, or perhaps promised some sort of elections or offered some guarantees, a large number—maybe as much as 50 percent—would go back because of a conviction that the United States now is protecting Castro anyway."

STATEMENT OF GERADO ABASCAL

Mr. MINSHALL. There is another statement I would like put in the record, Mr. Chairman. It is an excerpt from hearings I mentioned earlier, the Fascell-Pepper hearings in Florida, and this is a statement made by Gerado Abascal, a Cuban radio commentator and Cuban exile.

Mr. PASSMAN. Without objection it will be placed in the record at this point.

(The statement follows:)

STATEMENT OF GERADO ABASCAL, CUBAN RADIO COMMENTATOR AND CUBAN EXILE

Cuba today, regrettably, is a pilot plan for communism in this hemisphere. It is a guinea pig in the Red laboratory. * * * We thought we had a powerful, wise and watchful Uncle up North and we did not believe it was possible for the forces of communism and of aggression—this is what this really is—to get hold of Cuba. But we were misguided. We were duped by international communism. They use deception as one of the sharpest and wittiest weapons they can use.

Many of us came out of Cuba with the spirit that the illustrious and great man, General MacArthur, came out of the Philippine Islands. We wanted to come back, to return. This may give you, gentlemen, the gist of why Cubans, some of them, are reluctant to relocate, apart from the reason of climate * * * the fact is a psychological human reason, because we believe that by dispersing ourselves over this great Nation, which we have loved and love today, we are weakening our chances to come back to our country.

Mr. MINSHALL. And there is one further article from the New York Times Magazine entitled "Bitter, Frustrated, Divided: Cuba's Refugees."

Mr. PASSMAN. Without objection it will be placed in the record at this point.

(The article follows:)

[From the New York Times magazine, Apr. 21, 1963]

BITTER, FRUSTRATED, DIVIDED: CUBA'S REFUGEES

The 105,000 anti-Castro exiles in Miami have turned a resort area into a hot point in the cold war, seething with hopes that have nowhere to go

(By Milton Bracker*)

MIAMI.

On the rear bumper of an air-conditioned car owned by a Cuban veteran of the Bay of Pigs invasion is a yellow strip reading: "Don't worry, they're still 90 miles away." This is an ironic commentary on the fact that Soviet troops are in Havana—and a barb at the United States for doing "nothing" about it. Outside the pale tan walls of the mission-styled Gesu church, as exiles climb the broad stairs to mass, a Cuban student hawks a newspaper with a streamer 6 inches deep assailing Washington's policy in restricting hit-and-run raids against Fidel Castro.

As a leading politico, or politician, appears at a meeting of a group whose presidency he will resign in further protest, ardent supporters chant hoarsely: "Solución! Solución! Solución!" By this they mean that the unresolved problem of their homeland tortures them; they are crying out for the solution whose possible nonexistence they refuse to recognize.

And in a group of men who were captured in the invasion 2 years ago last Wednesday, but were released in December, a minority spokesman insist: "Let Kennedy give back the flag now. Let him give back the flag."

He referred to the proud battle flag that the prisoners gave to the President in the Orange Bowl on the Saturday between Christmas and New Year's. On that emotion-packed occasion, Mr. Kennedy touched off cries of "Guerra! Guerra!" (War! War!) with the words: "I can assure you that this flag will be returned to the brigade in a free Havana."

Each of these circumstances reflects the bitter, indignant and, above all, hopelessly frustrated mood of the 105,000 Cuban refugees in metropolitan Miami today.

The city, now statistically one-tenth Cuban, is in its fifth year of partial conversion into a Latin-American capital. Since mid-February, it has actually had what some Cubans call (recently with some derision) the "embajada norteamericano" or American embassy. This is really the Miami office of the State Department's Coordinator of Cuban Affairs. But one of its jobs, exactly as if it were in Havana, is to "maintain liaison with leaders and groups within the Cuban community."

The mere presence of the agency here is evidence of the extent to which the fiery and thwarted Cubans have involved Dade County in a potentially deadly international drama.

'HAVANA' IN FLORIDA

The basic geography of the Florida Straits is the prime factor. But power, politics, and the psychology of exiles in general and of Cubans, combined with it to turn one of the Nation's greatest resort areas into a hot point in the cold war.

Boiling less with physical activity than with the pent-up feeling that have no true outlet, Miami's Cubans flood the town with Spanish. As in their homeland, they base their diet on arroz con frijoles, or rice and beans. They drink countless small cups of dark Cuban coffee. Eighth Street Southwest is Little Havana. From Biscayne Boulevard to Miami Beach, a debate has persisted over why the Cuban women wear such tight-fitting skirts. The most frequent answer, from the women themselves: "Because our men like them that way."

For, although they live in a "foreign" city, the Cubans keep their lives as intensely Cuban as they can. Patriotism always thrives away from home. Thus, exile agrupaciones, or organizations, occupy houses and stores all over town. There is a Spanish-language daily, plus weeklies, bimonthlies and irregular leaflets.

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*Milton Bracker of the Times speaks Spanish and was formerly the paper's chief correspondent in South America. He has reported on the Cuban refugees twice before.

There are also paradoxes. Of nearly 18,000 Cuban children in the public schools, many speak far better English than their parents. One 8-year-old was asked if he wanted to return to Cuba. "I wanna stay here," he said. Later, his mother asked why he had said that.

"He was an American man," the boy replied in Spanish. "That's what he wanted to hear me say."

In some parts of town, radios blare too loudly. This has persuaded some Miamians that all Cubans always turn up the volume as far as it will go. The county manager's office acknowledges that Cubans figure in more than their share of traffic accidents.

"Por supesto," shrugged one Cuban, meaning "of course." "Why not? Here the system is different. In Cuba you blow your horn and keep going."

In Florida's "Havana," young Cubans, meet, marry, have children. Sixty percent of the refugees receive financial assistance. The other 40 percent include wealthy businessmen who had resources here or who transferred their fortunes before the Castro regime clamped down. The Rotary Club of Havana, instead of filling a few tables among Miami Rotarians, is now a full-scale club in exile. Cubans have become employers as well as employees. At all economic levels, Cubans die and are buried here; they become permanent statistics in the sociology of the city.

DIVIDED REFUGEES

Save for the basic unity of language, cultural traditions and desire to return to a Castro-free Cuba, the living Cubans are more divided than ever. The agrupaciones have tended to subdivide like amoebas.

These groups differ from the mass of the refugee population in that they are run by individuals who have strong ideas on how the first post-Castro government should be constituted, and who shall have roles in it. The Cuban Revolutionary Council, which combines about a dozen groups, is still the largest. And until the resignation of Dr. José Miró Cardona as president on April 9, it was as close to a "chosen instrument" as Washington has among the Cubans.

In an all-night meeting, the council, or consejo, refused to accept Miró's resignation. This was as a gesture of solidarity with his futile protests against what his aids called Washington's "evasiveness" on moves against Castro.

The episode strengthened the repute of the consejo among many Cubans who had been lukewarm to it. But it did not bring in the so-called action groups—the hit-and-run raiders.

Disavowing politics, these include the Revolutionary Student Directorate, which started the raid cycle with an off-shore salvo at a Havana apartment building last August 24. Other action groups are Alpha 66, the Second Front of Escambray and Comando L (for libertad or liberty). Altogether they probably do not include more than 500 individuals, and at least a few of them are not Cubans at all but American adventurers.

Nevertheless, it is these brave but reckless men who have both buoyed the spirits of the Cubans as a whole and have touched off the present difficulties with the United States. The biggest irony is that even the raider groups are split. Comando L is simply a faction that quit Alpha 66 when the latter merged with the Escambray unit.

The only truly unifying factor in the refugee community is the yearning to get back to a liberated Cuba. Men and women invariably speak of the "first plane" or the "first boat." Most of the men reiterate their willingness to fight to speed the day.

Obviously the Cuban population includes fidelistas, although they dare not operate overtly here, as they do in New York. But the dominant passion of the exiles here is for an end of the Communist regime and a chance to "go home." Most of them take for granted that much blood is likely to flow before that becomes possible.

They keep in touch with the island by slowed but continuing mail. Since the cessation last October 23 of direct flights—and of heartwarming reunions at the airport, twice daily—the only link is by a Cuban air route to Mexico, Letters invariably mention shortages, prices and rusos—Russians. They are not censored textually but the Cubans ask wryly, "How many never get here at all?"

One Cuban woman got a leter with five multicolored postage stamps on it. An American collector asked for them, pointing out, with purely philatelic interest, that one showed a head of Castro, one a coiled snake, one a poised insect.

For a moment the Cuban seemed puzzled. Then her eyes flashed as she handed over the envelope.

"Just as I thought," she said. "They're all alike."

THE DISENCHANTED

In 4 years and 4 months the physical aspects of the Cuban community have changed less than its mood. In fact since Castro took power on January 1, 1959, the refugees have lived a wracking alternation of emotional highs and lows.

The immediate emotional pitch is so low that a U.S. official here fears it may represent a "turning point" in the whole story of refugee relations.

The explanation comes down to two Spanish words—las medidas. Medidas are measures, or steps. And to a Cuban these days they refer exclusively to the steps taken by the United States, in conjunction with British authorities in the Bahamas, to restrict the hit-and-run raiders in the Caribbean.

President Kennedy described the raids as "irresponsible and ineffective." Nevertheless, they had inspired the whole Cuban community. They were acción. Something was happening. And no matter how little and how inconclusive, it lit a fire in the heart of the exiles.

But since the medidas tend to quench that flame, they are abhorred beyond all larger considerations, including the risk of nuclear war. On corners, in cafes, at news conferences, in leaflets, Cubans assert angrily that the Caribbean is an international sea. "It does not belong to the United States any more than it does to Russia," many of them say.

The leaders of the action groups insist they are breaking no laws and their work will continue. They are of neither heart nor mind to study the text of 14 United States Code 89, which spells out the Coast Guard's broad authority to:

"* * * Make inquiries, examinations, inspections, searches, seizures and arrests upon the high seas and waters over which the United States has jurisdiction.

"For the prevention, detection and suppression of violation of laws of the United States. * * *"

For, to an embattled raider, this is like gibberish adduced to keep him from defending, or reestablishing, the sanctity of his home.

Antonio Veciana, 34-year-old former accountant who heads Alpha 66, leaned forward near a poster proclaiming "To Act Is Better Than To Have an Opinion—Bamm." He showed a letter from the Immigration and Naturalization Service restricting him, among others, to the Miami area.

"We know the CIA is operating on every street, trying to control us Cubans," he said. "Meanwhile, Castro will soon control all of Latin America. The United States may do nothing, but we are more determined than ever. We shall strike whenever we can, with all our power."

Such assertions are largely rhetorical. But they are also indicative of pervasive anguish, doubt and disenchantment. The Cubans in Miami, like displaced persons down the ages, live on hope. They use words to bolster it, even when external circumstances do not.

SEQUEL TO THE BAY OF PIGS

Two years ago, prior to April 17, the refugee community boiled with excitement. The coming invasion was no secret. One youth embraced his mother so tightly one evening that she knew in the instant it was not just good night; it was farewell, a prelude to war.

He is back now, with a crippled right leg, due to a spinal injury caused by the fall of a heavy branch severed by a dud shell while he took cover during the Castro counterattack. But he is working as a driver's instructor; and he is getting to know the daughter who was born 3 months after he went away. His mother, a native of Lawrenceville, Ga., who married a Cuban, looks 5 years younger than before her son's ransom last December.

For, although the invasion failed, its very failure begot a new emotional prop for the refugees. More than 1,000 of their finest men had been captured; the new goal was their release. Although the prisoner issue, like all intraexile issues, was not so simple as it seemed, the fact remained that as long as the men were in Castro's hands, a surge of feeling united most of their families and friends in Miami.

The course of the ransom effort was not smooth. Hope rose and fell. One wife hysterically phoned a friend in New York: "Oh," she said, "I am so happy. The first plane is landing at Homestead Base. I am throwing on my clothes, I am taking the children to meet him." This was actually 2 months before the prisoners finally returned.

The air in Miami vibrates with bolas—rumors. For, among homeless people, fiction flies faster than truth.

Last October the prisoner issue became abruptly subsidiary to a crisis that gripped the world. All eyes were on the Caribbean. The Cubans breathed deeply and stood tall; surely the liberation was at hand.

President Kennedy quarantined Cuba. Khrushchev backed down on the Soviet missiles. The crisis eased. But Castro remained in power, and the refugees found they had now lost the daily ritual of welcome at the airport.

Two months later, at the heart of the holiday season, the prisoners—1,113 of them—returned. The ransom episode reached a peak of exaltation in the Orange Bowl on Dec. 29.

One of those who had shaken hands with President Kennedy that day was asked if the cries of "War! War!" were to be taken literally.

"They meant that we would have gone back to fight the next morning," he said. "The President moves us a great deal." But another veteran cut in: "It lasted a few days. What is Kennedy doing now?"

The President's link with Miami—the office referred to as the embajada—is in the Post Office Building. It is believed to be the only substantive branch of the State Department within the United States.

Refugees promptly converged on the "Ambassador," a 43-year-old Foreign Service officer named John H. Crimmins, who had been in charge of the Office of Caribbean and Mexican Affairs. It was exactly what happens in a foreign post, where many political parties are jockeying for Washington's favor.

Mr. Crimmins had a delicate role. It not only was whom he saw, but in what precedence. Then, early this month, when the medidas were applied, things changed. The Cubans stopped coming.

RESETTLEMENT PROGRAM

But because they are a people both literally and figuratively with no place to go, the refugees have achieved a new kind of unity in their own frustration. At the same time their disaffection inevitably has sought other targets. One has been the resettlement program of the Cuban Refugee Emergency Center, established early in 1961 by the Federal Department of Health, Education, and Welfare.

The cost of the program to date is nearly $100 million. As of April 7, the center had registered 162,210 persons. Of these nearly 58,000 have been resettled outside Dade County.

Only 2 percent of the relocatd Cubans have drifted back, and half of these have been resettled successfully on a second try.

But since the advent of the medidas, a furious campaign against resettlement has swirled around the tall pink Freedom Tower occupied by the Center. "The resettlement program of Cubans in the Miami area continues in all its inhumanity," said a paper called Liborio.

Aware of its changed role since the daily planeloads of refugees were cut off, the center has stepped up its medical and dental services (using Cuban professionals). And aware of the understandable reluctance of many Cubans to go further from their homeland, to colder climates, to places where less Spanish is spoken, Marshall Wise, the Center's Director, has used all possible tact in offering resettlement.

But a Cuban who holds a Master of Laws degree from Harvard insists that the so-called economic crisis here is a "fake" and that the whole resettlement program is a "moral crime."

Assertions like these have complicated the relations of the Cubans to the host community. In mid-March, Representatives Claude Pepper and Dante B. Fascell held 2 days of hearings here, largely on the Cubans and unemployment. "I just left a picket line on a strike that's been directly caused by the Cuban situation," one labor organizer testified. He referred to the supposed willingness of many Cubans to work for less than local labor.

There was also indicated growing feeling among Miami's 150,00 Negroes. But a Negro clergymen's group subsequently deplored the use of the refugees as an excuse to cover up a long-standing inequality of job opportunity for Negroes here.

In the main, the hearings did not suggest a real breakdown in the relations of the refugees with the community. But the 504-page transcript does include storm warnings.

THE MILITARY PROGRAM

The Cubans do not spare the miiltary phase of the U.S. program these days. At Fort Jackson, Columbia, S.C., some 2,600 refugees have been taking basic miiltary training. The first company returned to Miami 10 days ago and is now on standby-reserve status.

Meanwhile, at Fort Benning, Ga., about 200 Cubans, with the rank of second lieutenants, are completing the infantry officers' orientation course. All of these men are members of the U.S. Armed Forces; they do not constitute Cuban units per se. They include many survivors of the Bay of Pigs.

Thus, Pelayo Cuervo, Jr., a sturdy 7-year-old, wears the Fort Benning T-shirt sent by his father, one of the former prisoners. After his liberation, Cuervo and his wife agreed that "the best way to continue the fight" was for him to "go into the U.S. Army to get the best training."

But another veteran of the invasion, the man whose car bears the sardonic slogan, "Don't Worry" on the bumper and who draws maps of Giron Beach to "prove" that only a few planes could have turned the tide, is very dubious about the Jackson-Benning program.

"If you ask me," he said, "it's military resettlement. I want no part of it."

So the word "medidas," the word "resettlement" have become dirty words to the hapless Cubans sharing the soft breezes off Biscayne Bay. Their outlook has never been bleaker, and for a reason of overwhelming simplicity: for the moment, and for as far ahead as they can foresee, their hopes has nowhere to go.

Mr. MINSHALL. That is all I have.

Mr. PASSMAN. Thank you very much, Doctor, and your very able supporting witnesses.

I want to say again we recognize that you do have a very difficult problem in caring for these refugees. I am glad we have a Nation that believes in the fatherhood of God and the brotherhood of man, and we want to do for our fellow men these things that are right. But there are so many asking us for help we are going to have to make the slices a little thinner. There is just not enough to go around. We are very much in sympathy with this problem. You are doing a creditable job caring for these refugees, but we think possibly there are places where you could very well tighten up a bit. We will cooperate with you to the fullest extent that we reasonably can.

(Discussion off the record.)

Mr. PASSMAN. Again, gentlemen, thank you very much.

TUESDAY, MAY 7, 1963.

MIGRATION AND REFUGEE ASSISTANCE, DEPARTMENT OF STATE

WITNESSES

ABBA P. SCHWARTZ, ADMINISTRATOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS

GEORGE L. WARREN, SR., ADVISER ON REFUGEE AND MIGRATION AFFAIRS, BUREAU OF SECURITY AND CONSULAR AFFAIRS

ELMER M. FALK, DIRECTOR, OFFICE OF REFUGEE AND MIGRATION AFFAIRS

SEYMOUR LEVENSON, EXECUTIVE DIRECTOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS

VERNE B. LEWIS, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE

FRANCES J. DONNELLY, EXAMINER, OFFICE OF BUDGET

Object classification

[In thousands of dollars]

	1962 actual	1963 estimate	Amended 1964 estimate
11 Personnel compensation:			
Permanent positions	458	348	345
Other personnel compensation	10	8	10
Total personnel compensation	468	356	355
12 Personnel benefits	72	51	51
21 Travel and transportation of persons	31	23	24
22 Transportation of things	7	5	5
23 Rent, communications, and utilities	27	19	19
25 Other services	2,055	4,104	3,750
Services of other State accounts	323	203	218
26 Supplies and materials	4	3	3
31 Equipment	12	8	8
41 Grants, subsidies and contributions	4,400	10,175	6,250
Total obligations	7,399	14,947	10,683

Personnel summary

	1962 actual	1963 estimate	Amended 1964 estimate
Total number of permanent positions	87	64	52
Average of all employees	83	55	50
Number of employees at end of year	64	52	52
Average GS grade	8.2	7.3	7.3
Average GS salary	$7,220	$7,664	$8,011
Average grade and salary grades established by the Foreign Service Act of 1946 (22 U.S.C. 861-1158):			
Average grade:			
Foreign Service officers	5.0	4.1	3.8
Foreign Service Reserve officers	1.0		
Foreign Service Staff	5.2	7.3	7.2
Average salary:			
Foreign Service officers	$9,876	$12,188	$12,651
Foreign Service Reserve officers	$19,261		
Foreign Service Staff	$8,006	$7,266	$7,599
Average salary in foreign countries (local rates)	$2,565	$2,663	$2,758

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	Amended, 1964 estimate
Program by activities:			
1. Contributions to Intergovernmental Committee for European Migration	3,200	9,275	5,500
2. Contributions to program of United Nations High Commissioner for Refugees	1,200	900	750
3. Refugees from European Communist countries	850	1,450	1,250
4. Refugees from Communist China	1,055	2,100	2,000
5. Algerian refugees	100		
6. Tibetan refugees	50	432	400
7. Other refugee situations		122	100
8. Administration	944	668	683
Total obligations	7,399	14,947	10,683
Financing:			
Comparative transfer from other accounts (−)	−7,399		
New obligational authority (appropriation)		14,947	10,683

Mr. PASSMAN. The committee will come to order.

UNITED NATIONS PACT TO AID CUBA

At this time I should like to read a brief news item. This is captioned "U.N. Pact To Aid Cuba Is Signed":

UNITED NATIONS, New York, May 3 (AP).—An agreement was reported today to have been signed for a U.N. Cuban aid project that has drawn heavy U.S. criticism.

The agreement involves the U.N. Special Fund and Cuba, which would share the cost of the project, and the U.N. Food and Agriculture Organization, which would carry it out.

A spokesman for the Fund said Leonardo Fernandez Sanchez, Cuban Ambassador to Italy, and Jan Huyser, an official of the FAO, signed the so-called plan of operation at FAO headquarters in Rome April 10 and G. Hoffman, Managing Director of the Fund, signed it here April 15.

The informant said the FAO was recruiting experts to carry out the project. He added that none of the experts would be American or Russian and that no U.S. dollars would be spent to pay them. He stressed that full administrative responsibility for the project now lay with the FAO.

The project calls for the Fund and Cuba together to spend $3 million to set up an agricultural research institute in Santiago de Las Vegas, Cuba.

I think the record should show that for the Special Fund of the United Nations the United States contributes 40 percent of the total. Therefore, any appropriation to Cuba from this Fund would have to represent a 40-percent U.S. contribution.

RED CHINA-CAMBODIA PACT

Here is an item captioned "Red China, Cambodia Sign Pact":

PHNOM PENH, Cambodia, May 5 (AP).—The chiefs of state of Communist China and the neutralist monarchy of Cambodia signed a document today binding them in friendship and pledging support for each other's foreign policies.

About 20,000 persons, many of them uniformed schoolchildren, stood in ranks in front of the royal palace here while China's visiting President Liu Shao-chi and Cambodia's chief of state, Prince Norodom Sihanouk, signed the declaration. Later, balloons and doves were released by the crowd as Liu and Sihanouk waved from the balcony.

A third of this city's population of more than 100,000 is Chinese.

In the new agreement, China said it supported Cambodia's territorial integrity and joined in its "fight against foreign imperialism," a reference to Cambodia's continuous border disputes with its anti-Communist neighbors, Thailand and South Vietnam.

Cambodia pledged to support the Chinese Communist claim to Taiwary, headquarters of the Chinese Nationalists since 1948.

AID TO BURMA

There is one more with reference to that same part of the world, this one captioned "Aid With No Thanks":

The fawning manner in which the great United States tries to force foreign aid on ungrateful governments is a source of increasing concern to the ordinary American.

Take Burma for instance. The Burmese Government has ended its scholarship exchange with the United States for fear western influence will outbalance Communist influence.

Private American foundations have been excluded from Burma for the same reason and because the Burmese Government wants to monopolize the aid. It doesn't want help going directly to individuals.

This afternoon the subcommittee will consider the appropriation request for the migration and refugee assistance program. Mr. Abba P. Schwartz, Administrator of the Bureau of Security and Consular Affairs of the Department of State, and other witnesses will testify for the program.

REDUCTION IN PROGRAM FOR 1964

Gentlemen, it pleases the committee to note that you had an appropriation of $14,947,000 in fiscal year 1963 and that you are requesting some $4.3 million less than that, or $10,683,000, for fiscal 1964.

Mr. Schwartz, we shall be pleased to hear from you at this time.

GENERAL STATEMENT OF ADMINISTRATOR

Mr. SCHWARTZ. Mr. Chairman, I have been Administrator of the Bureau of Security and Consular Affairs of the Department of State since October 1962. This is my first appearance before your committee, Mr. Chairman, and I am pleased to be here to discuss with you our programs in the Department relating to migration and refugee activities. The amount requested for these purposes for fiscal year 1964 is $10,683,000.

Our request for $10,683,000 represents a reduction from the $11,800,000 originally requested in the President's budget. The original request was made on the basis of our estimates last fall. Developments since then and the administration's determination to maintain close review of programs and expenditures resulted in the President's submission to the Congress on March 18, 1963, of an amended budget covering the reduction. The total reduction over the 1962 program not only indicates progress toward the solution of the refugee problem in Europe, but also reflects our efforts to obtain greater proportional financial participation by other interested governments.

Public Law 87-510, the Migration and Refugee Assistance Act of 1962, authorizes, among other things, U.S. participation in and contributions to the Intergovernmental Committee for European Migration (ICEM) and the Office of the United Nations High Commissioner for Refugees (UNHCR). The additional assistance we propose to render to refugees will be afforded under presidential determination (pursuant to Public Law 87-510) that such assistance contributes to the defense, or to the security, or to the foreign policy in-

terests of the United States. This additional assistance benefits anti-Communist refugees such as the Chinese in Hong Kong, the Tibetans in South Asia and escapees in Western Europe and other areas. Assistance to other groups like the Russian Old Believers in Turkey, who are being paroled into the United States by the Attorney General, has been arranged without any demand on U.S. funds.

The present request includes $5.5 million for the Intergovernmental Committee for European Migration, which is $1 million less than the comparable amount for 1963, and $750,000 for the UNHCR, $150,000 less than last year's appropriation. For other refugee assistance the sum of $3.75 million is requested. Administrative requirements amount to $683,000. The total request of $10,683,000 for fiscal year 1964 is comparable to the total program cost for fiscal year 1963 of $12,172,000, a reduction of $1,489,000.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Ten of the twenty-nine governments which are members of the Intergovernmental Committee for European Migration are Latin American. U.S. foreign policy interest in furthering economic growth in Latin America is served by providing assistance through this organization in facilitating the availability of the skilled migrants which the Latin American governments require. Since the establishment of ICEM in 1952 through 1958, ICEM facilitated maximum emigration from Europe. Since 1958 ICEM has endeavored to meet the more selective requirements for industrial and agricultural workers of the Latin American countries. Today U.S. interest in ICEM is centered in its continuing potential to resettle refugees and emigrants who has the skills, training, and experience in demand in Latin America. Persons with these qualities are selected from Greece, Italy, Spain, and the Netherlands. Dutch-Indonesians who have returned to the Netherlands, Italians and Greeks returning from Egypt, Armenians leaving Egypt, and Belgians, Italians, and Spaniards returning from Africa are also being assisted to resettle in Latin America. Financial contributions toward transport and resettlement are received from the refugees and migrants themselves and from the sending and receiving countries. By supplementing these contributions, as necessary, from its own free funds ICEM has been able to organize and supply air and sea transport on migrant routes where transport is inadequate or unavailable.

ICEM also cooperates with sending and receiving countries in the establishment of resettlement projects in Latin America. Instead of establishing European settlers exclusively in these projects, ICEM is now facilitating the organization of agricultural settlements of predominantly native farm settlers who will be assisted by a smaller number of skilled experienced European farmers. These European farmers contribute know-how and leadership in the development and functioning of farms, help to secure increased agricultural production, and introduce improved marketing methods.

Through 1962 ICEM has moved overseas 1,195,357 persons, including 510,772 refugees; and 20,435 European refugees from mainland China through Hong Kong. We estimate that ICEM will move 76,300 migrants and refugees in 1964.

The request of $5,500,000 for 1964, $1 million less than the comparable amount for 1963, includes a contribution of $781,760 for ICEM's administrative budget. This is 29.77 percent of the total ICEM administrative budget allocated to all government members. Our contribution of the balance, $4,718,240, to ICEM operational expenditures, will be subject to the limitation of 33⅓ percent of all government contributions to operations. It is indicative of increased participation by other governments that the U.S. contribution to the operations of ICEM has decreased from 45 percent in 1961 to 33⅓ percent in 1964. We do not contribute to movements between affluent countries which are now able themselves to provide transport for migrants. The United States has been successful in its efforts to increase the proportionate contributions of the migrants and the refugees, as well as of sending and receiving countries, toward the cost of transport. We propose to continue those efforts.

UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES

The basic task of the United Nations High Commissioner is to protect refugees, including the supervision of the application of international conventions protecting refugees. At the request of the U.N. General Assembly, the High Commisioner also seeks solutions for the material needs of refugees, drawing upon voluntary contributions from governments and private sources, and receiving guidance from his 25-nation executive committee.

Among the older post-World War II refugees in Europe, funding is completed for the reestablishment of refugees still residing in official refugee camps. Also, the UNHCR expects that the resources necessary to assure the reestablishment of refugees in Europe living outside camps, particularly the handicapped, will have become available by the end of 1964, primarily from European countries' contributions. This will permit the U.S. reduced contributions to be used in the less prosperous areas such as Greece and for specific groups like the European refugees fleeing mainland China. It is our intention to earmark our contributions to the UNHCR for these purposes.

The UNHCR also operates a program to assist new refugees. It is expected that about 7,000 new European refugees will require special legal assistance, maintenance, and resettlement or integration assistance in 1964. The UNHCR will also use his good offices as requested by General Assembly resolution to stimulate and channel contributions from private and public sources on behalf of newly arising refugee problems in other areas.

The request for contributions to these activities of the High Commissioner in 1964 is for $750,000, a reduction of $150,000 from 1963 funds.

REFUGEES FROM EUROPEAN COMMUNIST COUNTRIES

A primary objective of U.S. Government assistance to refugees and escapees is to support the principle of asylum for those persons who, persecuted or fearing persecution, flee their Communist homelands. The U.S. escapee program (USEP) continues to be an essential factor in translating this principle into action. To encourage the European countries to continue to provide asylum to these es-

capees, USEP provides limited supplementary care and maintenance where necessary and seeks to reestablish them in the free world. By the end of 1963, USEP will have assisted 245,000 anti-Communist escapees in Europe and the Near East. We estimate that 6,300 such escapees will require assistance in 1964. A sum of $1,250,000 is required for this purpose in 1964, a reduction of $200,000 from 1963.

I consider that it is in the vital interest of the United States to to continue to assist these refugees who reach the free world. They are the most convinced opponents of communism, having experienced it and rejected it.

REFUGEES FROM COMMUNIST CHINA

A year ago this month many thousands of Chinese were attempting to escape from Communist China into Hong Kong. During 1962, more than 140,000 Chinese refugees arrived in this territory, which since 1948 has been a haven for anti-Communist Chinese refugees and an outpost of freedom in the Far East. Hong Kong is an important city with a population of 3,500,000, largely Chinese, in a land area of about 400 square miles. The community presents an example of growth and development in a free, competitive situation in contrast to the Communist-controlled society in mainland China. However, the flow of nearly a million and a half refugees to Hong Kong since World War II, while an economic gain, has created a serious problem of absorbing this additional population.

The Hong Kong authorities make no distinction between older residents and newly arrived refugees. The number of the latter has swamped the available public and community services. For example, 900,000 persons remain badly housed, some not housed at all. Two percent of the population has active tuberculosis, due to the high incidence of the disease among the refugees. Although present school facilities are operated two or three shifts a day, school room is lacking for 194,000 children.

The nearby city of Macau is faced with a similar problem on a smaller scale. In the past, Macau has been a way station for refugees on their way to Hong Kong, but increasing numbers of Chinese refugees, particularly the handicapped, remain there.

While earlier U.S. assistance was about $1 million annually, in 1963 we are assisting Chinese refugees in Hong Kong and Macao at the level of $2,100,000. We propose to continue assistance in 1964 at about this same level ($2 million). These funds, which supplement the expenditures of the Hong Kong authorities and contributions from international and private sources, are used to assist selected individual refugees and groups of refugees to become settled, to assist some to emigrate, to assist U.S. voluntary agencies in operating vocational training and medical assistance programs and in processing U.S. foodstuffs available under the Agricultural Assistance Act for consumption by the refugees. It is planned also to assist the Hong Kong government in its program of capital construction for schools, clinics, and community centers, and to contract for similar projects carried out by private American or international voluntary agencies.

Our Hong Kong program promotes our interests and demonstrates the humanitarian concern of the American people toward the Chinese

people by counteracting Red Chinese propaganda campaigns against the United States. This propaganda is particularly designed to influence the mainland Chinese people to believe that the United States is their enemy. It is in our interests to retain as much friendship as possible with the Chinese people whether in Red China or elsewhere. This is difficult to accomplish since our channels of communication with mainland China are quite thin and are likely to remain so. Our refugee relief activities in Hong Kong provide one of the principal means of creating an image of American friendship and benevolence toward the Chinese people that has an impact upon many people in Communist China. There are thousands of Chinese who visit mainland China from Hong Kong each week and tens of thousands of letters are exchanged between Red China and Hong Kong in that same period. Virtually every family in Hong Kong has relatives in mainland China. We can be sure that these relatives have learned something of the life in Hong Kong and what is being done by the Americans for those who live there.

It is important to U.S. interests that Hong Kong's viability as a free world outpost continue. In strictly material terms, the U.S. Government and American voluntary agency refugee programs in Hong Kong supplement the efforts of the Hong Kong government in coping with its refugee-swollen population. But far more important, these programs demonstrate American interest in Hong Kong, in its freedom, and in its people. By reaching out and touching so many individuals, the American programs have a considerable impact upon the attitude of the Chinese toward us and thus help to create the kind of favorable atmosphere and attitudes which provide the public confidence which permits Hong Kong to survive.

Because Hong Kong is a progressing, solvent community where taxes are low and where there has been a budgetary surplus year after year, it may be asked why American assistance is required. First of all, many basic needs are growing faster than they can be met by the Hong Kong Government and in some areas, the people live under almost impossible conditions. They are in desperate need of housing, medical services, and schools. The plight of the individual is especially difficult because Hong Kong's social welfare services are still not geared to the size of the population and the continuing influx of refugees. The U.S. Government and our voluntary agencies are playing a part in filling this gap. It is therefore most important that American refugee efforts in Hong Kong be carried out as far as possible in the name of the people of the United States and advertised as such.

TIBETAN REFUGEES

The revolt of the people of Tibet in 1959 and the repressive measures taken by the Communist Chinese forced over 60,000 Tibetans to seek refuge in Nepal and India. In the intervening years these refugees have managed to subsist under difficult circumstances in locations as varied as the almost inaccessible valleys of the Himalayas and the suffocating heat of the Ganges Plain.

In the remoter regions of Nepal the refugees subsisted for a time by slaughtering their livestock. As this resource was consumed, it was only through the efforts of the International Committee of the Red

Cross, with U.S. assistance, in air-lifting food to the mountains areas that these groups were saved from starvation. The Red Cross also assisted a number of the refugees to reestablish themselves as farmers.

In India these refugees have been assisted through the efforts of the Government of India; and Indian, and United States, and international voluntary agencies; and their leader, the Dalai Lama.

These refugees, and particularly those who found temporary asylum in the border areas, have been displaced for a second time by the Sino-Indian hostilities. Within the last months, 4,000 Tibetan refugees have come down from Nepal to India where they present an added relief problem for the Indians.

The abrupt change in their way of life, the extreme differences in climate between Tibet and India, and the lack of shelter and adequate diet have caused great suffering and produce serious health problems, including tuberculosis among the young, so that there is pressing need for medical assistance. It is essential in the humanitarian tradition of the people of the United States to assist in some measure in providing shelter, emergency subsistence, and education and vocational training so that the Tibetan refugees can be reestablished, live in dignity, and remain resolute opponents of communism.

The 1964 estimate for this program is $400,000, a reduction of $32,000 from 1963.

OTHER REFUGEE GROUPS

The overall request for funds to provide assistance to refugees in 1964 includes the sum of $100,000 to cover new refugee situations as they arise in which, subject to Presidential determination, it will be in the interest of the United States to provide assistance.

ADMINISTRATIVE EXPENSES

The overall request for 1964 includes the sum of $683,000 for administrative expenses, an increase of $15,000 over the 1963 estimate which is required solely because of the Pay Act salary increases. I consider this a minimal request for administrative expenditures which will enable us to maintain the staff required in Washington and in the field to carry out the Department's responsibilities in connection with these refugee programs.

In closing, I should like to emphasize that the presence of refugees is evidence of political upheaval or oppression which more often than not may disturb the peace or otherwise adversely affect the United States. It is in our interest to try to reduce the political tensions by assisting the refugees to become free and productive individuals. Our sustained concern for the stateless and unsettled victims of oppression is significant to our foreign policy in political, economic, social, and humanitarian terms.

Mr. Chairman, I will be pleased to try to answer any questions you might have.

Mr. PASSMAN. Thank you, Mr. Schwartz. I am sure this year, as in previous years, you will find a sympathetic committee in the consideration of these humanitarian programs.

ESTIMATED UNOBLIGATED BALANCE, JUNE 30, 1963

Of the $14,947,000 appropriated last year, what is the estimated amount that you will have on hand unobligated as of June 30, this year?

Mr. SCHWARTZ. I will have to check, Mr. Chairman.

I would like to explain, first, that I came in only last October.

Mr. PASSMAN. What date did you come in, Mr. Schwartz?

Mr. SCHWARTZ. October 5.

I immediately undertook a careful survey of the refugee programs and I made every effort, both in connection with the administrative budget and the substantive budget, to meet what I consider vital U.S. interests within reasonable financial limits.

When we got into this I found, in October, it was essential immediately to take some action to live within the $650,000 administrative expenditure appropriation which your committee had directed. I also felt it was essential we reexamine the major programs.

According to my examination, I would estimate—and Mr. Warren can correct me in connection with ICEM—that we would not have in our 1963 figures a carryover unless Mr. Warren has later information, having just returned from Geneva yesterday.

Mr. PASSMAN. You are going to live within an appropriation but you will have no unobligated funds?

Mr. SCHWARTZ. No unobligated funds. Mr. Warren can correct me if I am wrong.

Mr. WARREN. Of the appropriation of $6.5 million——

Mr. PASSMAN. I am speaking of the overall.

Of the $14,947,000 Congress appropriated last year what amount, if any, will you have on hand unobligated on June 30?

Mr. SCHWARTZ. As of April 30, 1963, which is the most recent figure we have, we have obligated $11,973,826. Since, for this purpose, we are on a calendar year, we are only in the fourth month of this so I would anticipate we would be fully obligated.

Mr. PASSMAN. You will have adequate funds to carry out this program as authorized by the Congress?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. Thank you.

REDUCTION IN 1963 APPROPRIATION

Gentlemen, this now brings me to the same "grave" concern with your appropriation that we have had with all other foreign aid appropriations. The President last year requested of the Congress $4.9 billion. The Congress, in its wisdom, reduced the President's request by $1.324 billion and the complaints heard from downtown were to the effect that this would just about wreck the program.

However, the President in his message to the Congress this year stated upward of $200 million would be unused. Subsequently, Mr. Bell indicated upward of $300 million would be on hand unobligated. Regardless of how it may be argued, had the Congress in its wisdom appropriated $3.6 billion, rather than $3.9 billion, there would have been sufficient money to fund all programs.

In almost every program we have found that each individual agency has made the same type of protest.

Last year, a document was addressed to Senator Hayden and myself, marked "Secret" then, dated October 3, 1962, dealt with a number of figures.

Is this letter still "Secret" or has it been declassified so that we can mention the figure?

Mr. LEWIS. Certainly you can mention the figure, Mr. Chairman.

Mr. PASSMAN. I do not know why it was "secret" then. Anyway, here is what it said:

> * * * Unless the entire Senate figure of $16,677,000 is authorized, the President would face grave difficulties in providing the assistance to refugees which he has determined to be in the defense or security of foreign policy interests of the United States. The Department, therefore, feels compelled to restate the national interests involved in each of the programs which would be affected * * *.

What grave difficulties did the President of the United States face because you people did not get every dollar you asked for? You said just now that you had adequate funds to fund the program.

Mr. SCHWARTZ. Mr. Chairman——

Mr. PASSMAN. You are new?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. Do any of the supporting witnesses know what grave difficulties they had anticipated would arise if they did not get every dime they asked for?

Mr. LEWIS. I think the principal change, Mr. Chairman——

Mr. PASSMAN. I asked what serious or grave difficulties there were. I certainly want to be courteous but we are not going to be lectured on this. Actually, there must have been some anticipation of grave difficulties if you do not get every dime and that is what the letter said. That is what we are trying to find out. You got by all right with what was appropriated, $2,000,000 less than you requested and the grave difficulties did not follow.

What did you anticipate would happen if you did not get every dollar you asked for?

ALGERIAN REFUGEE PROGRAM

Mr. LEWIS. You may recall, Mr. Chairman, last year's estimate was inclusive of a large item for a program for Algerian refugees. The Congress decided we should not perform that program so that was one of the biggest changes.

Mr. PASSMAN. You went ahead and performed it out of another account, but we shall talk about that later.

Mr. LEWIS. We did not, out of this appropriation.

Mr. PASSMAN. I know you did not out of this appropriation. But even though the Congress expressed its position on the Algerian refugee program, you funded it out of another account, did you not?

Mr. LEWIS. I cannot speak to that. I have no responsibility for it.

Mr. PASSMAN. Do any of you know about the President's contingency fund? Was a refugee program funded out of that?

Mr. SCHWARTZ. I do not know. I think Public Law 480, but other than that, I do not know.

Mr. PASSMAN. At this time you do not recall the grave difficulties you anticipated would arise if you did not get every dime of the money? There is nothing you can say at this time that would indicate there would be any grave difficulties if the Congress worked its will on these requests? Am I making a fair statement?

Mr. LEWIS. I think a fair statement would be that we have not performed all of the programs that were contemplated.

Mr. PASSMAN. Why did the witness say you had performed them satisfactorily?

Mr. LEWIS. The ones we have performed, we are performing satisfactorily.

Mr. SCHWARTZ. Mr. Chairman, I would just like to point out that these programs have been gone through with a fine-tooth comb; and I consider these are the ones that would best serve our interests. We did request, even after the President's budget came up, a reduction of $1,117,000, I think.

PROGRAMS ELIMINATED FROM 1963 OPERATIONS

Mr. RHODES. This gentleman over here, if I understood him correctly, indicated you had not undertaken some programs you would have undertaken had you received the full $16 million.

Would you care to elaborate on that and tell the committee what programs you would have undertaken with more money?

ALGERIAN PROGRAM

Mr. LEWIS. The principal one I mentioned was the Algerian program. There were also some funds, I do not recall the amount now, for some scattered refugee programs throughout the world, principally in the Middle-African countries, such as Rwanda and Burundi and so on, that had been dropped out.

Mr. RHODES. I understand the Senate concurred with the House in striking out the Algerian program?

Mr. LEWIS. That is correct. We are not complaining about it but simply wanted to say that was one of the principal——

EGYPTIAN PROGRAM

Mr. PASSMAN. Having a refugee program in Egypt, is that one you dropped?

Mr. LEWIS. I would have to check, Mr. Chairman.

LOATIAN PROGRAM

Mr. PASSMAN. Then a Laotian refugee program in Laos, is that one you dropped?

On one side of Laos, you had the Laotian program and you wanted to set up a refugee program for them in their own country?

Mr. LEWIS. That was dropped before the request got to the committee, sir.

Mr. PASSMAN. Are there any others you dropped in addition to those specifically cut out by the Congress?

Mr. LEWIS. I will have to supplement my statement. I do not recall any others, Mr. Chairman.

(The information requested follows:)

Programs dropped in 1963 other than those specifically cut out by the Congress include: Cuban refugees in foreign countries, refugees in Central Africa, refugees from North African countries, and assistance to selected refugees.

EFFECT OF COMMITTEE REDUCTION IN 1963 BUDGET

Mr. PASSMAN. You have not curtailed the program to any damaging extent, have you, by following the intent of the Congress; is that a fair statement?

Mr. LEWIS. That is right.

Mr. PASSMAN. Thank you.

ASSISTANCE THROUGH PUBLIC LAW 480

Mr. PASSMAN. In addition to the request for $10,683,000 for fiscal 1964, I note on page 7 of the justifications additional U.S. assistance is, or may be, provided through Public Law 480, surplus commodities, utilization of U.S.-owned local currency, or other pertinent aid projects.

Let us get into this Public Law 480 item. How much? Can you pin it down for us?

Mr. SCHWARTZ. I am sorry I cannot. I have restricted our program to expenditures which I consider perhaps direct expenditures for refugees, not persons displaced within their own countries.

Mr. PASSMAN. We want you to tell us what these people are going to get in fiscal 1964 they have not been getting in other fiscal years. It may be that a good part of your previous program is being paid for by other agencies.

Could you tell us what you project?

Mr. SCHWARTZ. That is dealt with by other areas of the Department. However, in connection with our programs I have inquired as to such areas as Hong Kong where there is a wide distribution of surplus foods, some of which goes into noodle factories there.

Mr. PASSMAN. That is in addition to what you had in previous years? It is in addition to the money requested?

Mr. SCHWARTZ. To my money request——

Mr. PASSMAN. What is the amount involved? I would just as soon have noodles as dollars, if I am hungry.

Mr. SCHWARTZ. There is a document here which indicates the Far East Refugee Program——

Mr. PASSMAN. Your area?

Mr. SCHWARTZ. This is my area, FERP, that we have been instrumental in the distribution of this. During 1962 which is——

Mr. PASSMAN. Let us use fiscal 1964, sir.

Mr. SCHWARTZ. I am sorry that this will have to be supplied.

Mr. Lewis, am I correct about the areas that deal with Public Law 480? We do not determine that?

Mr. PASSMAN. Can you get that information for us?

Mr. LEWIS. Very well, sir.

(The material requested appears on page 398.)

Mr. PASSMAN. On the utilization of U.S.-owned local currency, if you are in Hong Kong, that would have to do with Hong Kong dollars, would it not, if we have them?

Mr. SCHWARTZ. If we have appropriated dollars, we do not use those dollars if the Treasury has the currencies. We use the local currencies.

Mr. PASSMAN. Could you utilize Government-owned local currencies in addition to the $10,683,000 indicated?

Mr. SCHWARTZ. We would have no authority to do that.

Mr. PASSMAN. This is a bit confusing to know what you are going to spend that on because you are getting into three other fields, foreign aid, local currencies, and surplus commodities.

Mr. SCHWARTZ. Mr. Lewis should be able to tell us that. The food programs will have to be presented by another area, will they not?

Mr. LEWIS. That would be the Department of Agriculture's primary responsibility. However, we can get that.

Mr. PASSMAN. I would not want to exaggerate my point but if you providing clothing, tobacco, spending money, and all of that, they would not necessarily need the money, would they? As you mentioned all of these different things, the committee would like to know how much they are going to get out of these different funds.

Mr. SCHWARTZ. I can only mention Hong Kong, with which I am familiar, where we do supply some ingredients for feeding through this noodle operation.

SOURCES OF LOCAL CURRENCIES

Mr. PASSMAN. We wish that you would supply a table for the record, showing the total amount of funds available from these several sources.

Mr. LEWIS. Glad to do that, Mr. Chairman.

(The information follows:)

None of the migration and refugee assistance programs for which an appropriation of funds is requested will be supplemented in 1964 by U.S.-owned local currencies, by AID programs, or by any other funds. However, Public Law 480 surplus food programs on behalf of Chinese refugees in Hong Kong and Macau and on behalf of Tibetan refugees in India and Nepel are expected to continue in 1964 at the following rate: Hong Kong, $3.4 million; Tibetan refugees, $0.2 million.

These programs are administered under title III of Public Law 480 and the principal commodities included are: wheat flour, cornmeal, milk powder, rice, Bulgur wheat, and vegetable oils.

SITUATION ON HONG KONG

Mr. PASSMAN. It is my understanding there are more millionaires in Hong Kong than in New York City, and I know there is a thriving economy there. The tax structure they have there is remarkably low. If you make a million dollars there, you pay $11,000 in income taxes; but if you make $1 million in America, you get up to the 90.1 percent bracket, and then with all other taxes, it goes to 96 percent.

I wonder why those people could not be prevailed upon to make a larger contribution for the Hong Kong refugees?

Mr. SCHWARTZ. Mr. Chairman, I raised this point with the consul general in Hong Kong. I was there for just a few days and I raised this very point you have made. He introduced me to a few of these very wealthy Chinese and he explained they get more out of them—I do not know whether they have more millionaires than we have but——

Mr. PASSMAN. I did not say the United States. I said New York City.

Mr. SCHWARTZ. New York City, yes.

He explained that the local wealthy people contribute more, he tells me they contribute more through their voluntary assistance to the

various hospitals and things of that sort than they would otherwise be getting through taxes and the benefits, by the time they went through the tax structure. Basically, he said the economy of Hong Kong is what it is because of the low tax structure which does permit people to open small shops, or a small business, and do very well.

This was a point I discussed with him. He said it was a matter which the Hong Kong authorities had considered very carefully and that this was their best judgment and it seemed to work with this swollen population.

I might just mention I believe my figure is correct. The Hong Kong Government is spending $215 million in its budget for services, including 60 percent of them for refugees.

Mr. PASSMAN. That is for maintenance of the city and and everything?

Mr. SCHWARTZ. That is right.

Mr. PASSMAN. You get more for a dollar there than you get here, but that sounds to me like a rather low budget for a city of that size.

UNFORESEEN PROBLEMS IN 1964

Mr. Schwartz, at this time do you anticipate any new and emerging refugees problems during fiscal 1964?

Mr. SCHWARTZ. Mr. Chairman, this is a question I really cannot answer. These problems have arisen unexpectedly all over.

Mr. PASSMAN. You do not foresee any at this time not covered in this money request?

Mr. SCHWARTZ. No, sir, I do not.

Mr. PASSMAN. Thank you.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

The first program under the estimate is the Intergovernmental Committee for European Migration, for which an estimate of $5.5 million is requested.

CONTRIBUTIONS

Would you submit a table for the record which shows the dollar amounts of the contributions of the other 29 members of ICEM?

Mr. SCHWARTZ. Yes, sir. We certainly can. We can produce that for the record.

(The information follows:)

Total contributions all governments to ICEM from 1960 through 1964, showing the percentage of the U.S. contribution to the total

	Total	U.S. contribution	Percent
1960	$24,798,632	$10,682,465	43.08
1961	18,057,910	6,950,209	38.49
1962	14,484,795	5,169,514	35.69
1963 (estimate)	19,696,900	6,500,000	33.00
1964 (estimate)	16,555,000	5,500,000	32.90
Total	93,593,237	34,802,188	36.63

Mr. PASSMAN. Do you remember your percentage offhand?

Mr. SCHWARTZ. Yes; on the administrative budget——

Mr. PASSMAN. Let us take the total.

ADMINISTRATIVE BUDGET

Mr. SCHWARTZ. The total administrative budget is $2,400,000——

Mr. PASSMAN. You have one of these percentage formulas, do you not, where we put up so much?

Mr. SCHWARTZ. What is our contribution of the total?

On the administrative budget, our percentage is 29.77 of the total.

Mr. PASSMAN. Give it to us for the others, if you are going to separate it.

Mr. WARREN. We separate it by individual governments, but the administrative budget——

Mr. PASSMAN. Are you dealing with an administrative item altogether in your $5.5 million request?

Mr. SCHWARTZ. That is part of it.

Mr. PASSMAN. That is why we wanted to have the total contribution figure. You do have the right of transferability within?

Mr. SCHWARTZ. Right.

Mr. PASSMAN. If you do not give us the total percentage, then we will not actually know how to arrive at that? We will not know how to arrive at what part of the $5.5 million request is administrative, or for other purposes. What is the total percentage that we contribute?

Mr. WARREN. It is somewhere between 29.77 and 33.3 percent.

Mr. PASSMAN. Between those two figures?

Mr. WARREN. Yes, sir; 29.77 on about $2.4 million; and 33.3 percent on something like $15 million.

Mr. PASSMAN. Is that formula worked out that way just to complicate it, or is there some other reason?

Mr. SCHWARTZ. No, sir. The administrative budget, as governments increase their contribution or we get more governments joining and we now have 29, where we started with 18, as they join, everyone's administrative percentage goes down. If a country drops out, it will go up.

Mr. PASSMAN. You have the right of transfer within the major overall?

Mr. WARREN. Yes, sir. The dues we must pay of the administrative budget, that is a sort of dues for membership. We have to agree to any figure that they——

Mr. PASSMAN. If somebody drops out, our contribution goes up?

Mr. WARREN. The same with the other 29 countries, to a very small percentage.

If a country drops out——

Mr. PASSMAN. Do you permit them to drop out on one item and remain in on others?

Mr. WARREN. They are either in or out.

Mr. PASSMAN. Of the 29 countries, what is the maximum number you have had in the organization in the past?

Mr. WARREN. The maximum number of members has been 30.

Mr. PASSMAN. Now it is 29?

Mr. WARREN. Now it is 29.

Mr. PASSMAN. Since the inception of the program on dropouts, could you give us a percentage of the total and be fairly accurate?

Mr. SCHWARTZ. Yes, we could be quite accurate.

Mr. RHODES. Would you yield?

Mr. PASSMAN. Yes.

Mr. RHODES. The actual dollar amount of your administrative expenses has gone up?

Mr. WARREN. No.

Mr. RHODES. This last year?

Mr. SCHWARTZ. No, it has gone down.

Mr. WARREN. The percentage of our contribution——

Mr. RHODES. I am talking about dollars, not percentages.

Mr. WARREN. Neither the percentage nor the dollars has ever increased.

Mr. RHODES. Let me see.

Mr. WARREN. It has been about $787,000.

Mr. RHODES. On page 10 of your justifications, you ask for $781,760 for administrative expenditures and last year was it not $699,590?

Mr. WARREN. It is the same percentage.

Mr. RHODES. I am talking about dollars.

I think our record seems to indicate dollars.

Mr. SCHWARTZ. That must be Canada dropping out.

Mr. WARREN. We have not raised our contribution because Canada dropped out.

Mr. PASSMAN. Canada is dropping out?

Mr. SCHWARTZ. Canada dropped out.

Mr. WARREN. That brought it down from 30 to 29.

Portugal is about to join.

Mr. RHODES. Mr. Chairman, in last year's justifications, it states the request was for $6.5 million for ICEM, including $699,590 for administrative expenditures. This year the request for ICEM is $5.5 million, including $781,762 for administrative expenses.

Mr. WARREN. We stand corrected. There was a slight increase.

Mr. RHODES. To be exact, $82,170 increase.

Mr. WARREN. It results from a slightly higher budget on the administrative side. There have been increases in salaries in all of the international organizations and other increases.

Mr. PASSMAN. Of the $10,683,000 requested for fiscal year 1964, you will carry on the same programs you had in the past, which means the situation is improving; is that true?

Mr. SCHWARTZ. That is correct.

Mr. PASSMAN. Is that why Canada dropped out?

Mr. SCHWARTZ. Before we go into that, may I say that the situation is not only improving from the viewpoint of almost total dissolution of the European Second World War problem, but it is improving from the viewpoint that the other countries are contributing more.

The European countries are contributing a great deal more than they have in previous years.

Mr. PASSMAN. Is that changing the formula or the ratio?

Mr. SCHWARTZ. Yes, our contribution to Operations has gone down in ICEM from 45 percent in 1961 to 33.3 percent in 1964.

Mr. PASSMAN. You say other countries are making a larger contribution.

Let us keep this in percentages of the total appropriation. It is better understood that way.

You gave us a figure of 29.77 to 33.3 percent and under your projected plan, what will our total be?

Mr. WARREN. Those figures——

Mr. PASSMAN. The same?

Mr. WARREN. The same.

PERCENTAGE FORMULA

Mr. PASSMAN. Have we had that same formula in the past?

Mr. WARREN. We started out in the administrative——

Mr. PASSMAN. The figures 29.77 to 33.3 percent, has that been the formula we have been following all along?

Mr. WARREN. No; the formula we followed over the past 10 years has been higher.

Mr. PASSMAN. What has been the percentage?

Mr. WARREN. On the average, between 33.3 percent on the administrative and 45 on the operational.

Then we have to throw the two things together.

Mr. SCHWARTZ. It has been as high as 45.

CANADA DROPOUT

Mr. PASSMAN. Canada recognized this thing should be abandoned and they dropped out; is that it?

Mr. SCHWARTZ. I do not think so.

Mr. PASSMAN. Give us a reason why they dropped out.

Mr. SCHWARTZ. All right, sir.

(A short recess was taken.)

Mr. PASSMAN. Why did Canada drop out of the program?

Mr. SCHWARTZ. I think there was a combination of reasons. One, they were having financial difficulties. They were reviewing their obligations in international organizations.

Secondly, we have been concentrating on assistance to Latin America in ICEM for the last 3 or 4 years. I think Canada was completely disinterested in that aspect.

As we have said, we have emphasized, and have tried to put more and more effort in assisting Latin America and that did not interest her. She still does assist by making a contribution for refugees whom we move and take care of. She makes a contribution. I think she is making one this year.

Mr. PASSMAN. You say Canada was having financial difficulties?

Mr. SCHWARTZ. That is the statement Canada made to the ICEM and she was reviewing her international obligations.

Mr. PASSMAN. We ought to review ours, too.

We, too, are having financial difficulties. Whatever we appropriate for this item we will have to borrow.

MOVEMENT OF IMMIGRANTS AND REFUGEES, 1962

Mr. Schwartz, what was the number of immigrants and the number of refugees which were moved during calendar year 1962?

Mr. SCHWARTZ. Moved by the ICEM?

Mr. PASSMAN. Yes, under this appropriation.

Mr. SCHWARTZ. In 1962, 69,423 total movements, of which 29,543 were refugees and 40,193 were national immigrants.

Mr. PASSMAN. So about 50 percent of the movement are refugees, the other 50 percent immigrants?

Mr. SCHWARTZ. Roughly.

Mr. PASSMAN. Is that the purpose of the legislation, to move immigrants and refugees?

Mr. SCHWARTZ. Yes. That is basic in the charter of the organization.

MOVEMENTS TO LATIN AMERICA

Mr. PASSMAN. Of the total number, how many were moved to Latin America?

Mr. SCHWARTZ. I have two things here that might help on that. I have a chart which shows movement over a period of 10 years to Latin America.

Mr. PASSMAN. Give it to us for last year and insert the chart for the 10 years.

Mr. SCHWARTZ. Approximately 13,500 for last year to Latin America.

Mr. PASSMAN. Could you give us just briefly the nationality of these people—how many were Cuban refugees?

Mr. WARREN. Roughly, they would be Greeks, Italians, and Spaniards.

Mr. PASSMAN. Do you mean there were Spanish refugees?

Mr. WARREN. Greeks, Spaniards, and Italians would be national migrants. There would be a comparatively small number of refugees going to Latin American countries.

Mr. PASSMAN. Is it developing into a migratory movement other than for refugees?

Mr. SCHWARTZ. In relation to Latin America, we attempt to bring the best qualified persons to Latin America. That is why the movement of refugees to Latin America is much smaller than the movement of national migrants such as the Italians, Greeks, or Spaniards, who are trained and add something to the economy of the Latin American countries.

Mr. PASSMAN. Germany, Italy, and Spain could have all moved their migrants into Latin America at their own expense and still had some left over.

Mr. SCHWARTZ. I would like to say with respect to the affluent countries, Germany, Holland, Austria, we do not subsidize any of that movement.

Mr. PASSMAN. Italy represented about 65 percent of the total, did it not?

Mr. WARREN. There were 7,000.

Mr. PASSMAN. Spain was in for almost 25 percent of the total?

Mr. SCHWARTZ. For the 10-year period?

Mr. PASSMAN. Yes.

Mr. SCHWARTZ. Yes.

If I am correct, we were subsidizing rather heavily those early movements when the organization began. We do subsidize to a limited extent movements to Latin America because of our interest in Latin America.

Mr. PASSMAN. We shall insert the table in the record.

(The table referred to follows:)

IMMIGRATION AND REFUGEE ASSISTANCE

Intergovernmental Committee for European Migration—Emigrants to Latin America assisted by ICEM, Feb. 1, 1952–Feb. 28, 1963

Area of emigration	Argentina	Brazil	Chile	Columbia	Uruguay	Venezuela	Total
Austria	1,207	3,039	407	246	77	901	5,877
Germany	329	3,364	1,029	42	143	723	5,630
Greece	966	7,725	79	44	53	215	9,082
Italy	93,767	57,559	3,563	1,468	6,882	38,867	202,046
Malta		4					4
Netherlands	39	2,060	7	27	16		2,149
Spain	16,072	21,964	1,236	1,993	5,253	17,957	64,475
Others	1,406	3,321	347	168	172	437	5,851
Subtotal	113,786	99,036	6,608	3,988	12,596	59,100	295,114
Europeans from Communist China	98	5,004	430	15	7	112	5,666
Total	113,884	104,040	7,038	4,003	12,603	59,212	
Grand total							300,780

GROUP SETTLEMENTS IN LATIN AMERICA

Mr. PASSMAN. You mentioned something in the statement about group settlements in agriculture in Latin America.

How many skilled migrant workers did you actually transfer into the group settlements? Do you have the total?

Mr. WARREN. In what period?

Mr. PASSMAN. Fiscal year 1963. You talk about the group settlements and the people you moved into Latin America in agriculture settlements.

Mr. WARREN. I would say approximately 5,000 in 1963. Some of the settlements are in the process of development.

Mr. PASSMAN. What do these people do?

Mr. WARREN. They are actual farmers, and they provide the leadership in the creation of cooperatives and——

Mr. PASSMAN. That has nothing to do with the Alliance for Progress program?

Mr. WARREN. No, sir.

Mr. PASSMAN. Has this been successful? Have you made any inspections?

Mr. WARREN. Yes. I think there are eight actual Dutch settlements in Brazil. There are four other Italian settlements.

In Argentina, I think there are three Dutch and, I believe, three Italian groups.

Mr. PASSMAN. If it is 100, it is a group settlement. You will take in the 100 in an area.

Mr. WARREN. Yes.

Mr. PASSMAN. Do they work for, or with, the local farmers?

Mr. SCHWARTZ. We have mixed settlements.

Mr. PASSMAN. Do they have the right to buy land?

Mr. SCHWARTZ. Yes. With the Dutch, let's say 20 will go down there. They will borrow the money from the Dutch banks. They will go down there and join in with the local populations. They will form an incorporated body in which the local people are able to buy, and they normally borrow from the local institutions. This has been extremely successful. There is a well-known one called Holambra just below São Paulo which has affected the total area around there.

Mr. PASSMAN. How do they get along with the local people?

Mr. SCHWARTZ. Very well.

Mr. PASSMAN. Let the record show sometimes we are in trouble because we do not confess our shortcomings. The Alliance for Progress must succeed, but it is not succeeding, and if we do not admit that, it is an injustice to the Latin people as well as the American people.

What you are saying here is important.

If you can take these people from other countries and settle them into these communities, and if these people from Holland want to go to Brazil and the Dutch Government will finance them and they go there and get along, they are farmers, and teach these local people how to farm, to me that is a worthwhile investment.

This will work more successfully when you actually get a worthwhile land reform movement going, will it not?

Mr. SCHWARTZ. It certainly will. I believe it is having an effect in these areas on that very subject.

Mr. PASSMAN. It is slow materializing. Until that happens, what are they doing? Are they working on a percentage of yield?

Mr. SCHWARTZ. In all these settlements in which we are interested, land reform has taken place.

Mr. PASSMAN. You named one, Brazil.

Mr. WARREN. Argentina and Costa Rica.

Mr. SCHWARTZ. Those are the three principal successful ones.

Mr. PASSMAN. Could it be they are not being resettled in other countries because the land reform movement is slow in taking effect?

Mr. WARREN. There are others being planned.

Mr. PASSMAN. You have located the many thousands we have referred to here in only three countries. And the three countries where you have located these people agreed to a land reform movement and these people were able to purchase their land; is that correct?

Mr. WARREN. That is correct.

Mr. PASSMAN. Name the states and the number of people in each community. Insert in the record the countries you are now negotiating with to make land available.

(The information requested follows:)

In addition to the settlements in the Argentine, Brazil, and Costa Rica already referred to, the Intergovernmental Committee for European Migration is exploring and planning with governmental authorities mixed group settlements in Chile (2), Bolivia (2), and Colombia. The number of families envisaged for each settlement varies from 100 to 500, the majority indigenous farm families and the others experienced European farmers.

Mr. PASSMAN. I think you stated it was rather difficult to get these people to release their land to this sort of project; is that true?

Mr. SCHWARTZ. On that point, Mr. Warren can explain.

One problem is, in this area, we have to take severe measures to safeguard against inflationary action in the area surrounding a colony. When the Dutch went into this Holambra colony with perhaps 25 or 50 people, and the colony is quite large now with local people, the neighboring land immediately skyrocketed.

Mr. PASSMAN. They have been waiting centuries to get something like this going.

Mr. SCHWARTZ. We were trying to hold onto the land to expand.

Mr. PASSMAN. Who was going to hold onto it?

Mr. SCHWARTZ. The corporation, in order that they could continue expanding and help the general economy. They have succeeded in that in Brazil, by getting options on neighboring land so, if they are successful, they are able to expand their own colony and buy the land.

COOPERATIVES

Mr. PASSMAN. These people form as cooperatives?

Mr. WARREN. They are cooperatives.

Mr. PASSMAN. Corporations or cooperatives?

Mr. WARREN. Cooperatives.

Mr. PASSMAN. Do they pay any income tax?

Mr. WARREN. I do not know.

Mr. PASSMAN. You should find out. Will you get some information on that matter?

Mr. WARREN. Yes.

(The information requested follows:)

Preliminary information indicates that in connection with the initial purchase of land, tax benefits are provided to the cooperatives. When the cooperatives are formed and in operation they pay taxes as do other farmers. This has been the experience in the Holambra Colony in Brazil which was given tax benefits at the time of the purchase of land and now, in operation pays normal taxes. Individual members of cooperatives pay personal income taxes. Tax laws vary, of course, in different countries.

EXPANSION OF FISHING INDUSTRY ACTIVITIES

Mr. SCHWARTZ. There is a project we consider very important which deals with Chile, which is to help expand the vital fisheries industry in Chile. It would be very beneficial to the economy.

This organization, ICEM, is engaged in working out a plan to get some experienced fishermen who were in the Trieste area settled in the vital fishing areas in Chile at very small expense. The government is very interested in that and it would have a major effect on their people to go into their own industries.

The experts are being brought in from Trieste to train the local people to go into their own industries.

Mr. PASSMAN. Have you been able to use the Peace Corps in training these people?

Mr. SCHWARTZ. We have not yet. We have been in consultation with the Peace Corps to see about that, but we have not yet tied in with them. We are negotiating.

Mr. PASSMAN. Why do you not try to save some money and stop negotiations? You are not going to get many of them who know very much about fishing.

Mr. SCHWARTZ. I do not mean on a particular fishing project.

Mr. PASSMAN. You are not asking for them to come in and teach them how to fish?

Mr. SCHWARTZ. No, sir.

AID TO REFUGEES FROM YUGOSLAVIA

Mr. PASSMAN. I see Tito is referred to here. Yugoslav migrants whose moves had previously been financed through the USEP program.

What is your estimate of the cost of this facet of the program?

Mr. SCHWARTZ. The Yugoslav program——

Mr. PASSMAN. The total cost.

Mr. WARREN. $95,000.

Mr. PASSMAN. Are you using this money to get these people back into that nation, or are you using it to get them out?

Mr. WARREN. They are already out.

Mr. PASSMAN. And they do not want to go back?

Mr. WARREN. They are refugees.

Mr. PASSMAN. You had a proposal last year for a refugee program for Egypt. And you were going to have the Laotians settling in another part of Laos. That prompted me to ask the question.

Mr. SCHWARTZ. These are people who have come out who are in Austria, Italy, and Greece and there is a constant flow.

Mr. PASSMAN. Why did they leave Yugoslavia?

Mr. SCHWARTZ. I think the answer is, they are not satisfied with the Government and with their economic opportunities. They come out and they are refugees when they come out.

Mr. PASSMAN. We are helping finance Yugoslavia. After the people leave, we are financing them to keep them from going back to Yugoslavia. Is that not about it?

Mr. SCHWARTZ. This is a very difficult question. I will try to explain.

I feel when people come out, when they are declared refugees under the statute of the United Nations High Commissioner for Refugees, which is a pretty good standard, when the U.N. declares them refugees, I believe they should be assisted as refugees.

Mr. PASSMAN. Without any investigation or check?

Mr. SCHWARTZ. I must explain, we do our own check on these people. These people are not automatically accepted for any assistance. We have our own screening and security check. We do not accept any of these people until they have been fully screened and checked. If they come out clean, we give certain supplementary assistance to them. The only assistance we give in the way of material assistance, care and maintenance, are to those who are in Greece and we make a contribution of $35,000 a year to the Greek Red Cross to assist them in the total refugee problem among whom are the Greeks.

As to the movement of these Yugoslavs, that has now been undertaken by the Intergovernmental Committee for European Migration. It used to be under the escapee program.

My examination revealed that the greatest need of the Yugoslav refugees was for resettlement, and therefore it was unnecessary, I thought, having a separate program for resettlement of Yugoslavs

in the USEP program when they could be handled by the Intergovernmental Committee for European Migration. We presented that problem to the ICEM. They accepted the problem, so the actual resettlement of Yugoslav refugees is no longer done by the escapee program, but by the Intergovernmental Committee.

Mr. PASSMAN. It is a little hard for some of us to understand, some of these things we are doing.

NUMBER OF REFUGEES AND COUNTRIES OF ORIGIN

In how many nations do you have the escapees and the immigrants? Give the number of nations where you have refugees?

Mr. SCHWARTZ. I have a chart.

Mr. PASSMAN. Do you have the nations there?

Mr. SCHWARTZ. I have the nationalities of the refugees and the countries in which they are located.

Mr. PASSMAN. I would like to know the nation from which the refugees come.

Mr. SCHWARTZ. Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, U.S.S.R., and Yugoslavia.

Mr. PASSMAN. How about Algeria?

Mr. SCHWARTZ. No, sir; we have no Algerians.

Mr. PASSMAN. Did you name East Germany?

Mr. SCHWARTZ. No, we do not assist the East Germans. They are assisted by their own West German Government.

Mr. PASSMAN. You no longer assist them?

Mr. SCHWARTZ. No.

Mr. PASSMAN. How many nations does that total?

Mr. SCHWARTZ. Eight.

Mr. PASSMAN. Could you give us the maximum number of nations from which you ever financed refugees?

Mr. SCHWARTZ. I should add the Tibetans. That is a separate program. We help the Tibetan refugees from Tibet. At one time we had 20 countries.

Mr. PASSMAN. And you are down to what?

Mr. SCHWARTZ. Ten.

COMPARISON OF APPROPRIATIONS AND NUMBER OF REFUGEES

Mr. PASSMAN. At the time you had 20, what was your annual appropriation request?

Mr. SCHWARTZ. I have a list here not applicable——

Mr. PASSMAN. You gave 20 as a maximum and you are down to 10. What year did you have 20?

Mr. SCHWARTZ. 1956.

Mr. PASSMAN. What was the appropriation for that year?

Mr. WARREN. That was very high because of the high movement of Hungarian refugees, about $12 million.

Mr. PASSMAN. We have cut the number of nations in half. Leave out the Hungarian refugees; excluding them, what was the amount? The same request that you are asking for funds for fiscal year 1964?

Mr. SCHWARTZ. I would say, and this is rough, $16 to $17 million. The same program in 1956 alone was $6,212,000.

Mr. PASSMAN. What is the escapee program this year?

Mr. SCHWARTZ. $1.2 million.

Mr. PASSMAN. How many refugees were involved in 1956?

Mr. SCHWARTZ. 47,000.

Mr. PASSMAN. How many are involved in 1964, total refugees?

Mr. SCHWARTZ. I would like to furnish the exact figure for the record.

In 1956, a total of all would be in the neighborhood of, excluding the Hungarians, of 90,000 to 100,000.

Mr. PASSMAN. Let's say 95,000. At a cost of $16 million. Now, if you will, fiscal year 1964. How many refugees will be involved?

Mr. SCHWARTZ. Roughly 35,000.

Mr. PASSMAN. And you are asking for approximately $10.5 million. Your program is about 2½ times as expensive on a per capita basis now as when you started it.

Mr. SCHWARTZ. I did leave out one thing.

In the 35,000 figure, I overlooked the refugees assisted by the United Nations High Commissioner for Refugees.

Mr. PASSMAN. Perhaps you overlooked them in 1956 too.

Mr. Schwartz, you may supplement the testimony if you like.

Mr. SCHWARTZ. I am sorry it is not all compiled.

Mr. PASSMAN. You had 95,000 refugees and it required $16 million to operate the program in 1956, and you had 20 nations involved. Today you are down to 10 nations, 35,000 refugees, and it is costing $10,683,000, which means about 2½ times as much per refugee, and you are not including all the extras we have given them, such as commodities.

Mr. SCHWARTZ. I will try to give you the exact figures.

(The information requested follows:)

Assistance to refugees and migrants by programs to which the United States contributes appropriated funds and approximate numbers so assisted

Year	United States escapee program (USEP) and U.S. Far East refugee program (FERP)		United Nations High Commissioner for Refugees (UNHCR)[1]		Intergovernmental Committee for European Migration (ICEM)[2]		Total	
	U.S. cash contributions	Number assisted	U.S. cash contributions	Number assisted	U.S. cash contributions	Number assisted	U.S. cash contributions	Number assisted
1956	$7,327,000	56,000	$1,300,000	30,000	$11,751,000	130,000	$20,378,000	250,000
1964	4,433,000	96,000	750,000	24,000	5,500,000	76,000	10,683,000	196,000

[1] the UNHCR program is a U.N. program to assist refugees not helped by USEP to which 21 nations contributed in 1956 and to which 33 nations are expected to contribute in 1964.

[2] ICEM conducts an intergovernmental program for transporting and resettling refugees and migrants in which 27 nations participated in 1956 and 29 nations are expected to participate in 1964.

UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES

Mr. PASSMAN. Now, Mr. Schwartz, the next program is entitled "United Nations High Commissioner for Refugees." The estimate is $750,000, a reduction of $150,000 below the fiscal 1963 program.

Would you submit a table showing the contribution of other countries to the program during calendar 1962 and, if possible, the same information projected into fiscal year 1964?

Mr. SCHWARTZ. I think we have that.

(The information requested follows:)

MIGRATION AND REFUGEE ASSISTANCE

Actual and estimated contributions by governments to the United Nations High Commissioner for Refugees, programs for 1962, 1963, and 1964

	1962 actual	1963 estimate	1964 estimate
Australia	$120,954	$112,000	
Austria	6,000	6,000	
Belgium	225,000	200,000	
Cambodia	571	571	
Canada	243,055	268,518	
China (Republic of)	5,000	5,000	
Denmark	86,868	72,390	
France	259,240	260,204	
Germany	375,000	300,000	
Ghana	3,000	3,000	
Greece	20,000	9,000	
Holy See	26,000	1,000	
Iceland		3,750	
Iran		2,000	
Ireland	5,000	10,000	
Israel	10,000	5,000	
Italy	112,728	247,545	
Korea	1,000	1,000	
Liberia	4,000	5,000	
Liechtenstein		3,472	
Luxembourg	3,000	3,000	
Malaya	2,000	1,000	
Morocco	14,333	14,333	
Netherlands	146,132	146,132	
New Zealand	28,000	28,000	
Nigeria		5,000	
Norway	146,966	98,000	
Portugal	1,500	1,500	
South Africa	12,500	12,500	
Sweden	164,328	193,325	
Switzerland	167,823	185,184	
Togo		1,000	
Tunisia	4,000	2,000	
Turkey	2,667	2,667	
United Kingdom	290,715	290,715	
United States of America	1,200,000	900,000	
Vietnam	2,500	2,500	
Venezuela	1,000	1,000	
Yugoslavia		5,000	
Total	3,690,880	3,408,306	[1] $2,750,000

[1] Breakdown by governments not yet available.

Mr. PASSMAN. The United States has contributed $8,433,000 to the U.N. High Commissioner for Refugees, the regular program; is that correct?

Mr. SCHWARTZ. Yes, sir.

OTHER U.S. CONTRIBUTIONS

Mr. PASSMAN. Has the United States contributed anything else to this program such as Public Law 480 surplus commodities, or free medicine, and so on?

Mr. SCHWARTZ. Not to the High Commissioner, not to my knowledge; no sir.

Mr. PASSMAN. How much do you propose to make available to the program from the other spigots we have often referred to in this committee?

According to your own statement, you are going to get into some of them. Refer to page 12 of your justifications.

Mr. MONTOYA. Will the gentleman yield?

With respect to the previous answer, you stated there was no Public Law 480 connected in this program. On page 12 I read the following sentence:

> Assistance from the United States in this type of situation will normally be in the form of Public Law 480 food commodities.

How do you reconcile that statement with your answer?

Mr. SCHWARTZ. The High Commisioner—and I will have to correct my statement—the High Commissioner has a mandate from the United Nations General Assembly to use his "good offices" in emergencies.

Mr. PASSMAN. Whose good offices?

Mr. SCHWARTZ. The High Commissioner in situations which arise during the year in which he does not have a direct mandate from the Assembly, but which he, in his good judgment, will consider that some assistance should be given.

He does not have funds for it, and he would appeal to the Government if there were an emergency situation. That is what we mean by the last sentence—the High Commissioner is expected to continue to devote his efforts in 1964 toward the solution of recently developed, or newly arising problems not within his mandate through the exercise of his "good offices."

We would not have funds. A Hungarian situation might arise. We could not respond from anything we would be requesting from you gentlemen today. It would have to be in some other form. If it is an unforeseen emergency situation, assistance might be provided by Public Law 480 if in the U.S. interest. The High Commissioner normally does not get anything himself.

Mr. PASSMAN. He would not take any groceries home; is that what you mean?

Mr. SCHWARTZ. He would appeal to the world, alert them to the situation.

One possibility is, if we had a surplus commodity that could be used in such an emergency situation, we would not give it to the High Commissioner. We would respond to the country or the area where this unexpected thing took place.

Mr. PASSMAN. We asked how much will be the value, or do you have any estimate?

Mr. SCHWARTZ. I have no estimate.

Mr. PASSMAN. It could be zero, or $100 million?

Mr. SCHWARTZ. That is corect. That would be under the people who control Public Law 480.

Mr. PASSMAN. Is this something new?

Mr. SCHWARTZ. No, sir.

Mr. PASSMAN. Have you had it in past years under this program?

Mr. SCHWARTZ. Not under this program.

I made the statement to make a total picture, that Public Law 480 could be made available from other sources that I do not deal with, but it would not be under this program.

Mr. PASSMAN. We are trying to deal with the migrants and refugees.

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. There is a reduction here in the cost. There is a reduction by 10 in the number of nations participating. You have refugees now from 10 nations compared to a peak of 20 nations. If you have not had this type of legislation, or if you had you did not

use it in the past in this particular program. When you start supplementing your request from other statutes, you never know whether there is a reduction here, or whether it is offset from some other appropriation.

Mr. SCHWARTZ. I would like to make the clear statement that this program and this reduction is made without regard, without any counterbalancing of any Public Law 480, or any other sources.

Mr. PASSMAN. I can see there would be a possibility there could be an offset by supplementing it out of other appropriations, whether surplus commodities or something else.

Mr. SCHWARTZ. As far as these programs are concerned, nothing will be supplemented by Public Law 480 over and above the appropriations we get.

Let's say in the USEP program we have reduced from $1.4 million to $1.2 million, there is no intention, nor could it happen that $200,000 would be supplemented by Public Law 480.

Mr. PASSMAN. So out of this particular account, this fund, this appropriation request in the past, you have not had any funds out of any other agency?

Mr. SCHWARTZ. We have had no funds of any other agency.

Mr. PASSMAN. It is contemplated in fiscal year 1964 you may have if the need arises?

Mr. SCHWARTZ. If the need arises and the High Commissioner appeals.

Mr. PASSMAN. You have opened up a new field?

Mr. SCHWARTZ. Yes.

Mr. PASSMAN. Is that a fair statement, that you have opened up a new field?

Mr. WARREN. No.

Mr. PASSMAN. One says yes, one says no.

Mr. WARREN. The situation has not changed a bit.

Mr. PASSMAN. Have a little conference and get this straightened out. We want the record straight.

Mr. FALK. If I may, the Public Law 480 food commodities over a number of years have been provided by the Department of Agriculture in cooperation with the AID people.

Into areas of need, including assistance for the people who lived in that area originally, plus refugees who might have come into it. It is very hard, therefore, to sort out how much of it went to the indigenous population, and how much went to people who might have come in.

We have a situation like this in Rwanda and Burundi right now.

We also have the situation in the Kivu Province of the Congo. We have it in a section of the Congo where the Angolan refugees have come in, but all the assistance going into those areas is going in to help total populations.

One of the reasons we have the statement in our justification is to explain that when the High Commissioner asks for a contribution, we say that we are already making a contribution to the feeding of the people generally in these areas. We do not think you can sort out a refugee from a nonrefugee in these areas, either in the Far East, or Africa. The practical approach, therefore, is to provide such assistance and food commodities as would be normal to meet the needs of

the population generally. This is something that has been going on over a period of time.

It is true, as Mr. Schwartz has said, there have been recent General Assembly resolutions asking the High Commissioner to use his good offices to stimulate the conscience of countries here and there to contribute more, but our contributions in Public Law 480 commodities have never been to the High Commissioner, they have been directly to the governments.

CHANGES CONTEMPLATED BY 1964 PROGRAM

Mr. PASSMAN. What we are actually trying to find out, Mr. Schwartz, is if you have any change in the program contemplated for fiscal 1964, and I believe you said you do have. This question of using Public Law 480 commodities is a new approach, is it not?

Mr. SCHWARTZ. As I understand it, this program is completely unrelated to what the AID people may determine, or whatever their mechanics are to help a population.

Mr. PASSMAN. You are dealing with migrants and you are dealing with refugees?

Mr. SCHWARTZ. We have not asked for aid to Algeria or to these other areas because it is my understanding that assistance that we give is on a broad scale to these countries, either under an AID program or some other program. So, if we help the population of Algeria, everyone is helped, whether one came from Tunisia and is technically a refugee or not. So the aid in these broad areas is not differentiated when aid is given to Laos or wherever it is given.

Mr. PASSMAN. Have you carried this same language in your previous justifications?

Mr. FALK. Mr. Chairman, this is my first appearance also. I am not completely certain of the previous language but I am familiar enough to know that this has been going on and is not completely new.

REFUGEES CONTEMPLATED BY UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES IN 1964

Mr. PASSMAN. On page 12 of your justifications, the last paragraph, it reads as follows:

> The United Nations High Commissioner for Refugees in 1964 will continue his assistance program for refugees under his mandate, chiefly in Europe, who have arrived in asylum countries or otherwise have become identified to the United Nations High Commissioner for Refugees since January 1, 1961, and who for various reasons are eligible under other governmental or international assistance programs. It is expected that there will be 7,000 of these refugees.

Would you identify these 7,000 refugees as to the countries from which they are fleeing and also explain why the High Commissioner has to spend any money on them since they are eligible under other governmental or international assistance programs?

Mr. SCHWARTZ. We can furnish that for the record but I would like to explain that we have our escapee program under which we give supplemental aid on a very limited scale.

(The information supplied is as follows:)

It must first be explained that the word "eligible" quoted above from page 12 of the justification is a typographical error and should read "ineligible."

The 7,000 refugees referred to in the preceding paragraph included the following:

(*a*) White Russian refugees expected to apply in Hong Kong from mainland China, 1,100.

(*b*) Refugees from Eastern European countries who will be registered by the High Commissioner in Western European countries of asylum, 5,900.

The High Commissioner's principal mandate is legal protection of refugees. That is the basis of his operations under the United Nations statute.

I could give an example: A refugee who is moved and assisted by ICEM, the Intergovernmental Committee for European Migration, whether a Romanian or a Hungarian, the Intergovernmental Committe would move him if he is eligible. The escapee program may, for our own reasons, give him supplmental assistance such as counseling or some other assistance. The High Commissioner would give him a legal protection document if he came from the East.

It may sound here like this is coming in from all sources. The fact is that the High Commisioner's mandate is limited. ICEM provides resettlement and transportation, and our escapee program (USEP) some in with supplemental care and maintenance and resettlement assistance, for cases which are of special interest to us for various reasons, most of which are our own security and foreign policy interests. We are interested when these refugees come out of Eastern Europe and we give them some extra care.

Mr. PASSMAN. How are you able to find out what they are getting from the other programs?

Mr. SCHWARTZ. We know this very well. We are a member of the Executive committee of the High Commissioner's office. We follow very closely the funds and his expenditures.

Mr. PASSMAN. But how can you reconcile all these accounts to this individual? Sometimes it requires months to get all the components parts together?

Mr. SCHWARTZ. In Austria, for instance, we have a very small staff. That staff is available there. They know who comes in either from Yugoslavia or from Eastern Europe. They are available at the screening centers, they know what the High Commissioner does, they know what assistance we give, and when they are ready for resettlement the Intergovernmental Committee sees that they are resettled. In practice this is not duplication. There are these various channels from which assistance does come.

CONTROL OF SUPPORT PAYMENTS

Mr. PASSMAN. I have read in the paper where the military, with its very tight system of paymasters and checks, may have overpaid military personnel by $100 million. That is, I suppose, as fine a system as we have been able to develop so far, and where we are dealing with refugees getting aid from several different programs, I do not know how you can find out whether an individual has received aid from other sources, where you are dealing with thousands. You would have to take their word for it, would you not?

Mr. SCHWARTZ. No. The greatest number of refugees with whom we deal are those that resettle outside of the country of first asylum, and they are on the caseload of a voluntary agency, they are on the caseload of an Intergovernmental Committee, and I know of no example or any evidence of duplication.

Mr. PASSMAN. Do you work with the people who work with the Cuban refugee program?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. Well, I forget now the number, let us says 65,000, are getting a relief check every month. Instead of having identification cards with their name where they could not forge them, they mail these checks out to them. The find some of them are drawing relief checks who are employed in the local economy. Of course when they find them or catch them they lose their relief checks, but that is happening. It might be if you have a system that is so airtight you should talk to these people.

Mr. SCHWARTZ. Mr. Chairman, I might just say that just yesterday I had some preliminary discussions with the HEW people on that subject. I would like to add one thing to what I have said on this matter. We deal in most cases through the American voluntary agencies and they are under very strict contract with the State Department, with us. I would like to explain that those contracts have been revised since last October and these contracts are reviewed and enforced by the Chiefs of Missions in these countries. The Ambassador himself is now engaged in these contracts. We have tightened that to the point we have absolute assurance there is not one dollar that goes where it should not go.

Mr. PASSMAN. You are dealing with a lot of nationalities and a lot of top echelon people on the policy level. Let us move to Miami.

Mr. SCHWARTZ. I was not dealing with the Cuban program.

Mr. PASSMAN. There you are dealing with just two languages, the English language and the Spanish language, Americans and Cubans, and you have them where you can go and see them every day. They are in one community where for perhaps $5 you could take a taxicab and go to practically all the compounds where the people are living. Yet some of these people not only get relief checks but also work in the local economy. And they have 100 people checking. How many people do you have checking?

Mr. SCHWARTZ. Our accounting checks are done with the American voluntary agencies who are responsible for the expenditure of this money.

Mr. PASSMAN. If you say not a dollar goes astray, I congratulate you. You seem to be pretty positive about this situation, and it makes me feel good if that is true.

ALGERIAN REFUGEE PROGRAM

Now, Mr. Schwartz, even though the Congress did not approve the Algerian refugee program last year, do you know if that proposed program received money from any other appropriation?

Mr. SCHWARTZ. To my knowledge, and I can be corrected, to my knowledge no funds have been used for the purposes for which the appropriation——

Mr. PASSMAN. Refugee or migrant purposes?

Mr. SCHWARTZ. Not to my knowledge, none.

Mr. PASSMAN. Any for medical purposes for refugees in the Algerian program?

Mr. SCHWARTZ. Not to my knowledge.

Mr. PASSMAN. And you have nothing planned for 1964?

Mr. SCHWARTZ. No, sir.

Mr. PASSMAN. Last year you did have an Algerian refugee program and an Egyptian refugee program and one in Laos. Have all these ideas been dropped?

Mr. SCHWARTZ. On the score of the Algerian problem, my view was that the total Algerian problem was one of aid to Algeria. I felt that the displaced persons within Algeria did not come within the traditional refugee program, and I did not include it in here. Under my theory of the refugee program, I felt a program for a displaced person within his own country was a much broader problem than the traditional refugee program.

There is also the program of the International Red Cross which deals with people displaced in their own country by reason of internal strife.

I find it difficult to call the people within their own country refugees.

Mr. PASSMAN. You are familiar with the plan that was being, or is being developed?

Mr. SCHWARTZ. I am.

Mr. PASSMAN. And you do not subscribe to it?

Mr. SCHWARTZ. I do not.

Mr. PASSMAN. Congratulations.

The estimate of $3,750,000 for fiscal 1964 is for four programs of assistance. Two are in behalf of refugees whenever the President determines that such assistance is in the interest of the United States. Is that correct?

Mr. SCHWARTZ. Was your figure $3,750,000?

Mr. PASSMAN. Yes.

TIBETAN REFUGEES

Mr. SCHWARTZ. I can explain that. This is part of the total of $10,683,000. These are the three areas under the presidential determination: Tibetan refugees, refugees from Communist China, and the escapee program we just talked about.

Mr. PASSMAN. And it could be that a good part of that would be saved if the President got too busy to do the determining?

Mr. SCHWARTZ. We could not make the appropriations request without the President's determination in advance.

Mr. PASSMAN. But you do not know yet whether you will need it or not, do you?

Mr. SCHWARTZ. The projection on the basis of the escapees could be less. There have been recent developments in the case of Tibetan refugees. Within a month 4,000 Tibetans have come in and we received a cable yesterday that another 2,000 are at the border fleeing.

Mr. PASSMAN. Fleeing from where?

Mr. SCHWARTZ. From Nepal into India. They had gotten to Nepal and want to get into India.

This is a normal thing to be expected. We have an estimate that 10,000 or 20,000 in Nepal may end up in India.

Mr. PASSMAN. I have a clipping that says "India Bars Refugees." This is a UPI story from Katmandu dated April 30, and it says that about 1,000 Tibetans refugees have been stranded at the Nepal-India border for 4 weeks because India refuses to grant them entry visas.

Mr. SCHWARTZ. I am aware of that clipping. I would like to explain it.

We immediately inquired and we found that these people are at the border. Since that report 1,000 have come in. They were held up and are being held up for security checks.

Mr. PASSMAN. You could take the people checking the Cubans coming in and get them all in in 1 day. I do not think they sent back 100 out of the hundreds of thousands that came in from Cuba.

Mr. SCHWARTZ. I would like to explain that while we have various means of checking and long-standing files on Cuba, these Tibetans are people that come down from the hills and they know very little about them.

The problem is not similar to that of people fleeing from Eastern Europe and coming into Austria.

REFUGEE PROGRAM IN HONG KONG

Mr. PASSMAN. What type of capital construction will be financed by the $1.8 million for Hong Kong?

Mr. SCHWARTZ. I have a breakdown which I can furnish for the record.

Mr. PASSMAN. Give us a little bit of it now.

Mr. SCHWARTZ. It shows 1962, 1963, and 1964.

In 1964 it is anticipated that part of this capital construction will be for extension of medical facilities to the extent of $150,000.

Mr. PASSMAN. Equipment or buildings?

Mr. SCHWARTZ. This is both. I am familiar with one particular project of operating facilities for handicapped which is included in those medical facilities.

Mr. PASSMAN. Are you not getting into a problem there that these people have been dealing with for centuries and they will deal with for centuries to come, the handicapped people? I am for them, but you are in the refugee business and now you are getting in the medical business.

Mr. SCHWARTZ. Mr. Chairman, because we are sitting here feel it is difficult if not impossible for us to judge what would be most helpful, on the assumption that we do want to help in the Hong Kong situation, we have relied 100 percent upon the recommendation of the person we feel best qualified, and that is Consul General Marshall Green, who has been close to the situation and is cooperating with the Hong Kong authorities. We have accepted his recommendations as to where the funds could best be spent in this assistance which we feel we do want to give in the total Hong Kong problem. We

have consulted with him and we have conferred with him and his best judgment was a distribution along the following lines:

In addition to the $150,000 for medical facilities, he has recommended $250,000 in connection with capital construction of training technical schools; and thirdly, $200,000 toward the Hong Kong Government authorities' expenditures for community centers, which includes to a great extent facilities for small children whose parents work. This totals the $600,000 I think is referred to on the capital construction.

Mr. PASSMAN. We had a series of briefings in Hong Kong in November of last year and the consul general gave us this information, and it is rather comprehensive. We shall insert it in the record at this point.

(The matter referred to follows:)

Far East refugee program, American consulate general, Hong Kong, FERP funds expended or obligated, May 1, 1954, to June 30, 1962

B. BREAKDOWN BY AGENCY AND TYPE OF SERVICES

[In U.S. dollars]

Agency	Resettlement abroad	Surplus food conversion	Clinics and hospitals	Medical-dental	Low-cost housing	Care and maintenance	Rehabilitation (TB, cripples, blind)	Economic aid	Vocational training	Miscellaneous projects	Total
AECTR									15,600		15,600
AFOB							41,355				41,355
AG		350									350
ARCI	859,407							258,103	34,400		1,151,910
CARE		[1] 7,000 29,000			21,000	76,792			12,920	[1] [2] 10,000	156,712
CCF			50,000								50,000
CFMS		16,000	24,000	455,000			32,088	135,110	35,100		697,298
CWS	9,346	[1] 15,000 64,267	[1] 50,000 22,500		211,860	151,235	54,130			[3] 304,000	882,338
EFCA			85,000								85,000
FCRA	840,850										840,850
ICEM	500,000										500,000
IRC	82,089								93,870		175,959
ISS	274,942										274,942
LWF		[1] 28,000 43,922	39,140	510,701			103,000		[1] 100,000 83,900		908,663
MCC		4,307									4,307
MCWC	376,183	[1] 30,000 109,100	[1] 181,000 225,101		[1] 27,000 616,820	51,000		45,738	20,000		1,681,942
SAWS		5,390	75,000								80,390
WCC	444,657										444,657
Hong Kong Government							[1] 90,000		[4] 275,000	[1] [5] 462,000 [6] 131,255	958,255
Total	3,387,474	352,336	751,741	965,701	876,680	279,027	320,573	438,951	670,790	907,255	8,950,528

[1] World Refugee Year.
[2] Under water pipeline project.
[3] Includes: Student center, $255,000, and orphanage $49,000.
[4] Includes: Hong Kong Technical College, $250,000, and social work training, $25,000.
[5] Includes: Community center, $200,000, and secondary technical school, $262,000.
[6] Children's reception center.

Mr. PASSMAN. These totals under the Far East refugee program, furnished by the American Consulate General at Hong Kong, covering the period May 1, 1954, to June 30, 1962, show for resettlement abroad, $3,387,474; under surplus food conversion, $352,336; clinics and hospitals, $751,741; medical and dental, $965,701; low-cost housing, $876,680; care and maintenance, $279,027; rehabilitation (TB, cripples, blind), $320,573; economic aid, $438,951; vocational training, $670,790; and miscellaneous projects, $907,255; for a total of $8,950,528.

That was from May 1, 1954, to June 30, 1962, and this comes out of the office of the American Consulate General at Hong Kong.

But where you would expect this item to be high there is very little there. For instance, care and maintenance is $279,027; and economic aid is $438,951. Then if you get back into the surplus food conversion, it is only $352,336. So out of the approximately $9 million you only have about $1 million in those categories where actually you would expect the aid to go, that is, surplus food commodities, rehabilitation, and economic aid.

Did you see this chart?

Mr. SCHWARTZ. I have not.

Mr. PASSMAN. It looks to me like we are finding ways to spend our money, getting into other fields.

Mr. SCHWARTZ. I would like to explain what I think is Mr. Green's analysis of our program.

He feels that the greatest impact we can make is in a facility that will have a permanent impact on the population. He feels strongly that these people who do come to these medical facilities and so forth, the goodwill created does spread back to the mainland and it is about 50–50, just as you show there.

Mr. PASSMAN. Not $1 million out of the $9 million went into those three categories where you would expect aid to go.

OTHER REFUGEE GROUPS

We will now take up the last program, "Other refugee groups," for which $100,000 is requested. This is, in effect, a contingency fund for $100,000 which can be used flexibly, is it not?

CONTINGENCY FUNDS

Mr. SCHWARTZ. Yes. I would like to explain in a sense it is a contingency fund within a contingency fund.

Mr. PASSMAN. Tell us what contingency fund it comes out of.

Mr. SCHWARTZ. It comes out of our $10,683,000.

Mr. PASSMAN. I thought you said it was a contingency out of a contingency?

Mr. SCHWARTZ. No, sir; it comes out——

Mr. PASSMAN. That is what you said, is it not?

Mr. SCHWARTZ. I would like to correct that.

Out of the $10,683,000——

Mr. PASSMAN. We know it comes out of that. I am just asking you if it is not, in effect, a contingency fund?

Mr. SCHWARTZ. Yes, sir. I would like to explain briefly why I have it in here, if I may.

Mr. PASSMAN. Surely.

Mr. SCHWARTZ. In the basic legislation, Public Law 87–510, there is a contingency fund established and at the President's discretion there is $10 million in the event unexpected refugee situations may arise. I am quite aware of that and I have felt that in the event a refugee situation did arise that required a modest amount of money, if I may use that term, a modest sum, if we had a situation where we needed $25,000 or $50,000, that might help to alleviate an unexpected situation, that it would not be possible to obtain, let us say, $50,000 from the $10 million Presidential fund. If we could have a relatively small amount in relation to the $10 million which would be used only if a special situation arose, that would be helpful.

Mr. PASSMAN. All of the agencies coming before our subcommittee have their special contingencies set up. We heard the people from the Ryukyu Islands who wanted a $1 million contingency fund. The Cuban refugee program wants a contingency fund of $13.2 million.

ADMINISTRATIVE EXPENSES

In the "Administrative expense" category, $683,000 is requested for fiscal 1964, is that correct?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. What amount did you have for fiscal 1963?

Mr. SCHWARTZ. $668,000.

Mr. PASSMAN. You have a substantial reduction in the overall request but an increase in the administrative part?

Mr. SCHWARTZ. $15,000.

Mr. PASSMAN. For the pay act?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. What is your net if we deduct the pay act?

Mr. SCHWARTZ. That would be $668,000.

Mr. PASSMAN. The same as last year?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. But you are requesting almost $4 million less in the overall appropriation for fiscal 1964?

Mr. SCHWARTZ. Yes, sir.

I would like to explain that. While there is a $4 million difference between the 1963 and 1964, because of the repayment of the 1963 money out of that $14 million, a certain amount, I understand, had to be repaid to the Contingency Fund because——

Mr. PASSMAN. What contingency fund?

Mr. SCHWARTZ. Prior to the Refugee and Migration Assistance Act in 1962, the refugee programs, as I understand it, were funded to a large extent under the President's Contingency Fund.

I have a chart on that for the record.

Mr. PASSMAN. Are you going to spend more than $668,000 for administrative expenses for fiscal 1963?

Mr. SCHWARTZ. No, sir.

In fact, you had a limitation which we must abide by.

Mr. PASSMAN. That was my understanding, in the conference report, but on the other hand, you are asking for $668,000, the same amount that you had, to administer a program of $4 million less.

Mr. SCHWARTZ. I would like to say we did not administer a program of $4 million less; only about $2 million less, because over $2 million was used to cover fiscal year 1962 expenditures.

In other words, the actual difference between the programs of 1963 and 1964——

Mr. PASSMAN. Then you have $2 million less for the same amount of administrative expenses?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. Did you get along fairly well with your administrative expense?

Mr. SCHWARTZ. I had this problem: When I came in in October and and was apprised about November or so of your $650,000 limitation, we made an intensive effort to meet that. This brought us down to, I think, personnel of 52 people. Within a very short period of time, we had to live within that $650,000 and now the reduction of the program does not necessarily get reflected in the reduction of personnel.

We have a relatively modest staff.

You have my assurance and confidence that this program is well administered and that there is no waste which is due to the fact we do have very limited personnel but we do have a few in Austria, a few in Germany, and we have a staff in Hong Kong. That is all we have. And by reducing those, because a lot of these payments such as the $200,00 differential on the escapee program does not get reflected in the decrease in personnel, that is a fund of $200,000 we still need, and this modest staff, to assure that what we are doing in Austria, Italy, and these places is done.

I will be quite pleased if we are able to go below this figure. My efforts have been and are to reduce the staff to the minimum. We will continue to reexamine it.

Since October or November, as far as I am concerned, we have actually had to get into this and if it is at all possible to go below $650,000 or $683,000, I can assure you it will be done.

Mr. PASSMAN. As far as you know at this time, you have been able to administer this program, your predecessor and yourself, within the limitation we placed?

Mr. SCHWARTZ. Yes, sir; by reason of practicing economy.

Mr. PASSMAN. Practicing a little economy?

Mr. SCHWARTZ. Yes, sir.

Mr. PASSMAN. It is not against the law to practice economy.

You are now asking for the same amount of money to handle a smaller program for fiscal 1964.

I have a lot of confidence in your administrative ability and I believe you are going to be able to carry this economy move right on into fiscal 1964.

Mr. SCHWARTZ. I would like to.

Mr. PASSMAN. I am going to put my money on it and so indicate when we mark up the bill.

Mr. Rooney?

PROGRAM REDUCTIONS BUT SAME LEVEL OF ADMINISTRATIVE EXPENSES

Mr. ROONEY. Mr. Chairman, I am not at all satisfied with the answers of the witnesses with regard to this matter of costs of administration. Perhaps I do not understand this correctly.

Contributions to the International Committee, to ICEM, at page 3, are being decreased in the coming year from what they are in the current year; are they not?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. Item No. 2 is the amount for contributions to the program of the United Nations, "High Commissioner for Refugees," and that is being decreased likewise?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. Item No. 3, "Refugees from European Communist countries," that also is being decreased in the coming year; correct?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. Item No. 4, "Refugees from Communist China," that is being decreased in the coming year?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. The "Algerian refugee program," Item No. 5, has been eliminated in both years so we are not concerned with that.

The "Tibetan refugee program" is being decreased in the coming year; right?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. The program entitled "Other refugee situations" which you refer to as a contingency within a contingency—I was intrigued by that—that is being reduced from $122,000 to $100,000; right?

Mr. SCHWARTZ. Yes, sir.

Mr. ROONEY. Will you tell us how you can come here and ask for more money for administration, in item No. 8, with all of these reductions in your programs? This increase in administration is the only increase in the eight items.

I am not satisfied at all with your answers up to now. I am one who has supported these programs, as George Warren will tell you, over all of the years and sometimes we had some pretty rough sledding.

Mr. SCHWARTZ. The $683,000 is equivalent to $668,000 in 1963 by reason of the pay act of $15,000 so that, if effect, I am asking for the same administrative expenses in 1964 as in 1963.

On our contribution to the High Commissioner, if I might just pick that out——

PAY ACT COSTS ABSORBED IN 1963

Mr. ROONEY. You absorbed the pay increase in the current year, did you not?

The answer is "Yes."

Mr. SCHWARTZ. My experts tell me we did not absorb it.

Mr. ROONEY. Do I have to go back through these justifications or your statement and find where you told us you did absorb the 1962–63 pay increase money?

You are sure of this, are you?

Mr. SCHWARTZ. Maybe Mr. Falk can explain that.

Mr. FALK. May I comment?

Mr. ROONEY. Just 1 minute, if you will. At page 17 of your justifications, you say:

> The $15,000 increase in fiscal year 1964 estimate is attributable solely to pay act salary increases. This amount is in addition to $18,000 in pay act salary increases in fiscal year 1963 for which no supplemental appropriation has been requested since the amount is being absorbed within the current appropriation.

Mr. SCHWARTZ. Yes, sir; I see that.

I am waiting for Mr. Falk's explanation.

Mr. ROONEY. He can explain it to you when you go back to the office. He is a little off on this one. This leads to my——

Mr. SCHWARTZ. So we absorbed it.

Mr. ROONEY. This leads to my query as to why, if you could absorb this pay act increase in 1963, you have to come along now and increase your requested administration money from $668,000 to $683,000? That is a fair question, is it not?

Mr. SCHWARTZ. It is, Mr. Rooney, and in view of the statement we have absorbed it, I will say that if we did it last year, we will do it this year.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. ROONEY. I would not take it out on him, Mr. Schwartz. He is fair and frank enough when he reacts the way he does, and I like his kind of reaction.

Mr. SCHWARTZ. I was unaware of that. If we absorbed it last year, we will absorb it this year.

Mr. ROONEY. Mr. Schwartz, let me refer to your statement.

Mr. SCHWARTZ. Regardless of Mr. Falk's statement, when I get back to the office——

Mr. ROONEY. Take it out on him.

Mr. FALK. May I make a comment for the record?

Mr. SCHWARTZ. No.

Mr. ROONEY. Please do not ever volunteer. You'll get into trouble. George Warren will tell you that. He never says one word unless he has to; never. And it is good to see him here.

Mr. WARREN. Thank you, Mr. Rooney. I am glad to be here.

REFUGEE MOVEMENT UNDER ICEM

Mr. ROONEY. With regard to your statement, in the paragraph on page 4 thereof, we find you have moved—some of this may be repetitious but I want to be sure it is on the record—that ICEM has moved overseas 1,195,357 persons through 1962. Do you presently have a statement indicating from whence these persons came and the countries where they were relocated?

Do you have that handy?

Mr. SCHWARTZ. We do not have it here but we do have such a thing in the office.

Mr. ROONEY. You are going to insert it in the record?

Mr. SCHWARTZ. Yes, sir; where they come from and where they settled.

(The information requested follows:)

Summary of ICEM movements from Europe, Feb. 1, 1952, to Dec. 31, 1962

From emigration countries	Total	To countries of immigration													
		Argentina	Australia	Brazil	Canada	Chile	Colombia	Israel	New Zealand	South Africa	United States	Uruguay	Venezuela	Others	
														Overseas	Europe
Austria:															
1962	2,212	41	809	23	349	1	----------	8	50	87	833	----------	----------	2	9
1961	4,269	15	1,960	15	590	1	----------	16	34	46	932	----------	1	2	656
1960	5,825	13	3,182	31	1,254	4	----------	8	72	27	640	7	2	9	576
1959	8,109	38	3,215	33	784	12	3	11	96	39	3,518	3	9	9	339
1958	10,337	22	3,173	66	4,393	20	3	17	83	42	1,596	15	162	103	642
1957	49,298	900	12,037	1,033	15,784	226	216	1,193	779	1,162	7,892	35	565	145	7,331
1956	57,967	43	5,373	107	5,158	68	8	726	350	152	14,471	----------	24	33	31,454
1955	12,319	6	4,919	249	1,143	27	4	24	----------	3	5,020	12	28	1	883
1954	6,412	33	2,029	925	2,530	21	----------	57	----------	1	688	----------	46	8	74
1953	5,532	38	423	416	3,888	12	7	75	1	----------	604	1	31	9	27
1952	11,028	58	394	140	859	14	5	17	----------	----------	9,494	4	33	10	--------
Germany:															
1962	3,753	----------	2,139	3	104	8	----------	6	50	25	1,261	----------	----------	6	61
1961	7,258	5	4,850	6	427	15	----------	3	16	30	1,567	----------	----------	4	329
1960	13,028	11	10,410	27	588	3	----------	18	71	55	1,461	----------	1	3	380
1959	12,999	4	9,715	25	509	18	----------	19	44	32	2,557	----------	5	12	59
1958	7,423	15	4,531	32	557	8	----------	20	63	71	2,059	1	7	27	32
1957	20,389	38	4,501	76	1,098	23	6	6	87	34	14,464	----------	15	39	2
1956	32,672	27	6,115	94	1,848	21	7	14	5	70	24,249	5	31	28	158
1955	21,887	23	6,627	162	4,625	45	----------	70	8	157	9,881	11	29	68	181
1954	34,921	30	14,227	1,169	15,120	169	13	21	----------	196	3,325	36	158	56	101
1953	40,325	63	7,834	1,175	27,977	513	10	65	16	199	2,128	61	171	111	2
1952	37,954	113	4,953	595	5,320	205	6	100	4	111	25,745	29	306	181	286
Greece:															
1962	8,191	66	6,495	366	295	2	----------	5	141	386	376	3	13	7	36
1961	6,673	22	4,784	741	327	2	1	19	48	374	307	2	5	17	24
1960	6,130	38	4,565	491	416	7	7	9	17	184	259	----------	8	67	62
1959	6,736	142	4,627	643	497	3	18	----------	37	131	430	8	13	36	151
1958	5,604	173	3,487	632	576	----------	----------	6	31	46	454	2	30	67	100
1957	8,646	183	6,107	659	772	4	----------	38	76	20	179	2	23	143	440
1956	11,896	41	6,770	451	963	21	1	27	32	8	3,024	11	32	423	92
1955	14,056	54	10,813	690	940	16	6	1	20	2	1,313	24	34	126	17
1954	11,775	79	9,038	1,507	881	20	2	12	19	15	107	1	40	51	3
1953	4,096	59	2,107	1,243	368	4	5	35	20	14	18	----------	15	50	158
1952	489	94	84	257	16	----------	4	----------	10	4	18	----------	2	----------	--------

Summary of ICEM movments from Europe, Feb. 1, 1952, to Dec. 31, 1962—Continued

From emigration countries	Total	To countries of immigration													
		Argentina	Australia	Brazil	Canada	Chile	Colombia	Israel	New Zealand	South Africa	United States	Uruguay	Venezuela	Others	
														Overseas	Europe
Italy:															
1962	10,537	1,081	1,578	1,087	2,156	39	55	57	32	519	1,197	100	1,570	7	879
1961	15,057	1,455	4,769	1,935	2,229	71	95	23	26	757	1,295	115	1,964	14	310
1960	23,540	2,991	8,185	2,497	4,184	111	154	26	75	553	612	174	3,311	125	542
1959	27,240	5,975	7,068	3,668	3,223	150	187	40	6	546	1,448	367	4,131	216	215
1958	24,189	7,614	3,824	3,493	3,036	101	204	50	3	652	732	507	2,783	1,034	156
1957	43,355	13,197	6,865	5,449	7,259	156	402	249	20	407	481	924	5,438	1,463	845
1956	39,376	8,596	7,599	4,844	3,021	221	135	184	3	13	6,651	1,646	4,801	1,301	401
1955	45,852	15,104	10,641	7,324	1,664	878	32	54	6	15	2,176	2,723	4,834	180	221
1954	53,995	28,903	5,465	11,566	1,248	534	103	40	2	8	304	286	4,988	123	425
1953	22,332	8,752	509	7,367	1,099	170	77	49	9	19	174	17	3,642	144	304
1952	12,314	68	493	8,237	654	1,065	4	56	8	10	507	1	1,130	29	52
Netherlands:															
1962	7,570	21	1,857	102		5			910	351	4,282			42	
1961	10,477		3,980	82			10	4	1,326	274	4,715			54	
1960	15,564		7,814	135	15		17	3	1,103	420	5,992	4		61	
1959	14,166	1	8,122	181	14			3	1,318	1,551	2,872			104	
1958	11,626		7,373	195	9			11	1,686	1,834	16			502	
1957	9,134		6,623	157	1				1,038	1,056	31	2		226	
1956	12,695		10,841	223				5	1,313		22			291	
1955	12,701		11,394	239	14			17	745		30			262	
1954	1,275		574	322	306			33		7[illegible]	33				
1953	2,296	17	1,762	312	40	2		25		5[illegible]	124	9			
1952	10,062		8,969	100	477			27	374	5[illegible]	93	1		16	
Spain:															
1962	14,765	1,961	4,097	2,946	60	162	347	10		2	1,803	672	2,548	155	6
1961	13,407	1,880	876	6,056	91	197	446				187	653	2,788	233	
1960	11,614	1,309	1,013	4,472	111	276	410				12	639	3,222	146	3
1959	11,587	2,574	578	3,454	34	190	262	1			14	895	3,461	125	
1958	11,468	4,688	163	2,013	19	159	147				10	958	3,211	40	
1957	10,427	3,408	1	2,748	8	213	294					1,296	2,419	40	
1956	91		2	11	10	5	40				19		3	1	
1955	2	1									1				
1954	27		1	11	1			2		1	9	1		1	
1953	43		1	27	1						7		1	6	
1952	12	2	2								7				1

Others:															
1962	21,039	100	5,517	426	596	15	7	9,930	28	246	3,794	12	14	14	340
1961	27,618	91	4,949	667	702	16	26	18,079	24	28	2,653	4	15	10	353
1960	23,039	159	5,028	387	882	45	66	15,003	13	7	1,302	14	19	41	127
1959	23,393	140	5,118	214	737	17	26	13,993	17	18	2,902	16	20	10	111
1958	21,514	121	4,443	143	1,289	26	13	12,401	42	17	2,318	12	72	26	591
1957	49,927	323	5,880	729	21,518	41	8	12,660	102	22	4,006	14	97	30	4,411
1956	16,344	10	3,972	21	269	13	2	5,244	29	9	5,755	12	16	14	799
1955	13,028	20	9,207	35	464	25	----------	1,030	5	20	2,040	13	40	10	25
1954	11,371	261	6,130	198	893	56	8	842	1	12	2,677	36	70	35	4
1953	9,643	72	221	275	3,491	50	3	1,947	1	4	3,178	28	57	74	3
1952	4,836	105	350	211	1,199	41	2	540	5	18	2,176	11	16	44	27
Total	1,195,679	113,487	356,107	98,640	164,317	6,563	22,911	95,284	12,550	13,331	209,527	12,435	58,520	9,102	41,905

RELOCATION OF REFUGEES FROM CHINA

Mr. ROONEY. When ICEM relocated 20,435 European refugees from mainland China through Hong Kong, can you give us the facts with regard to where they were relocated?

Mr. SCHWARTZ. Yes, sir; we can put that in the record to show each country where they went.

(The information requested follows:)

Summary of ICEM movements from the Far East, Feb. 1, 1952, through Dec. 31, 1962

From Far East	Total	To—													
		Argentina	Australia	Brazil	Canada	Chile	Colombia	Israel	New Zealand	South Africa	United States	Uruguay	Venezuela	Others	
														Overseas	Europe
1962	1,849	4	1,427	33	10	8	2	21	65		58		7	44	165
1961	2,446	39	1,401	498	8	9	6	15	7		73		7	26	355
1960	1,059	1	523	217	4	26		7	4		51			32	193
1959	1,560		1,066	129	1	38	1	19	5		61			49	191
1958	2,183	4	1,004	721	11	52		32	4		76	1	8	118	152
1957	3,066	3	1,640	449	13	151		39			111	6	63	453	138
1956	1,370	6	429	226	25	77	2	101	1	10	149		16	147	181
1955	688		176	221	8	42		24	1	2	61	7	8	63	75
1954	1,599	3	309	655	15	14	2	30		2	90		5	191	283
1953	3,506	22	476	1,903	64	25	5	193	1	3	134		5	457	224
1952	1,060	30	302	244	146	2	3	22		1	85		3	81	141
Total	20,434	112	8,753	5,301	305	444	21	503	88	18	964	14	127	1,662	2,122

COUNTRY BREAKDOWN OF MOVEMENTS IN 1964

Mr. ROONEY. When you make an estimate—and when I say "you," I mean your interpretation of ICEM's estimate—that they will move 76,300 migrants and refugees in 1964, can you break that down for us by countries?

Mr. SCHWARTZ. Yes, sir, we can.

Mr. ROONEY. Do you have that with you?

Mr. SCHWARTZ. Mr. Warren came from a meeting and maybe he has it here today.

Mr. WARREN. For 1964, I do not.

Mr. SCHWARTZ. We will supply that for the record.

Mr. ROONEY. Please insert that information at this point in the record.

Mr. SCHWARTZ. Yes, sir.

(The information requested follows:)

Forecast of movements, 1964

Countries of Emigration:	
Austria	2,000
Germany	5,700
Greece	8,600
Italy	11,300
Netherlands	6,600
Spain	12,300
Others	28,700
Total, European program	75,200
Far East program	1,100
Grand total	76,300

Countries of Emigration:	
Argentina	3,750
Australia	28,700
Brazil	5,050
Canada	3,700
Chile	600
Colombia	950
Israel	18,200
New Zealand	1,750
South Africa	2,850
United States	4,800
Uruguay	700
Venezuela	4,150
Others, Overseas	550
Others, Europe	550
Grand total	76,300

REFUGEES IN MACAU

Mr. ROONEY. Going along with your statement, beginning at the bottom of page 6, you refer to refugees from Communist China and say that during 1962 more than 140,000 Chinese refugees arrived in this territory.

How many arrived in Macau and stayed? Can you tell us that? Do you know how many stayed in Macau?

Mr. SCHWARTZ. I can get that.

(The information requested follows:)

It is estimated that 80,000 Chinese refugees fled from Communist China to Macau in 1962, and that 60,000 of these proceeded illegally to Hong Kong. Thus the number of refugees in Macau increased by an estimated 20,000 during the year. It should be emphasized that these figures are estimates, since no accurate statistics about refugees in Macau are available.

EXPENDITURES OF HONG KONG AUTHORITIES

Mr. ROONEY. In your statement, you say you have a program of $2 million in connection with Chinese refugees in Hong Kong, Macau, 1964, and that these funds: to wit, $2 million, would supplement the ex-

penditures of the Hong Kong authorities and contributions from international private sources.

What has been the amount of expenditures of the Hong Kong authorities?

Mr. SCHWARTZ. In 1964, fiscal year budget, the Hong Kong figures were $235 million, of which 60 percent, or $140 million, will be used for what they call their nonrecurrent social services, public works, schools, hospitals, housing, and community activities required for refugees.

Mr. ROONEY. Are we to understand that this $235 million figure is the figure expended as a result of the influx of refugees from the mainland?

Mr. SCHWARTZ. As I understand it, it is——

Mr. ROONEY. How am I going to understand it if you are not sure?

Mr. SCHWARTZ. We get these figures from the Hong Kong authorities. I can give you what they explained to me and that is their total budget for Hong Kong.

Mr. ROONEY. This is the budget of the territory, or whatever they call it, of Hong Kong?

Mr. SCHWARTZ. That is right.

Mr. ROONEY. This is the entire budget for running the city or the territory?

Mr. SCHWARTZ. This is $235 million.

Mr. ROONEY. That is not my question.

I want to know——

Mr. SCHWARTZ. Yes; it is.

Mr. ROONEY. I want to make a comparison between what we are doing in Hong Kong and what the Hong Kong authorities themselves have done insofar as the refugees are concerned.

Mr. SCHWARTZ. As I have the figures, the Hong Kong authorities' budget calls for $140 million.

Mr. ROONEY. For what? That is the question.

Mr. SCHWARTZ. Nonrecurrent expenditures on behalf of refugees. I believe that means their additional public facilities, and so forth.

CONTRIBUTION BY GREAT BRITAIN

Mr. ROONEY. How much has Great Britain contributed toward this refugee situation in Hong Kong, if anything?

Mr. SCHWARTZ. I have no evidence of Great Britain contributing.

Mr. ROONEY. Would that not be very important in deciding how much our contribution should be?

Mr. SCHWARTZ. I agree it would be of importance. There are voluntary groups that are there.

Mr. ROONEY. You also have voluntary American groups there on top of this taxpayers' money?

Mr. SCHWARTZ. I do not know the answer to that.

I assume, Hong Kong being a part of Great Britain, the Hong Kong income is part of the total British——

Mr. ROONEY. A great deal of that income, as you say, in a solvent community where taxes are so low and where there has been a budgetary surplus year after year, goes right to London?

Mr. SCHWARTZ. Yes. The Governor is an appointee of the British Government.

Mr. ROONEY. I would think this would be one of the first things I would want to know, what the British themselves are doing to bear a fair part of this cost.

Mr. SCHWARTZ. The British are spending several hundred million. The Hong Kong authorities are part of the British. Their expenditure is $140 million.

Then there is an additional amount; $140 million is the best figure because that includes their total. I do not know what the income of the British is from Hong Kong. It is reported it creates a surplus. I do not have the figures.

Mr. PASSMAN. You mentioned earlier about the $300 million total budget. Not only does the British Empire derive a substantial profit from the tax revenue of Hong Kong, it is a tremendous market for British-produced goods, is it not?

Mr. SCHWARTZ. Yes.

Mr. PASSMAN. I do not know of any place on the face of the earth where they have a more profitable market than Hong Kong. That, it seems to me, would justify even a greater contribution by the British Empire than by the United States. They are getting profits from two angles.

Mr. ROONEY. You have in this budget according to page 15 of your justifications an item of $600,000 to assist the Hong Kong government in its program of capital construction for schools, clinics, community centers, and so forth.

We shall insert instead of the Hong Kong government the British Empire. Would not one think they would be too proud to take an amount like $600,000 of our taxpayers' money for the construction of their schools, clinics, and community centers?

Mr. SCHWARTZ. I could put in the record a statement. We made a contribution of $580,000 from the 1963 appropriation to the Hong Kong authority on May 2. A presentation was made by Consul General Green. I have his statement, which just arrived.

This was $580,000 for participating in capital projects.

I could have available the statement of the British authorities and their response. It speaks for itself. The consul general pointed out that we are interested in the welfare of these refugees.

Mr. ROONEY. Of course we are and should be.

My point is, why should we help in building the schools and clinics that you referred to in your justifications.

OTHER NATIONS' CONTRIBUTIONS TO PROBLEMS IN MACAU AND HONG KONG

What other nation of the free world is contributing toward the refugee problem in Macau and Hong Kong?

Mr. SCHWARTZ. Other than the agencies you are aware of, there is a figure of $500,000—I do not have the breakdown—by other countries.

Mr. ROONEY. Please insert the details of that at this point in the record.

(The information requested follows:)

Apart from the $140 million provided in the current budget by the United Kingdom through the Hong Kong authorities, the United Kingdom has supplied $2 million in the past 2 years under colonial development and welfare schemes for new buildings at Hong Kong University, development projects in rural new territories and low-cost housing aid. This expenditure has been quite apart

from substantial United Kingdom expenditures for Hong Kong defense. Estimated contributions from governments other than the United States and United Kingdom during 1962, 1963, and 1964 are as follows:

	1964	1963	1962	Totals
Canada	$44,000	$72,000	$36,000	$152,000
Belgium	7,000	12,000	6,000	25,000
Denmark	46,000	74,000	37,000	157,000
West Germany	412,000	659,000	329,000	1,400,000
Total	509,000	817,000	408,000	1,734,000

ADMINISTRATIVE EXPENSES

Mr. SCHWARTZ. If I could revert to one thing.

Mr. Rooney mentioned on page 3 our reductions in relation to not only the absorption of the pay increase——

Mr. ROONEY. I was merely thanking you for the difference between $668,000 and $683,000. I still do not understand why, with almost 30-percent reduction in this program, there is not an attendant reduction in the $668,000 for administrative expenses.

Mr. SCHWARTZ. If I may explain that. If we take the High Commissioner's contribution last year for fiscal year 1963 of $900,000, and then in 1964 we have requested $750,000. That is a difference of $150,000.

There is no personnel involved in that. That is the same personnel that attends the executive meetings of the High Commissioner.

Mr. ROONEY. It would take 10 people to get his check written.

Mr. SCHWARTZ. That is from someone else's office. This is a check on a program in which we are interested, such as Greece; $150,000 does not involve any personnel. That is a checkwriting affair on a program we are interested in.

The only area in which there is personnel involved would be in the escapee program in Europe and Hong Kong. It is the area in which we have personnel in the field.

In 1963, it was $1,450,000, and 1964, $1,250,000. There is $200,000 less in those programs and these are the only programs in which field personnel are involved.

When Mr. Warren goes to the ICEM meeting, he still goes whether we have the $9 million or $5.5 million.

Mr. ROONEY. You are saying the only item where you would need personnel is No. 3, $1,450,000?

Mr. SCHWARTZ. It is an operating program.

Mr. ROONEY. You are saying that is the only one of these programs where you need personnel?

Mr. SCHWARTZ. Speaking of the field——

Mr. ROONEY. I am talking not only of the field; I am talking of Washington.

Mr. SCHWARTZ. I would like to go on.

Mr. ROONEY. I want to make sure I understand this. Is this the only program in which you use personnel in the field, of the programs listed on page 3? If so, this makes the situation worse than when you started.

You want $668,000 to administer $1,250,000, unless I am not following you correctly, and if I am not, you may correct me.

Mr. SCHWARTZ. What I am trying to explain is, to administer the program of 1963, we have lived within $650,000, forgetting the pay increase which we have absorbed apparently. The personnel, the staff involved in Washington, does not get reduced—either Washington or the field—because we reduced the High Commissioner's payment from $900,000 to $750,000.

Mr. ROONEY. It takes just as many people to get the check out?

Mr. SCHWARTZ. We do not actually get the check out. That is in Mr. Lewis' office.

Mr. ROONEY. You know that until the figure goes up to Mr. Lewis' office, you people are supposed to go all over this and look at it from one side and the other. I like to believe you do that.

PERSONNEL IN WASHINGTON

How many of the 1964 people in the 1963 estimate are here in Washington?

Mr. SCHWARTZ. The figure is 52 people. We brought it down from 64.

Mr. ROONEY. I asked you about 1963, the 64 people.

Mr. SCHWARTZ. The 1963 estimate.

Mr. ROONEY. Of the total number of permanent positions in 1963, how many are in Washington?

Mr. SCHWARTZ. I have eliminated some of those positions. We have 52.

Mr. ROONEY. Where are they allocated?

Mr. SCHWARTZ. In Washington, there are 15; overseas, 16, and 21 locals in the field.

Mr. ROONEY. That is the 1964 figure. I am asking for 1963.

Mr. SCHWARTZ. 1963 is the same. I brought it down to this 52 figure in early January, so the actual figure is 52. We did cut positions in order to meet the $650,000. I do not have what we had previously. We no longer have 64. For 1963, we only have 52 positions and not 64. Actually, the Americans overseas and in Washington are almost equal.

HONG KONG REFUGEE PROGRAM

Mr. PASSMAN. I think I should like to indicate again that if the Hong Kong refugee program, or relief program, is an actual example of our aid program as such, the whole thing could have been abolished yesterday. That is one of the most prosperous of cities. When we speak of a surplus of millions of dollars every year to the crown colony, it would certainly appear, as this provides an outlet for British goods, at least they could relieve us of that expenditure, unless there is some psychological approach that may be worth some of our effort.

I am thinking of medicine and surplus food. Perhaps, that would suffice and we would not have to get into a building program.

The money we are sending there we are having to borrow. We do not know whether we can repay it or not.

I think the time has come to try to cut this spending down. I do not see why you have to go into a construction program.

Mr. SCHWARTZ. There is no question but that Hong Kong, I think, will survive if we were to give nothing.

Mr. PASSMAN. I do not think anyone would question that. Our contribution is minor compared to the amount of money that is generated there.

Mr. SCHWARTZ. The question we have from the political viewpoint, and from the viewpoint of the total battle with communism is, what is it worth to us to do something in that area when the impact of our aid, in whatever form it is, does get back to the Chinese mainland. The reason we have—and this was carefully worked out by the judgment of the people on whom we rely—the impact of having a facility which is a U.S. Government facility, a gift of the people of the United States, is very meaningful in this what you might call psychological battle.

When the refugees are able to come to a clinic which is a U.S. building, which has on it "Gift of the people of the United States," we are convinced, I am convinced, from the information which Marshall Green has given us, it has a great effect in the mainland because of the great movement of the people between Hong Kong and the mainland.

Mr. PASSMAN. That is where my quarrel comes in if we are going to discuss it more.

You know and I know, if you have been out there, that 90 percent of the recipients of the aid do not know us in the United States. I am thinking about the good it is doing. You are distributing this aid through different organizations. It is going to people who cannot read and they are interested in what is in the bag. They do not know it is coming from the United States. You may have a part they recognize as being from the United States. The recipients do not know who actually is putting up the aid.

If you are going to base it on a psychological standpoint, then they ought to know who is giving the aid.

How many bags of food did you ever see with a Chinese inscription on it?

Mr. SCHWARTZ. I did see some.

Mr. PASSMAN. Most of it is in language they do not know. They do not know where it is coming from. They know it is food. If we are going to turn this into a weapon, I think you should devise a plan so the recipient will know who is putting up the aid, and that is the United States.

Mr. SCHWARTZ. I would like to put in the record the statement of Mr. Green.

Mr. PASSMAN. You may put it in the record.

Mr. SCHWARTZ. It might be helpful in determining whether this is a good program or not.

(The material referred to follows:)

TEXT OF REMARKS MADE BY AMERICAN CONSUL GENERAL IN HONG KONG, MAY 2

Your Excellency, I did not come here to make any speech but for the eminently practical matter of turning over this check from my Government to your Government in the amount of HK$3,340,800.

Following consultations between officials of the Hong Kong Government and the American consulate general, it has been decided this grant could be put to best use through financing the four capital works projects described in the newspapers today.

Your Excellency, I realize this check will provide for only a very small fraction of Hong Kong's tremendous needs and represents only a small percentage of construction projects which your Government is financing on behalf of Hong Kong's high population, swollen last year alone by the influx of tens of thousands of refugees.

But it is our privilege to be associated with your Government's farsighted and wise efforts which command the admiration of my countrymen. This grant reflects the deep concern of the American Government and people for the welfare of the many refugees in Hong Kong and also reflects the traditional abiding friendship between the Chinese and American peoples.

I know what dedicated and courageous leadership your excellency has given to all the programs and efforts directed toward meeting Hong Kong's problem of people and it therefore gives me particular pleasure that I should be handing this check over to you personally.

The four projects to be funded with this grant, which totals US$580,000, comprise:

Polyclinic at Shatin, New Territories.
Haven of Hope TB Hospital Technical Building, Junk Bay.
Hospital for Crippled Children, Sand Bay.
Playground and Youth Center, Kowloon Tsai.

Mr. PASSMAN. Off the record.

(Off the record.)

JUSTIFICATION OF THE ESTIMATE

Mr. PASSMAN. We shall at this point in the record insert the full justification of this item.

The committee will stand adjourned until 1 o'clock tomorrow afternoon.

(The material referred to follows:)

Migration and refugee assistance

Appropriation requested $10,683,000

This is the fiscal year 1964 appropriation proposed by the Department of State to provide funds to implement the Migration and Refugee Assistance Act of 1962, Public Law 87-510.

This request represents an amendment to the President's budget for fiscal year 1964 involving a decrease of $1,117,000 resulting from a further review of recent developments affecting migrants and refugees.

EXPLANATION OF LANGUAGE CHANGE

It is proposed that the proviso "* * * That this appropriation shall reimburse other applicable appropriations for activities conducted after June 30, 1962, pursuant to section 7 of the Migration and Refugee Assistance Act of 1962: *Provided further*, * * *" be deleted since it will not be required in the fiscal year 1964. This provision was inserted in the 1963 appropriation act to provide for reimbursement to the President's contingency fund which was used in the early months of the fiscal year 1963 to finance the activities subsequently provided for under this appropriation item. This proviso, therefore, may be deleted from the 1964 appropriation language.

Summary of requirements, fiscal year 1964

Appropriation, 1963 regular act and base for 1964 ..... $14,947,000
Net difference between 1963 and 1964: [1]

By projects or functions	Requirements		Difference, increase (+) or decrease (−)	
	1963	1964 [1]		
1. Intergovernmental Committee for European Migration	[2] $9,275,000	$5,500,000	−$3,775,000	
2. United Nations High Commissioner for Refugees	900,000	750,000	−150,000	
3. Refugee assistance for groups determined by the President:				
Refugees from European Communist countries	1,450,000	1,250,000	−200,000	
Refugees from Communist China	2,100,000	2,000,000	−100,000	
Tibetan refugees	432,000	400,000	−32,000	
Other refugee groups	122,000	100,000	−22,000	
Subtotal	4,104,000	3,750,000	−354,000	
4. Administrative expenses	668,000	683,000	+15,000	
Total obligations	14,947,000	10,683,000	−4,264,000	−4,264,000
Total estimate of appropriation, 1964				10,683,000

[1] As amended by H. Doc. 83.
[2] Includes $2,775,000 for 1962 program.

GENERAL NARRATIVE STATEMENT

1963 estimate	$14,947,000
Amended 1964 estimate	10,683,000
Decrease	−4,264,000

The Migration and Refugee Assistance Act of 1962, Public Law 87-510, enacted on June 28, 1962, provides legislative authority for assistance to migrants and refugees under continuing programs as well as for current and new refugee situations when the President determines that such assistance is in the interest of the United States.

Accordingly, this request for fiscal year 1964 is to provide funds to continue contributions to the Intergovernmental Committee for European Migration and to the activities of the United Nations High Commissioner for Refugees, and for assistance to those groups of refugees determined by the President to be in the national interest. This latter category includes refugees from Communist countries in Europe, Communist China, and Tibet, and other refugee groups for whom U.S. assistance is in the foreign policy interest of the United States.

Refugee problems, usually an outgrowth of political developments, occur most frequently as unpredictable emergencies creating urgent needs. Each refugee situation must be carefully examined to enable the United States to determine its interests, and to decide upon an appropriate course of action. Some refugee problems may be solved by local government or private aid; others by international organizations; while other refugee problems may require U.S. assistance through Public Law 480 surplus commodities, utilization of U.S.-owned local currency, or pertinent AID projects. Some problems, however, because of their particular effect upon U.S. interests, require direct U.S. dollar expenditures. The present appropriation request takes full account of the possibilities of other sources and methods of aid in the several refugee situations and assumes that there will be a minimum use of U.S. dollars and the maximum use of U.S.-owned local currencies and Public Law 480 surplus food commodities.

Due to the complex, variable, and unpredictable nature of refugee problems, it is difficult to estimate the exact scope and funding requirements for the solutions to these problems. Therefore, in the following program justifications, the estimated funding requirements, particularly for new and emerging refugee problems, may, of necessity, require subsequent adjustments as the aspects of each situation change. Flexibility of operation, as provided in Public Law 87-510, is essential for the effective and efficient overall administration of the refugee program.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

1963 estimate	$9,275,000
Amended 1964 estimate	5,500,000
Decrease	[1] —3,775,000

[1] Actual decrease is $1,000,000 since 1963 appropriation includes $6,500,000 for 1963 program and $2,775,000 for the 1962 program.

Description and objectives of program

ICEM now has 29 members including 10 Latin American governments: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Panama, Paraguay, and Venezuela. Between 1952 and 1958 ICEM facilitated maximum emigration in numbers from Europe. Since 1958, ICEM has endeavored to meet the more selective requirements for industrial and agricultural workers of the Latin American countries. Greece, Italy, Spain, and the Netherlands, with excess populations considering limitations in their natural resources, space, and capital formations, supply the potential emigrants and refugees with the skills and training of interest to the Latin American countries. Member governments through ICEM also cooperate to resettle Indonesians returning to the Netherlands; Italians and Greeks returning from Egypt, and Belgians, Italians, and Spaniards returning from north Africa. These former settlers seeking resettlement possess the skills and experience in demand in the Latin American countries.

ICEM organizes and supplies air and sea transport on migrant routes where transport is either inadequate or not available. ICEM also provides supplementary services at both ends of movements in the selection, processing, and embarkation of migrants and refugees in Europe and in their reception and placement in the countries of immigration in Latin America.

ICEM combines the contributions of the migrants themselves, of the emigration and immigration counties and of the voluntary agencies, and supplies from its own free funds what is needed to meet the balance of the transport costs of migrants and refugees whose movement is in the general interest of the member governments. Each source of funds is brought into play by the cooperation and availability of the other sources. No single source could provide the transport costs involved alone. Since ICEM's beginning in 1952 the United States has sought to increase the proportionate contributions of the migrants and refugees and the other governments concerned in meeting the costs of transport and has met with success in this effort. All member governments have accepted responsibility for contributing to the movement of refugees. The United States no longer contributes to the costs of transport of indigenous migrants from Austria, Germany, Italy, and the Netherlands to Australia, New Zealand, and South Africa, countries now in an economic position to provide such transport from and to their countries. Governments are in the meantime becoming increasingly interested in developing loan arrangements for migrants to cover transport costs.

U.S. interests

It is in the interest of the United States to participate in ICEM for political and humanitarian reasons and in furtherance of U.S. assistance to economic growth in the Latin American countries. It is also in the U.S. interest to promote the development of new methods for financing the movement of indigenous migrants. Readjustments in ICEM's migration services are also necessary in order to improve services to the Latin American countries and to assure them the numbers and quality of migrants needed for their economic development.

Whereas previous land settlement projects in Latin America included a majority of European settlers, ICEM is planning group settlements in agriculture which will consist predominantly of native farm settlers assisted by a minority number of experienced European farmers. The latter can contribute know-how and leadership in the development and functioning of farm cooperatives and help to secure increased agricultural production and introduce improved marketing methods and practices. The older settlements of Europeans will be used to train administrators of new settlement projects. ICEM is helpful also in recruiting and transporting the skilled immigrant workers required in development projects which are financed by governments and international lending institutions.

Twenty-eight other governments will contribute two-thirds of the operating costs and 70 percent of the administrative costs of ICEM in 1964. In addition to the financial contributions, member governments assist each other by mutually helpful actions and ICEM frequently makes possible such cooperative actions by governments in the field of migration.

Accomplishments of the program

Between 1952 and December 31, 1962, ICEM moved 1,195,357 persons overseas, of whom 510,772 were refugees. In the same period ICEM moved 20,435 refugees of European origin from mainland China through Hong Kong to permanent resettlement overseas. In 1962, movements totaled 69,423, of which 1,851 were from mainland China.

Proposed fiscal year 1964 program

It is presently estimated that ICEM will move approximately 76,300 migrants and refugees in calendar year 1964, including 1,100 European refugees from mainland China through Hong Kong, and 1,350 Yugoslav migrants whose movement has previously been financed through USEP. The request for appropriation for contribution to ICEM in calendar year 1964 totals $5,500,000, including $781,760 for administrative expenditures. The contribution to administrative expenditures is obligatory and the U.S. assessed share amounts to 29.77 percent of the total allocated to all government members. The remaining $4,718,240 will be required for contributions to operations. Of the $4,718,240 for operations, $3,437,500 (estimated at $62.50 per capita for 55,000 eligible movements) will be used for contributions to assist in the movements of migrants and refugees from Europe, and $1,280,740 will constitute the U.S. contribution to services in the processing, reception, and placement of migrants and services of a technical nature in assistance to Latin American countries. The condition to be attached to the U.S. contribution to operations in calendar year 1964 is that the total of such contributions shall not exceed 33⅓ percent of all government contributions to operations. The proportionate contribution has been reduced in fact from a high of 45 percent in 1961 to 33⅓ percent in 1964. The total of this request of $5,500,000 to cover the U.S. contribution to ICEM for calendar year 1964 is $1 million less than the comparable amount for 1963.

UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES

1963 estimate	$900,000
Amended 1964 estimate	750,000
Decrease	−150,000

Description and objectives of program

The office of the UNHCR was established in 1951 by the United Nations General Assembly, primarily to promote the legal and political protection of refugees within the mandate of the UNHCR. Subsequently, the UNGA adopted resolutions authorizing the UNHCR to carry out material assistance and reestablishment programs for refugees within his mandate (primarily European refugees from Soviet bloc countries), and for the UNHCR to use his good offices for promoting contributions and solutions for problems involving refugees not within his mandate. In this latter function the UNHCR acts as a catalytic agent to obtain and channel resources where most needed, and as appropriate by furnishing overall coordination of the efforts of other concerned agencies.

U.S. interests

The UNHCR program in behalf of refugees from communism assists free world asylum countries in meeting the burdens imposed by the influx of refugees and thus in maintaining liberal asylum policies—a basic objective of U.S. foreign policy. The UNHCR assistance programs in general, contribute to the political and economic stability of the countries offering asylum and thus reduce the opportunities for the enlargement of Communist influence. Furthermore, these programs project in meaningful terms the humanitarian purposes of democratic societies.

Accomplishments of the program

The UNHCR programs, exclusive of the Hungarian emergency program, have furnished major aid to approximately 104,000 refugees including about 58,000 who have been firmly settled directly through UNHCR assistance. Practically all of these have been integrated in the country of present asylum through the provision of housing, employment, institutional placement, or counseling services. The United States has contributed $8,433,000 to the UNHCR regular program. This contribution together with contributions from other sources including 39 other governments has enabled the UNHCR to expend or commit

over $35,702,000 in turn attracting supporting contributions of over $47,200,000 for specific projects from the asylum countries and bringing the total of aid from all sources to refugees under UNHCR programs to $82,500,000. The U.S. contribution has thus been less than 24 percent of the contributions received from international sources, not including the major contributions of the governments of asylum countries.

Proposed 1964 program

It is requested that $750,000 be appropriated for a U.S. contribution to the UNHCR for his 1964 program which it is estimated will total about $3.5 million. This is a decrease of $150,000 from the amount appropriated for contribution to the UNHCR for 1963. The U.S. contribution will be limited to 33⅓ percent of all contributions received from governments by the UNHCR.

The UNHCR is carrying out a determined effort to resolve completely the problems of the older refugees within his mandate, of which handicapped refugees comprise a significant element. This includes special projects to effect the local integration or external restablishment of all needy refugees who were listed under his mandate as of January 1, 1961. It is expected that during 1963 the UNHCR major aid program will reestablish 8,000 refugees, including, 4,000 handicapped cases requiring special assistance. As of January 1, 1964, it is estimated that the UNHCR caseload of needy refugees will be 17,000 of whom some 8,000 will be handicapped cases. Most of these refugees are located in European countries, several of which are economically prosperous. These countries have in recent years contributed on an increasing scale to the UNHCR who will exert special effort to secure maximum contributions from them. In other countries, such as Greece, where economic development is less advanced the major proportion of project costs must be met from international sources.

The UNHCR in 1964, will continue his assistance program for refugees under his mandate, chiefly in Europe, who have arrived in asylum countries or otherwise have become identified to the UNHCR since January 1, 1961, and who for various reasons are eligible under other governmental or international assistance programs. It is expected that there will be 7,000 of these refugees, for whom the UNHCR will provide as necessary special legal assistance, care and maintenance and resettlement or local integration assistance as appropriate. Many of these refugees will be in the handicapped category. Included in this category are 1,100 White Russian refugees who are expected to arrive in Hong Kong from Communist China. In addition to resettlement assistance these refugees need maintenance assistance while plans for their resettlement (in a joint operation with the Intergovernmetal Committee for European Migration) are finalized. The UNHCR is also expected to continue to devote his efforts in 1964 toward the solution of recently developed or newly arising problems of refugees not within his mandate, through the exercise of his good offices. Assistance from the United States in this type of situation will normally be in the form of Public Law 480 food commodities.

REFUGEE ASSISTANCE FOR GROUPS DETERMINED BY THE PRESIDENT

Section 2(b)(2) of Public Law 87-510 authorizes the use of funds for assistance to or in behalf of refugees whenever the President determines that such assistance is in the interest of the United States. Certain refugee groups as described below have been so designated by the President in a Presidential determination order signed August 16, 1962. Assistance to some of these refugees has been carried on under the U.S. escapee program (USEP) established in 1952 to provide assistance to new escapees from Communist countries in Europe and the Near East and, through the Far East refugee program (FERP) to refugees from Communist China. The more recent Tibetan refugees in India and Nepal and other groups are included in the Presidential order.

The assistance proposed for 1964 for these refugee groups is based on analyses of the status of each refugee problem and a forecast of the requirements for the next fiscal year. Because of the unpredictable nature of refugee problems, it is difficult to estimate precise and firm funding requirements for each problem in advance. Therefore, the program proposed for each refugee group must be considered a best estimate and the funds required for specific programs may have to be adjusted as emergency situations occur.

1. Refugees from European Communist countries

1963 estimate	$1,450,000
Amended 1964 estimate	1,250,000
Decrease	—200,000

Among the estimated 48,000 refugees from Communist countries who are living in Europe and the Middle East, there are many who are still unsettled or living in marginal conditions. Most of these older refugees are being aided by the countries of asylum, by the United Nations High Commissioner for Refugees, or by private voluntary relief agencies. However, there are new refugees each year who continue to provide testimony of the failures of communism. Among these new escapees, many need assistance. It is in the interest of the United States to continue to give supplementary aid to these refugees through the U.S. escapee program (USEP).

United States assistance to recent escapees does not encourage escape, but it does give the refugees who do escape assurance that the United States is interested in their welfare and it encourages the countries which initially receive the escapees to be liberal in their asylum policies and in the level of material assistance which they provide. U.S. assistance also helps to maintain the hope of captive peoples behind the curtain and to offset the Soviet-bloc cultural and welfare programs among refugees who have escaped. Failure to maintain USEP assistance at an appropriate level among the new escapees and other refugees of special interest to the United States would be widely construed to mean that this country has turned its back on the most convinced opponents of the Communist way of life—those who have experienced it and rejected it.

USEP assistance is designed to supplement the efforts of asylum governments, international organizations, and private voluntary agencies in the reception, interim care and maintenance, and permanent reestablishment of the escapees in a manner which represents a sound solution of the escapee's problems.

Although countries of asylum and international and private voluntary relief organizations have made contributions to the solution of refugee problems, it is not possible to satisfy U.S. priority, political, and security interests adequately through agencies which are not under direct U.S. control. Thus, it is necessary for the United States to provide its assistance in a manner which insures that an adequate level of assistance is provided and that the U.S. participation in this assistance is known to the escapees, to the people of the asylum country, and in other countries of the world, including those behind the Curtain. For this reason, USEP operates under contracts, primarily with American voluntary agencies, to give such aid as is not available from other sources and under projects closely supervised by USEP staff to insure that contract conditions are met.

For fiscal year 1964, it is expected that $1,250,000 will be needed for USEP program expenses. This figure compares with $1,450,000 in fiscal year 1963 and $1,700,000 in fiscal year 1962.

During 1963, it is estimated that over 7,700 persons will receive some assistance through USEP. Included in this number are a limited number of Yugoslavs who will be given supplementary care and maintenance by USEP, but who will be helped in resettlement by the Intergovernmental Committee for European Migration. In 1964, the number of refugees to be assisted through USEP is estimated at 6,300.

2. Refugees from Communist China

1963 Estimate $2,100,000
Amended 1964 estimate 2,000,000
Decrease —100,000

Since 1954 the United States has assisted Chinese refugees entering the colony of Hong Kong from Communist China. In the 13 years since mainland China was taken over by the Communist authorities, well over a million refugees have fled China. These refugees have swamped the public facilities of Hong Kong and now number over one-third of the entire population. It is estimated that more than 140,000 new refugees entered Hong Kong during 1962, a number more than three times the average for previous years. This heavy flow may continue at the same rate during the next 2 years. The large influx in May 1962, and the continuing illegal entries into Hong Kong are assumed to be caused by the deteriorating conditions on the mainland.

The United States is concerned with the stability and welfare of Hong Kong and its people. American interest, shown through U.S. Government and Amer-

ican voluntary agency assistance, has a considerable impact on the attitudes of the Chinese population of Hong Kong toward our country, indicates our concern for their freedom and progress, and helps offset Red Chinese propaganda. However, the main purpose of U.S. assistance through the Far East refugee program (FERP) is to demonstrate U.S. interest in the large bloc of anti-Communist Chinese refugees livng in one of the largest Chinese cities in the world. Through our assistance to the refugees, we also show our concern and friendship for the people of mainland China. Many projects for selected groups of refugees such as crippled or mentally retarded children, intellectuals, students, the blind, fishermen, and farmers, demonstrate to the Chinese in Hong Kong that America is pursuing a broad humanitarian program in behalf of the Chinese which negates the charge that the United States discriminates against Asian refugees. The thousands of Chinese who travel between Hong Kong and mainland China each week or who exchange letters make known among the mailand China people the efforts of America. Our help sustains the friendly image of the United States traditional to the Chinese people and offsets the Chinese Communist hate campaign against the United States.

The greatly increased influx of refugees has presented the Hong Kong authorities with their most critical integration problem. For the first time, the Government has made an appeal to the outside world for assistance in their efforts to carry out the task of absorbing these refugees. The problem of caring for new arrivals is becoming more difficult and more costly to solve. An indication of the concern of the Hong Kong Government is its strenuous effort to reduce, if not halt, illegal immigration into the colony.

Under these circumstances, it is planned to continue U.S. assistance at about the same level in 1964. It is therefore proposed to program $2 million for Chinese refugees in Hong Kong and Macau. The groups aided by FERP will be those whose problems cannot be solved by the Hong Kong Government because of its overwhelming commitment to provide basic community services such as housing, medical care, and schools. It is tentatively planned to make the following program allocations: $600,000 to assist the Hong Kong Government in its program of capital construction for schools, clinics, community centers, etc.; $500,000 for similar projects approved and coordinated with the Hong Kong Government program and carried out by private American or international voluntary agencies; $600,000 for vocational training and to assist in the resettlement abroad of selected refugees who find opportunities to start a new life outside of Hong Kong; and approximately $100,000 to augment the facilities in Hong Kong for the conversion of nonrice surplus foods received in Hong Kong into food products familiar to the Chinese.

In addition to its program in Hong Kong, FERP will provide assistance in Macau, which has experienced an increase in refugees proportional to that of Hong Kong and, because of its very small area, faces a similar critical problem. The proposed fiscal year 1964 program of $200,000 will include commodity conversion, vocational training, medical care and other resettlement support.

3. Tibetan refugees

1963 estimate	$432,000
Amended 1964 estimate	400,000
Decrease	—32,000

The uprising of the Tibetans in 1959 was one of the most important within a Communist country since the end of the Second World War. This revolt, like the Hungarian revolt that preceded it, drove a large number of refugees into neighboring countries seeking asylum from oppression. In the case of the Tibetans, more than 60,000 went into India and Nepal. While these countries have provided asylum, they are beset with their own problems which exhaust their resources. Understandably, they have been unable to provide fully for the needs of the Tibetan refugees. Most of the Tibetan refugees have settled in mountain areas where they have existed by selling their personal possessions and by slaughtering the livestock which they brought with them. Many are now in critical need of food and other necessities of life. The recent Chinese invasion has worsened the lot of the Tibetan refugees with the result that many have been forced to move southward into central India.

Needs in India and Nepal are for medical care, vocational training, education for children, emergency subsistence, housing, agricultural tools, and projects

which will help the Tibetans to become self-supporting and at the same time assist in preserving their Tibetan cultural identity. It is planned to allocate most of the fiscal year 1964 funds for these purposes.

The United States has been assisting the International Committee of the Red Cross (ICRC) to carry out a program of resettlement in Nepal by providing U.S. surplus food supplies made available under Public Law 480. During fiscal year 1964 it is estimated that several thousand refugees will depend entirely on the ICRC program for their food supplies, while others will be partially self-supporting but require some assistance.

4. Other refugee groups

1963 estimate	$122,000
Amended 1964 estimate	100,000
Decrease	—22,000

The experience of the past years clearly shows that new refugee situations will arise in 1964. They will result from political change and struggles for political power. The number of such situations, the specific countries in which they will arise, the nationalities and numbers of the refugees involved and the political problems presented cannot be predicted. It may be said with respect to Africa than new and some aggravated older problems will develop. Unstable political conditions in southeast Asia will also produce new and intensify older refugee situations. It cannot be assumed that new needs for U.S. assistance to refugees will not arise in Europe.

It is difficult to foresee in what manner and to what degree U.S. interest will be affected. In the past quick and effective actions coordinated with those of the United Nations High Commissioner and the International Red Cross agencies have prevented incipient refugee situations from worsening and developing needs for relief over extended periods of time. It seems prudent under the circumstances to provide funds in a minimum amount of $100,000 which can be used flexibly but subject to the provisions of Presidential determinations in effect at the time, to secure and advance U.S. interests when situations of this nature arise in 1964.

ADMINISTRATIVE EXPENSES

1963 estimate	$668,000
Amended 1964 estimate	683,000
Increase	+15,000

The $15,000 increase in the fiscal year 1964 estimate is attributable solely to pay act salary increases. This amount is in addition to $18,000 in pay act salary increases of fiscal year 1963 for which no supplemental appropriation has been requested since the amount is being absorbed within the current appropriation.

The activities for which appropriations are being requested are implemented by the Department's Office of Refugee and Migration Affairs, and by various field posts abroad. Specific responsibilities of the Office of Refugee and Migration Affairs include (*a*) the development, determination, implementation, and coordination of Department of State policies and programs concerning refugees, displaced persons, migrants, stateless persons, and escapees; (*b*) the collection, collation, and maintenance of information on refugee matters on a worldwide basis; and (*c*) coordination of certain actions as appropriate with international organizations, Federal agencies, and private voluntary agencies.

In fiscal year 1962 the administrative cost of the refugee and migration programs was $944,000 which provided for 87 positions. In line with reduced program requirements, a sharp staff reduction plan is being carried out in fiscal year 1963 with the result that only 52 positions will be required in fiscal year 1964, including 15 domestic positions and 16 American and 21 local positions overseas. The 15 domestic positions requested are required to supervise and direct the operations of refugee and migration programs including program development, the issuance of operating instructions to the field staffs, maintenance of liaison with international organizations, and with voluntary agencies which carry out program services by contract, the maintenance of statistics, the analysis of reports, and the development of program budgets.

The responsibility for refugee and migration operations, reporting and liaison in the European and Near East areas is centralized in the refugee and migration section, U.S. Mission, Geneva, assisted by small subsidiary units stations in

Austria, Germany, and Italy. In the Far East, the Far East refugee adviser in Hong Kong is responsible for the same type of functions as the refugee and migration section in Geneva. The oversea personnel are generally responsible for all refugee and migration matters arising within their assigned geographical areas, including the preparation of field program proposals, maintenance of registration lists of escapees, screening of refugees, supervision of contracts including end-use audits to assure contract compliance, and compiling statistics. The oversea staffs observe and report on refugee programs conducted by the host governments, the Intergovernmental Committee for European Migration, the U.S. High Commissioner for Refugees, and the private voluntary agencies. Further, they undertake, where appropriate, to insure that U.S. interests in refugee and migration matters in their areas are protected. The oversea personnel also maintain liaison with officials of the host governments, international organizations, and voluntary agencies to insure the coordination of the various refugee programs.

WEDNESDAY, MAY 8, 1963.

INTERNATIONAL DEVELOPMENT ASSOCIATION

SUBSCRIPTION OF FUNDS

WITNESSES

JOHN C. BULLITT, ASSISTANT SECRETARY OF THE TREASURY (INTERNATIONAL AFFAIRS), AND U.S. EXECUTIVE DIRECTOR, INTERNATIONAL DEVELOPMENT ASSOCIATION

ERLE COCKE, JR., ALTERNATE U.S. EXECUTIVE DIRECTOR, INTERNATIONAL DEVELOPMENT ASSOCIATION

ROY T. ENGLERT, ASSISTANT GENERAL COUNSEL, U.S. TREASURY DEPARTMENT

E. JAY FINKEL, EXECUTIVE SECRETARY, OFFICE OF INTERNATIONAL AFFAIRS, U.S. TREASURY DEPARTMENT

EDWARD J. WIDMAYER, BUDGET ANALYST, OFFICE OF BUDGET AND FINANCE, U.S. TREASURY DEPARTMENT

Mr. PASSMAN. The subcommittee will come to order.

POSITION OF PRESIDENT OF INDONESIA TOWARD FREE WORLD

Here is a statement which, I think, it would be appropriate for me to read into the record:

RED CHINA'S LIU, SUKARNO, KISS, CONDEMN WEST—SUKARNO SAYS CHINA WILL SEE FALL OF WEST

JAKARTA, INDONESIA, April 19, (AP).—President Sukarno today called Communist China and Indonesia "the pillars of the new emerging forces" and predicted the two nations will see the day when "the old established forces" will collapse.

Sukarno spoke at a state banquet given for him by Communist Chinese President Liu Shao-chi of Red China who ends a 9-day visit to this country tomorrow. In turn Liu referred to Indonesia and Red China as comrades in arms.

Sukarno refers to nations in Asia and Africa and the Communist bloc as "new emerging force." He lumps most of the West under the "old established forces" description.

CAMBODIA-RED CHINA ALLIANCE

I have another interesting clipping here, this one with reference to Cambodia:

Cambodia is the woodsy little monarchy of pliable borders nestled among embattled Laos, embattled Vietnam, and threatened Thailand, of vital usefulness to Asian Communists in their southeastward push.

On the occasion of a state visit to Cambodia by Communist China President Liu Shao-chi, Cambodia's ruler, Prince Nordom Sihanouk, has just signed a document binding him into an alliance of sorts with the Peiping regime.

EDITORIAL ON U.N. ASSISTANCE TO CUBA

I have also an editorial from the Washington Daily News which I would like to insert in the record at this point.

(The article referred to follows:)

THE U.N. HELPS CASTRO

Even if Cuba were our dearest friend, that country would be approximately the last place in the world we should squander money to teach farming.

The Cubans understand farming. Their agriculture once was the mainstay of a fairly prosperous and promising economy. They are presently not farming half as well as they know how. The reason is Communist interference, which has had in Cuba precisely the effect it has had elsewhere. No Communist country produces enough food for a decent living standard. That includes several nations which used to export food before the Commies took over.

The Cubans don't need more advice from abroad. They need to be let alone.

This being the case, decision by the United Nations to undertake a $1.5 million technical aid in agriculture for Cuba wantonly offends the United States in two ways. It throws away some more of our money and it panders to Fidel Castro.

It is especially regrettable that the decision to go ahead with this project was made by an American citizen, Paul Hoffman, first director of our Marshall plan aid program. He acted as an international civil servant of the U.N.—director of the U.N. Special Fund administering aid programs.

His explanation that no U.S. money will be used on the project is pretty lame. The United States contributes 40 percent of this fund, hence 40 percent is what we will be paying in one way or another for this scheme to help Castro.

Also lame is his protest that "it will be 8 to 10 years before it could bring any substantial improvement to the Cuban economy." The last, best hope of Cuban agriculture is action to get Castro off its neck, and in a much briefer period.

Apparently the United States can't stop this perversion of our funds but the future supply can be cut off. Congress should do this as an early order of business, solemnly resolving we have been played for sucker long enough.

Mr. PASSMAN. Last year I inquired about our renting two floors at St. Elizabeths Hospital because I believed there might possibly be some need to take at least some of us over there. It begins to appear that they may feel that ought to be done, whether with or without a lease. How stupid, I wonder, can people be?

JUSTIFICATION OF THE ESTIMATE

We shall insert pages 1 and 2 of the justifications at this point in the record.

(The pages follow:)

JUSTIFICATION

Public Law 86-565 (74 Stat. 293), approved June 30, 1960, authorized the President to accept membership for the United States in the International Development Association. Public Law 86-651, approved July 14, 1960, contained an appropriation of $73,666,700 for the first installment of the United

States on its initial subscription. On August 9, 1960, the United States deposited its instrument of acceptance with the International Bank for Reconstruction and Development. The articles of agreement entered into force on September 24, 1960, and the association began operations on November 8, 1960.

The International Development Association is an international organization affiliated with the International Bank for Reconstruction and Development designed to provide development financing on flexible terms for its less developed member countries. The initial subscription of the United States totals $320,290,000, payable in five annual installments. The first installment of $73,666,700 was paid in fiscal year 1961; the second and third installments of $61,655,825 each were paid in fiscal years 1962 and 1963. Additional installments of $61,655,825 each are planned for payment in fiscal years 1964 and 1965.

As of December 31, 1962, the association had made credit commitments totaling $367 million in 17 countries and territories. As of the same date, membership in the association, which is open to all members of the International Bank, totaled 71 countries, with subscriptions aggregating $947 million of which approximately $763 million was payable in hard currencies.

Treasury Department—Subscription to International Development Association

Total appropriations authorized (Public Law 86-565):	
1st installment payment (1961)	$73,666,700
2d installment payment (1962)	61,655,825
3d installment payment (1963)	61,655,825
4th installment payment (1964)	61,655,825
5th installment payment (1965)	61,655,825
Total appropriations authorized	320,290,000
Appropriated by the Supplemental Appropriation Act, 1961 (Public Law 86-651): 1st installment payment	73,666,700
Appropriated by the Foreign Assistance and Related Agencies Appropriations Act, 1962 (Public Law 87-329): 2d installment payment	61,656,000
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1963 (Public Law 87-872): 3d installment payment	61,656,000
Appropriation estimate 1964: 4th installment payment	[1] 61,656,000

[1] Rounded for budget presentation—payment will be $61,655,825.

Mr. PASSMAN. This afternoon we shall consider the appropriation request for the International Development Association, and we have with us to make the presentation, Hon. John C. Bullitt, Assistant Secretary of the Treasury and Executive Director of the Association. The supporting witnesses with him are Mr. Erle Cocke, Jr., Alternate U.S. Executive Director; Mr. Roy T. Englert, Assistant General Counsel; Mr. E. Jay Finkel, Executive Secretary; and Mr. Edward J. Widmayer, Budget Analyst.

Secretary Bullitt, do you have a statement to make to the committee?

Mr. BULLITT. I have.

Mr. PASSMAN. We shall be happy to hear from you.

Mr. BULLITT. Thank you very much.

GENERAL STATEMENT

Mr. Chairman and members of the committee, I am appearing before you today in support of the administration's request for the fiscal year 1964 appropriation covering our subscription obligation to the International Development Association.

The request before you relates to the fourth installment on the subscription of $320.29 million to which the United States agreed upon

joining the IDA in 1960. The Congress approved a first installment of $73,666,700 as part of the Supplemental Appropriation Act for fiscal year 1961 (Public Law 86–651); second and third installments of $61,655,825 each were approved as part of the Foreign Assistance and Related Agencies Appropriation Acts of 1962 and 1963, Public Law 87–329 and Public Law 87–872, respectively. All these prior installments have already been paid to the Association.

Today's request is for the fourth, or next to last installment, which also amounts to $61,655,825. This amount must be paid not later than November 8, 1963, in accordance with the Articles of Agreement of IDA. After payment of this installment, one final installment remains to be paid, in the same amount as this year's payment. I am supplying for the record a table showing the schedule of subscription payments by the United States. Certain other tables relating to IDA's membership and operations to date are also being provided.

The Congress authorized U.S. participation in IDA by passage of the International Development Association Act (Public Law 86–565), which also authorized the appropriation of our $320,290,000 subscription.

CONCEPT OF IDA

IDA is affiliated with the World Bank. All of the World Bank's members may become IDA members. IDA is designed to provide financing for essentially the same purposes as the World Bank, but on terms which will bear much less heavily on a country's balance of payments than do the Bank's loans. The need for large amounts of development financing on terms better adapted to the payment capacity of most of the developing areas is widely recognized, and is a major principle of our own aid program.

Aid resources from other developed countries are mobilized through IDA. These other countries together provide to IDA more funds than are being provided by the United States. For every dollar subscribed by the United States, other developed countries subscribe the equivalent of $1.32. IDA is therefore one of the most effective ways we have to get other nations to share the financial burden of aid with us.

As an affiliate of the World Bank, IDA makes use of the Bank's management and staff, which are regarded throughout the world as being of first caliber. IDA reimburses the Bank for the facilities and services of the Bank's officials which it uses. This arrangement avoids an undesirable duplication of effort between the two institutions. Moreover, this affiliation permits and encourages a coordinated policy approach to the problems of development with which the two institutions are concerned.

OPERATIONS

IDA began operations in November 1960 and its first development credit was announced in May 1961. Through March 31, 1963, IDA had signed credit arrangements amounting to $450.2 million, involving 36 credits to 18 countries and territories. The two largest borrowers are India ($280 million) and Pakistan ($27.5 million), for both of which the International Bank has organized consortia of the capital-providing countries to meet part of their development financing re-

quirements. Substantial additional credits to these countries are contemplated. Eight Latin American countries—Chile, Colombia, Costa Rica, El Salvador, Haiti, Honduras, Nicaragua, and Paraguay—have received development credits totaling $70.4 million from IDA. China, Ethiopia, Jordan, Korea, Sudan, Swaziland, Tunisia, and Turkey complete the list of IDA borrowers to date. Disbursements under IDA credits, at $37.8 million as of March 31, 1963, are still at a relatively low level, but are expected to build up as actual construction gets underway.

IDA's development credits have been extended for projects of the same general kind as those financed by World Bank loans. Thirteen of the 36 credits, representing over half of the dollar value of IDA's commitments, are for projects in the transportation and communications fields; 10, representing about 20 percent of total commitments, are for agricultural development and irrigation. Three credits are for port and harbor improvements; three for potable water projects, and three for electric power supply. Two local development banks have received credits for making small subloans to private enterprise; finally, one credit has been extended for creation of an industrial estate, and another has been given for a secondary education project.

In addition to the credits to India and Pakistan, which are coordinated with World Bank lending in connection with the consortium arrangements to further the development plans of those two countries, four of the IDA credits have been made in conjunction with concurrent World Bank financing. These are examples of the manner in which IBRD and IDA financing can be blended to produce a development package suited to the financial capacity of the country involved.

PARTICIPATION BY OTHERS

As of May 1, 1963, IDA's membership consisted of 75 of the World Bank's 84 members. The Board of Governors has approved membership applications from 11 additional countries, and these countries will become full members when they complete certain formalities. Total subscriptions to IDA amounted to $968.2 million as of May 1, 1963. A total of $595.5 million has already been paid in on the first three installments; of this amount, $473.7 million has been paid in the form of dollars and other convertible currencies, and the balance of $121.8 million is in restricted currencies of less developed members.

The other advanced countries—the so-called "part I" members—are providing resources to IDA in excess of those provided by the United States. U.S. subscription payments to date have totaled $197 million, whereas the hard currency subscription payments of the 15 other advanced countries have totaled $259.8 million. When subscriptions under the present schedule are completed in November 1964, the amount paid in by the United States will be $320.3 million, as against $422.4 million by the other 15 part I countries.

In addition to the hard currencies being subscribed by the part I members to IDA, 10 percent of the subscriptions of the part II countries—the less developed members—are payable in hard currency. To date, $16.9 million has been paid in hard currency by these countries, along with $121.8 million equivalent in their own local cur-

rencies. Finally, one part I member, Sweden, has made a voluntary supplemental contribution to IDA in hard currency of $5.8 million, and has pledged a further similar contribution of $4.3 million this year. These contributions would mean that Sweden has voluntarily made available an amount equal and in addition to its present subscription.

TERMS OF IDA LENDING

IDA's credits are made for a term of 50 years, with repayment commencing after a 10-year period of grace. Thereafter 1 percent per annum of the principal is to be repaid for 10 years, while in the remaining 30 years of the credit 3 percent of principal is to be repaid annually. No interest is charged on the credit but a service charge of three-fourths of 1 percent annually is made on amounts disbursed and outstanding in order to provide IDA with funds to meet its administrative costs. The credits are repayable in dollars or others convertible foreign exchange, not in the borrower's own local currency.

When first introduced, IDA's terms represented a completely new approach to development financing. They have since been recognized as essential if many countries are to maintain the pace of development and if the free world's financial structure is to remain in a sound condition. Their general pattern has been adopted in our own aid program, and they represent a goal which we are encouraging other countries, with some success, to strive for their own aid programs.

CONCLUSIONS

As in the past, IDA deserves continuing financial support from the United States. IDA complements the work of the World Bank and does so with funds drawn, not only from the United States, but from the entire community of industrialized free nations. IDA's lending operations are proceeding satisfactorily. For its continued operations in the immediate future, IDA must have available the assured resources, from the United States and other contributing countries, which were contemplated in the schedule of initial subscriptions. We are seeking today the next-to-last installment on our original commitment, and I urge favorable congressional action on this request.

Mr. PASSMAN. You may include the attachments to your statement at this point in the record.

(The attachments follow:)

International Development Association: U.S. subscription payments

[In U.S. dollars]

Installments and fiscal years	10-percent portion [1] (1)	90-percent portion [2] (2)	Total (3)
I—1961 [3]	[4] $16,014,500	[5] $57,652,200	[6] $73,666,700
II—1962 [7]	[8] 4,003,625	[5] 57,652,200	[9] 61,655,825
III—1963 [10]	[8] 4,003,625	[5] 57,652,200	[9] 61,655,825
IV—1964	[8] 4,003,625	[5] 57,652,200	[9] 61,655,825
V—1965	[8] 4,003,625	[5] 57,652,200	[9] 61,655,825
Total	32,029,000	288,261,000	320,290,000

[1] Payable in convertible currencies by all members.

[2] Payable in convertible currencies by pt. I members and in own currencies by pt. II members; non-interest-bearing notes may be substituted for this portion.

[3] Appropriated in Supplemental Appropriation Act for fiscal year 1961, approved July 14, 1960. Payment to IDA made Nov. 30, 1960.

[4] 50 percent of 10-percent portion (5 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

[5] 20 percent of 90-percent portion (18 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later, and at annual intervals from date on which Association begins operations until 90-percent portion fully paid.

[6] 23 percent of total subscription (5 percent plus 18 percent).

[7] Appropriated in Foreign Assistance and Related Agencies Appropriation Act, 1962 (Public Law 87-329), approved Sept. 30, 1961. Payment to IDA made Nov. 8, 1961.

[8] 12½ percent of 10-percent portion (1¼ percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 10-percent portion fully paid.

[9] 19¼ percent of total subscription (1¼ percent plus 18 percent).

[10] Appropriated in Foreign Assistance and Related Agencies Appropriation Act, 1963 (Public Law 87-872) Oct. 23, 1962. Payment to IDA made Nov. 8, 1962.

TABLE 2.—*IDA membership as of May 1, 1963*

[Subscription—In millions of dollars]

Member		*Member*	
Afghanistan	1.01	Iraq	0.76
Argentina	18.83	Ireland	3.03
Australia [1]	20.18	Israel	1.68
Austria [1]	5.04	Italy [1]	18.16
Bolivia	1.06	Ivory Coast	1.01
Brazil	18.83	Japan [1]	33.59
Burma	2.02	Jordan	.30
Canada [1]	37.83	Korea	1.26
Ceylon	3.03	Kuwait [1]	3.36
Chile	3.53	Lebanon	.45
China	30.26	Liberia	.76
Colombia	3.53	Libya	1.01
Costa Rica	.20	Malaya	2.52
Cyprus	.76	Mexico	8.74
Denmark [1]	8.74	Morocco	3.53
Dominican Republic	.40	Nepal	.50
Ecuador	.65	Netherlands [1]	27.74
El Salvador	.30	Nicaragua	.30
Ethiopia	.50	Niger	.50
Finland [1]	3.83	Nigeria	3.36
France [1]	52.96	Norway [1]	6.72
Germany [1]	52.96	Pakistan	10.09
Ghana	2.36	Panama	.02
Greece	2.52	Paraguay	.30
Guatemala	.40	Peru	1.77
Haiti	.76	Philippines	5.04
Honduras	.30	Saudia Arabia	3.70
Iceland	.10	Senegal	1.68
India	40.35	Sierra Leone	.76
Iran	4.54	Somalia	.76

See footnote at end of table.

TABLE 2.—*IDA membership as of May 1, 1963*—Continued

[Subscription—In millions of dollars]

Member		*Member*	
South Africa[1]	10.09	United Kingdom[1]	131.14
Spain	10.09	United States[1]	320.29
Sudan	1.01	Vietnam	1.51
Sweden[1]	10.09	Yugoslavia	4.04
Syrian Arab Republic	.95		
Tanganyika	1.68	Total	968.20
Thailand	3.03	Of which:	
Togo	.76	16 pt. I members	742.70
Tunisia	1.51	59 pt. II members	225.50
Turkey	5.80		
United Arab Republic	6.03		

[1] Pt. I members.

Paid-in subscriptions to IDA, as of May 1, 1963

[In millions of U.S. dollars]

In gold or convertible currencies:		
From subscriptions of pt. I countries	456.8	
From 10-percent portion of subscription of pt. II countries	16.9	
Total, gold or convertible currencies		473.7
In national currencies: From 90-percent portion of subscriptions of pt. II countries		121.8
Total		595.5
Total subscriptions payable		968.2
Of which:		
Total payable in hard currencies by pt. I members		742.7
Total payable in hard currencies by pt. II members (10-percent subscriptions)		22.6
Total payable in national currencies by pt. II members (90-percent subscriptions)		203.0
Total		968.3

NOTE.—Rounded figures.

(In addition to subscribed resources, IDA has received $5.8 million in hard currency as supplemental resources on a voluntary basis from the Government of Sweden, which has pledged another $4.3 million during fiscal year 1964.)

APPENDIX *A*

International Development Association: statement of condition, Mar. 31, 1963

[Expressed in U.S. currency—See notes to financial statements, app. D]

ASSETS

Due from banks and other depositories:		
Member currencies:		
Unrestricted	$53,905,983	
Subject to restrictions—Note B	32,712,581	
		$86,618,564
Investments:		
Government obligations (at cost or amortized cost): Face amount $54,420,000 including $47,000,000 U.S. Government obligations	53,743,777	
Time deposits maturing within 1 year: U.S. dollars	20,000,000	
Accrued interest	1,069,302	
		74,813,079

International Development Association: statement of condition, Mar. 31, 1963—Continued

[Expressed in U.S. currency—See notes to financial statements, app. D]

Receivable on account of subscriptions:			
Non-negotiable, non-interest-bearing demand notes:			
Unrestricted		$309,493,926	
Subject to restrictions—Note B		88,353,181	
Subtotal		397,847,107	
Amounts past due		136,807	
Amount required to maintain value of currency holdings		303,000	
			$398,286,914
Receivable on account of supplementary resources:			
Non-negoiable, non-interest-bearing demand notes:			
Unrestricted—Note G			5,826,975
Effective development credits held by association (including undisbursed balance of $318,601,852) (see app. C)—Note C			356,450,000
Accrued service charge on development credits—Note C			57,713
Total assets			922,053,245
LIABILITIES, SUBSCRIPTIONS, SUPPLEMENTARY RESOURCES, AND ACCUMULATED NET INCOME			
Liabilities:			
Accounts payable and other liabilities			174,316
Undisbursed balance of effective development credits (see app. C)			318,601,852
Subscriptions—Note D			
Amounts subscribed		$967,750,000	
Less portion for which payment is not yet due—Note E:			
Unrestricted	$291,572,950		
Subject to restrictions—Note B	81,010,800		
		372,583,750	
			595,166,250
Prepayment			92,500
Supplementary resources—Note D			5,826,975
Accumulated net income:			
At June 30, 1962		$1,489,038	
The period from July 1, 1962, to Mar. 31 1963		702,314	
			2,191,352
Total liabilities, subscriptions, supplementary resources and accumulated net income			922,053,245

Appendix B

International Development Association: Comparative statement of income and expenses, for the 9 months ended Mar. 31, 1962, and Mar. 31, 1963

[Expressed in U.S. currency—see notes to financial statements, app. D]

	Month of March		July 1–Mar. 31	
	1962	1963	1961–62	1962–63
Income:				
Income from investments	$215,543	$201,865	$1,617,609	$1,748,671
Income from development credits	1,581	21,699	3,786	132,233
Other income	(148)	----------	20,993	----------
Gross income	216,976	223,564	1,642,388	1,880,904
Expenses:				
Administrative expenses:				
Personal services	65,230	83,538	446,718	656,017
Contributions to staff benefits	9,155	11,725	62,697	91,951
Fees and compensation	12,031	(2,641)	66,642	119,323
Representation	174	3	859	833
Travel	32,561	26,686	148,852	146,493
Supplies and materials	1,231	1,337	8,384	10,274
Office occupancy	6,672	7,577	45,691	59,422
Communication services	3,381	4,426	23,705	36,828
Furniture and equipment	1,133	1,773	7,763	14,637
Printing	280	351	14,635	22,665
Insurance	629	1,290	4,309	10,115
Handling and storage of gold	----------	----------	154	172
Total, administrative expenses	132,477	136,065	830,409	1,168,730
Exchange adjustments	----------	526	----------	9,860
Gross expenses	132,477	136,591	830,409	1,178,590
Net income	84,499	86,973	811,979	702,314

Appendix C

International Development Association: Summary statement of development credits, Mar. 31, 1963

[Expressed in U.S. currency—See notes to financial statements, app. D]

Member in whose territories development credits have been made [1]	Effective development credits held by Association			Development credits not yet effective [3]
	Disbursed portion	Undisbursed portion [2]	Total	
Chile	$2,189,940	$16,810,060	$19,000,000	
China	3,748,060	11,551,940	15,300,000	
Colombia	4,032,537	15,467,463	19,500,000	
Costa Rica	25,000	5,475,000	5,500,000	
El Salvador				$8,000,000
Ethiopia				13,500,000
Haiti	198,333	151,667	350,000	
Honduras	1,837,342	7,162,658	9,000,000	
India	21,600,385	190,899,615	212,500,000	67,500,000
Jordan	26,039	1,973,961	2,000,000	
Korea		14,000,000	14,000,000	
Nicaragua				3,000,000
Pakistan	342,628	27,157,372	27,500,000	
Paraguay	57,900	5,942,100	6,000,000	
Sudan	2,002,495	10,997,505	13,000,000	
Tunisia		5,000,000	5,000,000	
Turkey		5,000,000	5,000,000	1,700,000
United Kingdom, Swaziland	1,787,489	1,012,511	2,800,000	
Total	37,848,148	318,601,852	356,450,000	93,700,000

[1] All development credits have been made to member governments or to the government of a territory of a member.

[2] Of the undisbursed balance the Association has entered into irrevocable commitments to disburse $1,348,172.

[3] Agreements providing for these development credits have been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the Association.

Appendix D

NOTES TO FINANCIAL STATEMENTS, MAR. 31, 1963

A. Amounts in currencies other than U.S. dollars have been translated into U.S. dollars:

(i) In the cases of 52 members, at the par values as specified in the "Schedule of Par Values," published by the International Monetary Fund.

(ii) In the cases of the remaining 22 members (Argentina, Bolivia, Brazil, Chile, China, Colombia, Ivory Coast, Korea, Kuwait, Nepal, Nigeria, Paraguay, Peru, Senegal, Sierra Leone, Somalia, Tanganyika, Thailand, Togo, Tunisia, Vietnam and Yugoslavia), at the rates used by such members in making payments of subscriptions to the Association.

B. Pursuant to art. IV, sec. 1(a), these amounts may be used by the Association for administrative expenses incurred by the Association in the territories of any pt. II member whose currency is involved and, insofar as consistent with sound monetary policies, in payment for goods and services produced in the territories of such member and required for projects financed by the Association and located in such territories; and in addition when and to the extent justified by the economic and financial situation of the member concerned as determined by agreement between the member and the Association, such currency shall be freely convertible or otherwise usable for projects financed by the Association and located outside the territories of the member.

C. The principal disbursed and outstanding on development credits and the accrued service charge are receivable in freely convertible currencies.

D. Subscriptions and supplementary resources are expressed in terms of U.S. dollars of the weight and fineness in effect on Jan. 1, 1960.

E. Payment of this portion of the subscriptions of members is due on Nov. 8 in each of the years 1963 and 1964 as follows: 1¼ percent of the subscription of each member is payable annually in gold or freely convertible currency; 18 percent of the subscription of each member is payable annually (*a*) in gold or freely convertible currency by pt. I members and (*b*) in the currency of the subscribing member by pt. II members.

F. Under art. IV, sec. 2, each member is required, if the par value of its currency is reduced or the foreign exchange value of its currency has in the opinion of the Association depreciated to a significant extent within that member's territories, to maintain the value of the Association's holdings of its 90-percent currency, including the principal amount of any notes substituted therefor, and the Association is required if the par value of the member's currency is increased, or the foreign exchange value of the member's currency has in the opinion of the Association appreciated to a significant extent within that member's territories, to return to the member the increase in the value of such 90-percent currency held by the Association; provided, however, that the foregoing shall apply only so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member.

G. The contributing member and the Association have, by agreement, the same respective rights and obligations as to maintenance of value as are set forth in art. IV, sec. 2, of the articles of the Association.

Mr. PASSMAN. Thank you, Mr. Bullitt.

IDA MEMBERSHIP

Are there 85 members of IDA?

Mr. BULLITT. Seventy-five at the present time. There are 16 part I countries and 59 part II countries.

Mr. PASSMAN. Does a country have to be a member of IDA to be eligible for a loan?

Mr. BULLITT. Yes, you have to be a member or you have to be a territory of a member. For example, IDA made a loan to Swaziland, which is not a member of IDA itself because it is not an independent country. It is a territory of the United Kingdom. The credit was made to Swaziland and guaranteed by the United Kingdom.

Mr. PASSMAN. In effect?

Mr. BULLITT. You have to be a member.

Mr. PASSMAN. You would have to be a member?

Mr. BULLITT. That is correct.

Mr. PASSMAN. What are the qualifications for a new nation to become a member of IDA?

Mr. BULLITT. The qualifications are that it has to be a member of the International Monetary Fund and that it has to be a member of the International Bank. Having fulfilled those membership requirements, it can then become a member of IDA upon execution of an agreement providing for payment of its subscription.

Mr. PASSMAN. The amount of money they pay in has nothing to do with the amount of money they may be eligible to borrow?

Mr. BULLITT. That is correct, sir.

Mr. PASSMAN. I see that Iceland became a member on payment of $100,000; is that correct?

Mr. BULLITT. I am not sure whether Iceland's subscription is—that is correct.

U.S. SUBSCRIPTION TO IDA

Mr. PASSMAN. The total subscription for the United States is $320 million; is that correct?

Mr. BULLITT. $320,290,000.

U.S. LOAN FROM IDA

Mr. PASSMAN. We are eligible for consideration for a loan, are we not?

Mr. BULLITT. Yes, sir; we are.

Mr. PASSMAN. Have we made an application for any loans?

Mr. BULLITT. No, we have not.

Mr. PASSMAN. Do we contemplate any applications?

Mr. BULLITT. No, we do not.

Mr. PASSMAN. We borrow money from foreign nations, do we not?

Mr. BULLITT. We are——

Mr. PASSMAN. I wonder why we should not get our request in for some of this financing, as it looks like you can get this without interest?

PURPOSE OF IDA

Mr. BULLITT. The purpose of IDA is to promote development. It was formed as an affiliate of the World Bank after the period of reconstruction in Europe was completed, with the thought in mind by the countries that subscribed to it that the funds would be available to help the less developed countries in their capital development problems.

I am not sure that the United States needs that kind of funds for development.

Mr. PASSMAN. We are in worse shape financially than any nation on the face of the earth. We have a public debt that exceeds by $24 billion the combined public debts of all the nations of the world. We are now having to borrow money from nations which we made prosperous through our generosity, and whatever we appropriate to you here we will have to borrow. There is no indication we will ever be able to pay it back. So I am interested in the possibility of the United States making application for a loan from IDA because here the borrower gets 50 years in which to pay the money back, no interest, only three-fourths of 1 percent service charge, with a 10-year grace period before making any repayments at all.

I wonder why we would not give some consideration to borrowing money from IDA when you have territories or possessions of the United Kingdom borrowing money? Would the several States be eligible to participate?

Mr. BULLITT. No; the States would not be eligible to borrow.

Mr. PASSMAN. Would the island of Guam be eligible?

Mr. BULLITT. Guam would be about the only place I could think of.

Mr. PASSMAN. How about Okinawa, under the treaty?

Mr. BULLITT. I do not know about that. I suppose Puerto Rico would be eligible but I cannot say.

Mr. PASSMAN. If our situation continues to deteriorate, I wonder if we might try to borrow some of this money?

Mr. BULLITT. We have the resources of the International Monetary Fund, which is a sister institution, so to speak, which was created specifically to assist countries with their balance-of-payments problems, which is the problem we have now.

Mr. PASSMAN. Those are hard-term loans. You are talking about the $2 billion we put up?

Mr. BULLITT. That is right.

Mr. PASSMAN. Kind of a poker game arrangement.

We agree to put this up to encourage other nations to come along, and if we ever call upon the International Monetary Fund for up to $4 billion, then we could borrow $4 billion, and that is short-term, hard-dollar loans.

Mr. BULLITT. That is right.

Mr. PASSMAN. I am interested in some of these long-term loans.

This association is made up of 75 nations, and they are all eligible for loans, I am wondering if we should not give some thought to pulling this back. Some of these nations have made a lot of progress since the organization started and we are continuing to deteriorate fiscally. Our public debt is going up, with our deficit getting larger each year. I realize the experts downtown would disagree with me,

but I would like to see us start sticking our fingers into some of these pies.

Mr. BULLITT. I think none of the part I countries have borrowed.

Mr. PASSMAN. Is Great Britain a part I country?

Mr. BULLITT. Great Britain is a part I country but the loan went to a possession.

Mr. PASSMAN. Possession or colony, Great Britain guaranteed it? What is the difference with Great Britain having a possession or a colony, and this is just like a family with its children, and they guarantee it?

Mr. BULLITT. I am not sure what are the factors behind that one in Swaziland. In effect, it was doing something Great Britain might have done itself.

Mr. PASSMAN. Some of them can put in $10 and get back $100. Maybe we can put in $320 million and get back $500 million. It is food for thought anyway. We just cannot go on building up this public debt and increasing this annual deficit and dreaming that these speculative formulas are going to work.

PUBLIC DEBT LIMITATION

Mr. PASSMAN. I read a statement this morning which says:

> Unduly restrictive debt limit is expensive and can disrupt the orderly processes of Government, and can pose a serious threat in the area of our international balance of payments and our gold stock.
>
> An unduly restrictive debt limit is expensive. The Treasury's ability to borrow when market conditions are right enables us to keep interest charges at a minimum. An unduly restrictive debt limit often forces the Treasury to borrow in a congested and an expensive money market.
>
> An unduly restrictive debt limit disrupts the orderly processes of Government. When the debt limit bears too tightly, the Government is forced to defer payments that are coming due and to stretch out contracting procedures. As most of our contracting is in the area of defense, this is the area which is most seriously affected by deferral of payments or stretchout of contract authorizations.
>
> An unduly restrictive debt limit poses a hazard to our international balance of payments and our gold stock.

I have been here 17 years and the people printing this thing advocated just the opposite until recently. Now they have taken an about-face.

There is some talk there may be a request to abolish the debt limit. Did you happen to see this circular?

Mr. BULLITT. No, I did not.

Mr. PASSMAN. It is very interesting.

BILATERAL AND MULTILATERAL LENDING

Mr. Bullitt, in your opinion, which is more valuable, loans to developing countries made through international lending organizations or loans made on a bilateral basis?

Mr. BULLITT. I think probably both are necessary at this time, Mr. Chairman. The international organizations are able to mobilize resources and people that our bilateral program is not able to do. They draw on people from all over the world having technical and expert skills. The International Bank, of course, is able to mobilize large amounts of private capital from both the United States and foreign countries which our own bilateral program does not do in as large amounts or as effectively.

The International Development Association, about which I am testifying today, is a very excellent way of getting other countries to share the burden of aid with us. In our own bilateral program, we have made a series of efforts to get other countries to increase their aid programs and improve the terms but with varying degrees of success. I think that the International Development Association is one of the most effective ways of doing this.

Mr. PASSMAN. Thank you.

In other words, just like shooting dice. Put up a dollar providing you are sure in advance you can pull back $5 out of the pot?

Is that the way some of these people are operating, put up $100,000 and borrow $1 million?

Mr. BULLITT. That is certainly true with the less developed countries.

Mr. PASSMAN. I do not know what you would call the less developed countries any more, when we look at the record of the gold some of the so-called less developed countries are purchasing, as well as new bicycles, motor scooters, and gold bracelets. A lot of them are certainly not underdeveloped countries and there have been so many changes made in the original criteria, I do not know how to evaluate this.

At one time they said anything other than repayment in local currencies would defeat the purpose of this program. Overnight they took an about face and no soldier ever executed a better one.

Now it is hard dollars; and I can see the point.

You do not have to pay them back; you just make the loans, no interest, payable in 40 or 50 years, a 10-year grace period with no payment at all. I think we ought to give those who sponsor these programs an opportunity to buy some of those bonds.

SUBSCRIPTIONS AND CREDITS

Would you insert in the record a comparable table showing what each one of these nations has borrowed and if they have not borrowed, indicate so?

Mr. BULLITT. We will provide you with a table showing the countries and the subscriptions and an additional column that shows how much they have borrowed.

(The information supplied follows:)

IDA membership, subscriptions, and credits received by members, as of May 1, 1963

[In millions of dollars]

Members	Subscription	Credits received	Members	Subscription	Credits received
Afghanistan	1.01		Liberia	.76	
Argentina	18.83		Libya	1.01	
Australia [1]	20.18		Malaya	2.52	
Austria [1]	5.04		Mexico	8.74	
Bolivia	1.06		Morocco	3.53	
Brazil	18.83		Nepal	.50	
Burma	2.02		Netherlands [1]	27.74	
Canada [1]	37.83		Nicaragua	.30	3.00
Ceylon	3.03		Niger	.50	
Chile	3.53	19.00	Nigeria	3.36	
China	30.26	15.30	Norway [1]	6.72	
Colombia	3.53	19.50	Pakistan	10.09	27.50
Costa Rica	.20	5.50	Panama	.02	
Cyprus	.76		Paraguay	.30	6.00
Denmark [1]	8.74		Peru	1.77	
Dominican Republic	.40		Philippines	5.04	
Ecuador	.65		Saudi Arabia	3.70	
El Salvador	.30	8.00	Senegal	1.68	
Ethiopia	.50	13.50	Sierra Leone	.76	
Finland [1]	3.83		Somalia	.76	
France [1]	52.96		South Africa [1]	10.09	
Germany [1]	52.96		Spain	10.09	
Ghana	2.36		Sudan	1.01	13.00
Greece	2.52		Sweden [1]	10.09	
Guatemala	.40		Syrian Arab Republic	.95	
Haiti	.76	.35	Tanganyika	1.78	
Honduras	.30	9.00	Thailand	3.03	
Iceland	.10		Togo	.76	
India	40.35	280.00	Tunisia	1.51	5.00
Iran	4.54		Turkey	5.80	6.70
Iraq	.76		United Arab Republic	6.03	
Ireland	3.03		United Kingdom [1]	131.14	[2] 2.80
Israel	1.68		United States [1]	320.29	
Italy [1]	18.16		Vietnam	1.51	
Ivory Coast	1.01		Yugoslavia	4.04	
Japan [1]	33.59				
Jordan	.30	2.00	Total	968.20	450.15
Korea	1.26	14.00	Of which—		
Kuwait [1]	3.36		16 pt. I members	742.70	
Lebanon	.45		59 pt. II members	225.50	

[1] Pt. I members.
[2] Credit to Swaziland guaranteed by United Kingdom.

U.S. BORROWINGS ABROAD

Mr. PASSMAN. We have about played every card in the deck, bringing back loans many, many years in advance of the maturity date, and we are borrowing from foreign nations.

How many foreign nations do we plan to borrow from this year?

Mr. BULLITT. I could not tell you offhand. I could mention France, we would hope. We have borrowing arrangements with Germany, Switzerland, and Italy.

Mr. PASSMAN. Japan?

Mr. BULLITT. We have had discussions with Sweden and Belgium and the Netherlands and we completed a borrowing recently with Austria.

Mr. PASSMAN. Would you put an up-to-date list in the record, those we have borrowed from and those from whom we are considering borrowing?

(The information follows:)

U.S. BORROWINGS ABROAD

The table below provides details on foreign currency borrowings by the United States through May 1, 1963. These borrowings are part of a continuing program by the United States of acquisition of foreign exchange for use in the exchange market operations. This program was instituted in late 1961. Discussions with foreign monetary authorities concerning possible borrowings are held as market conditions and other factors make it desirable and appropriate.

TABLE I.—*Treasury foreign currency security issues*

Country	Amount in—		Interest rate (percent)	Date issued	Maturity (months)	Payment date
	Local currency [1]	U.S.-dollar equivalent [1]				
Swiss francs	110	25	2.00	Oct. 22, 1962	8	July 1, 1963
Do	100	23	2.75	Oct. 18, 1962	15	Jan. 20, 1964
Do	120	28	2.75	Nov. 8, 1962	16	Mar. 9, 1964
Do	130	30	2.82	Jan. 24, 1963	16	May 25, 1964
Do	97	22	2.82	Apr. 1, 1963	15	July 1, 1964
Do	100	23	2.83	Apr. 4, 1963	17	Sept. 4, 1964
Do	100	23	2.82	May 16, 1963	18	Nov. 16, 1964
Italian lire	46,500	75	3.00	Nov. 7, 1962	15	Feb. 7, 1964
Do	31,000	50	3.00	Nov. 30, 1962	15	Feb. 28, 1964
Do	31,000	50	3.00	Dec. 7, 1962	15	Mar. 9, 1964
Do	15,500	25	3.27	Mar. 29, 1963	24	Mar. 29, 1965
German deutsche marks	200	50	3.13	Jan. 24, 1963	15	Apr. 24, 1964
Do	200	50	3.18	do	18	July 24, 1964
Do	200	50	3.09	Feb. 14, 1963	21	Nov. 16, 1964
Do	200	50	3.14	do	24	Feb. 15, 1964
Austrian schillings	650	25	3.23	Apr. 26, 1963	18	Sept. 26, 1964
Belgian francs	1,000	20	3.26	May 16, 1963	24	May 16, 1965
Do	500	10	3.22	May 20, 1963	24	May 20, 1965
Total		[2] 630				

[1] Millions of units.
[2] Figures do not add to total because of rounding.

In addition to the foreign currency obligations of the United States, foreign countries have invested a portion of their dollar reserves in regular marketable U.S. security issues, primarily short-term Treasury bills. Since the dollar is the international reserve currency held by most countries, this a normal investment activity of long standing. Also, some special nonmarketable dollar securities have been issued to foreigners to provide an investment outlet for dollars acquired in special ways, primarily as a result of central bank swaps or IMF drawings. These latter issues usually have short maturities, as indicated in the following table:

TABLE II.—*Outstanding Treasury foreign series security issues*

Country	Amount	Interest rate	Date issued	Maturity (months)	Payment date
Certificates of indebtedness:	*Millions*	*Percent*			
Belgium	$25.0	2.75	Oct. 20, 1962	6	June 20, 1963
	5.0	2.75	Jan. 31, 1963	5	Do.
	7.5	2.75	Mar. 27, 1963	3	Do.
	12.5	2.75	Apr. 2, 1963	3	Do.
Subtotal	50.0				
Canada	100.0	2.95	Mar. 26, 1963	3	June 26, 1963
	100.0	2.95	Mar. 27, 1963	3	June 27, 1963
Subtotal	200.0				
Germany	25.0	2.90	May 6, 1963	3	Aug. 6, 1963
	25.0	2.95	May 20, 1963	3	Aug. 20, 1963
Subtotal	50.0				
Netherlands	25.0	2.95	Apr. 11, 1963	3	July 11, 1963
	10.0	2.95	May 20, 1963	3	Aug. 20, 1963
Subtotal	35.0				
Total	335.0				
Notes having maturity of more than 1 year:					
Canada	125.0	3.10	Jan. 4, 1963	15	Apr. 6, 1964
Italy	58.0	3.125	Jan. 21, 1963	[1] 5	Jan. 21, 1968
Total	183.0				
Grand total	518.0				

[1] Years.

Mr. PASSMAN. All of these loans are to be repayable in the currency of the country?

Mr. BULLITT. I would not like to say "all." Certainly the great bulk of them. I can give you the details on this.

Mr. PASSMAN. And the terms?

Mr. BULLITT. Yes. The interest rate is comparable to the interest rate for Treasury borrowing domestically for a comparable maturity.

Mr. PASSMAN. I think the day is overdue for us to be as frank with each other as we can be.

EFFECT OF DEVALUATION OF DOLLAR ON REPAYMENT OF LOANS

Would it not appear that these nations who are willing to make loans to us, short-term loans, and the loans to be repaid in currency of the lending country, are saying, you have been running a balance of payments deficit for many years, you have accumulated currency of our Nation, and unless you change your system you are not going to be able to accumulate currency of our Nation. We are willing to make you a loan with these 46-cent dollars, but we do not want to be paid in any 38-cent dollars; therefore, we want you to repay us in our own currency. If you cannot repay us in our own currency, we will revert back to our original position and take gold.

Would not that statement just about fit?

Mr. BULLITT. As I say, most of these obligations have been denominated in the lending country's own currency.

I am not quite sure what you are getting at.

Mr. PASSMAN. Our dollar is continuing to lose purchasing power. Gradually it is losing its value. Based on the 1940 dollar, I think it is worth about 44 cents. Every year the dollar will purchase a little less. Some of the other currencies are becoming more valuable. We keep trying to overlook this dollar and if it should lose in purchasing power down to 37 cents compared to the 1940 period, and a loan falls due, they may have earned interest, but the loss of the purchasing value of the dollar more than offsets the interest paid, and we would have to have more dollars to buy the same amount of currency.

I think it could be that those countries who are insisting we pay back the equivalent in their own currency are possibly hedging against further deterioration of the value of the dollar.

Mr. BULLITT. The countries we borrowed from have a fixed exchange rate.

Mr. PASSMAN. Fixed as of what period?

Mr. BULLITT. It has been fixed for many years. It is related to the value of gold. We buy and sell gold at $35 an ounce, and our obligation in one of those foreign denominated issues is to pay in their own currency. At the time we borrow, there is a fixed relationship between our currency and their currency.

Mr. PASSMAN. How about at the time of paying back?

Mr. BULLITT. When we repay, barring an IMF-approved devaluation of their currency, our obligation will be the same as it is now.

Mr. PASSMAN. Are you saying now that in the event the purchasing power of the dollar continues to decline and the value of their currency continues to increase, we are going to absorb the loss out of the loan?

Mr. BULLITT. There will not be a loss. We have a fixed exchange rate.

Mr. PASSMAN. You are guaranteeing, at the time you repay this, the equivalent of the value of their currency at the time we borrowed the money?

Mr. BULLITT. That is right.

Mr. PASSMAN. Does this not still mean they are hedging?

Mr. BULLITT. Not the value, the amount. If we borrow 1 million deutsche marks, we have to repay 1 million deutsche marks.

Mr. PASSMAN. But you may have to spend 20 percent more dollars to acquire those deutsche marks. There is a possibility.

Mr. BULLITT. The only event where we would have to do that would be if the United States devalued its currency by 20 percent, which we will not do.

Mr. PASSMAN. There are two ways to do it.

One is through inflation and one is by an act of Congress.

Mr. BULLITT. The inflation in the United States would not affect the obligation.

Mr. PASSMAN. The exchange rates around the world change daily.

Mr. BULLITT. Within very, very narrow limits.

Mr. PASSMAN. Over a period of time would it not be substantial?

Mr. BULLITT. No; it is not substantial among those currencies which have fixed exchange rates.

Mr. PASSMAN. Fixed at a certain date, but not fixed as to the future?

Mr. BULLITT. They are not fixed forever. They can be changed. If they are changed, that is a one-shot event. It does not happen in a gradual way.

For example, the British in the forties, their currency was worth $4.80 per pound. It was worth that from the end of the war until 1949. Then, because of the deteriorating competitive condition of the United Kingdom and other things, they devalued it to $2.80 in 1949. Since 1949, the pound has been worth $2.80.

Mr. PASSMAN. I think the 1940 dollar is worth about 44 cents on the 1963 market. If the dollar is worth 44 cents today, we can say that 4 years from now, at the rate we are going, it could well be this dollar then will only purchase 42 percent of what it purchased in 1963. It could be you might have $100 million of Swiss francs and maybe the value then would be $106 million. They would have a strong currency. Who is going to absorb the difference?

Our currency is losing purchase power.

Mr. BULLITT. I think we have two different things.

Mr. PASSMAN. I am sure we have two different things.

Under our agreement with these people, we are supposed to repay them in their own currency. So if you are doing business with a country that has a strong currency, and its index goes up from 100 to 106, they can demand we obtain 106 million of their currency to repay. Is that correct?

Mr. BULLITT. I do not think that is what would happen.

Mr. PASSMAN. We have agreed, have we not, to repay in their own currency?

Mr. BULLITT. Yes, we have.

Mr. PASSMAN. Say that their currency is a strong currency. You are going to pay them $100 million, but you are going to have to pay

the equivalent of $106 million because the purchasing power of the dollar has declined.

Mr. BULLITT. You are assuming——

Mr. PASSMAN. That our dollar is going to lose in purchasing power.

Mr. BULLITT. First of all, I would say it is very important it does not.

Mr. PASSMAN. It is losing in purchasing power. That is the way it has been traveling for 25 years.

Mr. BULLITT. The change in the purchasing power, within the United States, of the dollar does not immediately affect the exchange rate of the dollar.

Mr. PASSMAN. Does it do so over a period of a year?

Mr. BULLITT. No, sir.

Mr. PASSMAN. I have been in Japan, and I have looked at the exchange rate of the yen. You go back a year later, and you would say possibly the dollar has lost one and a half pennies with relation to the yen. I was trying to buy something in Tokyo. They said I was computing on the basis of the old exchange rate, and I had to get out an extra $13 to offset the depreciation of the dollar from the time I had made a purchase there 2 or 3 years previously.

Mr. BULLITT. It was true in Japan, which did not have a fixed exchange rate. It was true in France. In spite of the fact there has been a substantial inflation in France, the relationship between the dollar and the franc has remained constant.

Mr. PASSMAN. Let us hope that it works out. As for myself, at least for the time being, I am going to reserve judgment concerning the validity of your understanding and explanation of the matter.

NEW MEMBERS OF IDA

How many countries have joined the association since you testified before the committee last year?

Mr. BULLITT. I am not sure.

Mr. PASSMAN. Please insert that information in the record.

Mr. BULLITT. Yes.

Mr. PASSMAN. How much did each of these countries contribute to the capital of the association? And tell us, also, whether they made the contribution in hard currency or soft currency, and the amount of their applications pending at this time for loans from the account.

Mr. BULLITT. Yes.

(The information supplied follows:)

Countries which have become full members of IDA since Feb. 15, 1962 (as of May 1, 1963)

[In millions of dollars]

Country	Subscription		
	Total	10 percent	90 percent
Argentina	18,830,000	1,883,000	16,947,000
Brazil	18,830,000	1,883,000	16,947,000
Burma	2,020,000	202,000	1,818,000
Cyprus	760,000	76,000	684,000
Dominican Republic	400,000	40,000	360,000
El Salvador	300,000	30,000	270,000
Ivory Coast	1,010,000	101,000	909,000
Kuwait	3,360,000	336,000	3,024,000
Lebanon	450,000	45,000	405,000
Liberia	760,000	76,000	684,000
Nepal	500,000	50,000	450,000
Niger	500,000	50,000	450,000
Senegal	1,680,000	168,000	1,512,000
Sierra Leone	760,000	76,000	684,000
Somalia	760,000	76,000	684,000
Syrian Arab Republic	950,000	95,000	855,000
Tanganyika	1,680,000	168,000	1,512,000
Togo	760,000	76,000	684,000
Total	54,310,000	5,431,000	48,879,000

IDA membership as of Feb. 15, 1962	57
IDA membership as of May 1, 1963	75
Additional members shown on this table	18

NOTE.—Although there are projects under review by IDA in some of the above-listed countries, as well as in countries which became IDA members at an earlier date, many of them are in preliminary stages, so that definite amounts cannot yet be established for the total estimated cost of projects being considered in each country.

POLICY ON EXTENDING CREDITS

Mr. PASSMAN. How long do you have to be a member before you are eligible to apply for a loan?

Mr. BULLITT. There is no fixed time limit. It is a question of working out a project. Here are the countries that have become full members of IDA.

Mr. MINSHALL. Have you ever refused any loans?

Mr. BULLITT. Indeed.

Mr. MINSHALL. What is the percentage of refusals?

Mr. BULLITT. I could not say. The International Development Association only lends to those countries which are not in a condition of credit worthiness which would entitle them to——

Mr. MINSHALL. How many loans have you made, and how many refusals have you made? Could you supply that for the record?

Mr. BULLITT. I do not think I could supply the refusals. Countries are continually inquiring of the bank.

Mr. MINSHALL. You must have some kind of records. You must know.

Mr. BULLITT. There are countries that inquire about the loans and are told no. I could tell you which countries have not received——

Mr. MINSHALL. If they qualify and are members and all the rest of it, how many of the members have to be turned down?

Mr. BULLITT. Just because they are members does not mean under the policy of the bank, as it is presently operated, they are permitted to borrow.

For example, Spain is a part II country, which means it is the kind of country, when the association was originally formed——

Mr. MINSHALL. What are the reasons for turning down a loan?

Mr. BULLITT. There would be two basic reasons.

One would be the condition of the country that requested a loan. If it was a prosperous country, we thought could borrow from the World Bank instead of from IDA, we would tell them to go to the World Bank because the IDA's resources are more limited and are much more valuable in that sense.

The second would be, if the country came and asked for a loan for a project that the management did not think had a high priority in terms of that country's development process.

CREDIT TO HAITI

Mr. MINSHALL. In view of that, did you not make a loan to Haiti some time ago?

Mr. BULLITT. There was a small loan.

Mr. MINSHALL. What made you think their condition was so good you could give them a loan?

Mr. BULLITT. This was a loan for a road project they submitted for some several millions of dollars.

Mr. MINSHALL. Let's not take the time of the committee today. Supply the information for the record, the date of the loan, the actual amount of the loan, and a little of the background.

Mr. BULLITT. On Haiti?

Mr. MINSHALL. On Haiti.

(Information supplied follows:)

INTERIM IDA CREDIT TO HAITI

On November 2, 1962, IDA extended a credit of $350,000 to Haiti for an interim program for road maintenance. The background of this credit is as follows:

1. In May 1956, the World Bank had make a loan of $2.6 million to Haiti for a 3-year highway maintenance program, which was to include the setting up, equipping and training of an organization to rehabilitate and maintain this national highway system. Operations of this loan were successful, with marked improvements in the roads themselves and in highway administration. Funds under this loan were exhausted in 1961.

2. In mid-1962, Haiti requested an IDA credit of about $6 million for an expanded maintenance program and new construction. Subsequently, other financing which had been expected to form a part of the total program was found to be unavailable. In view of this, and of increasing internal instability in the country, IDA declined to consider the application for the full amount requested.

3. Since complete withdrawal of support from the highway administration would probably have resulted in the abandonment and consequent loss of the good results achieved over the years, IDA felt it appropriate to make an interim credit of $350,000 to provide for completion of improvement work now underway and continued ordinary maintenance for about 1 year.

4. Haiti has continued to make payments on its debt to the World Bank as they fall due.

Mr. MINSHALL. As late as last November you thought Haiti was in a solvent condition and could pay back this loan?

Mr. BULLITT. They asked for a very large amount. I cannot remember what the amount was.

Mr. MINSHALL. I do not care what they asked for. They got $350,000. Haiti has been in a continuing bad financial condition for many years.

Mr. PASSMAN. What is the total amount you have committed to Haiti?

Mr. BULLITT. $350,000.

Mr. PASSMAN. How much have they paid in on their original pledge?

Mr. BULLITT. Probably about $400,000.

Mr. PASSMAN. "Probably." Would you mind getting that figure accurate. Some of these people are in default on their commitments.

Mr. BULLITT. Not to the IDA.

Mr. PASSMAN. If you will, itemize the amount they put in in their own currency, the amount of gold and the amount in dollars. Do you have that information?

Mr. BULLITT. Yes.

As of June 30, 1962——

Mr. PASSMAN. First, give us the amount of gold they put in.

Mr. BULLITT. I cannot provide you that. They paid either gold or dollars. I can find out.

Mr. PASSMAN. How many dollars?

Mr. BULLITT. Well——

Mr. PASSMAN. The total amount first.

Mr. BULLITT. The total amount they subscribed is $760,000.

Mr. PASSMAN. The question we want answered is the amount they have paid in.

Mr. BULLITT. As of June 30, 1962, they have paid in $321,000.

Mr. PASSMAN. This means $32,000 of that would be in dollars?

Mr. BULLITT. $32,000 would be in gold or dollars.

Mr. PASSMAN. You let them have $350,000?

Mr. BULLITT. Yes.

Mr. PASSMAN. That is a pretty good deal for them.

I thought that is about the way it would figure out.

CREDITS FOR INDIA

That is the system. You did not originate it so it is not personal criticism. What is the total amount to date of your commitments to India?

Mr. BULLITT. The total amount of loans committed is $212,500,000.

Mr. PASSMAN. What have they paid in, total?

Mr. BULLITT. That would be as of March 31, 1963.

Mr. PASSMAN. Have there been some since then?

Mr. BULLITT. Plus $67,500,000 which has been signed up but is not yet effective. It would be $280 million.

Mr. PASSMAN. These nations are sucking us dry.

India is getting into every money trough. We have given them almost $5 billion, and every time I pick up a paper I see something else has been committed to India.

Mr. BULLITT. Mr. Chairman, India's subscription——

Mr. PASSMAN. I want to know how much they paid in.

Mr. BULLITT. They have paid in $17,047,875 as of June 30, 1963.

Mr. PASSMAN. How much of that $17 million has been paid is in dollars?

Mr. BULLITT. Roughly $1.7 million.

Mr. PASSMAN. They have paid in $1.7 million and gotten back $280 million.

Mr. BULLITT. It has not been disbursed.

Mr. PASSMAN. It has been approved?

Mr. BULLITT. It has been approved.

Mr. PASSMAN. What a deal that is.

Now, the delinquencies?

Mr. BULLITT. None.

Mr. PASSMAN. They put in $1.7 million, and we have committed $280 million out of IDA?

Mr. BULLITT. That is right.

Mr. RHODES. Are they delinquent on any subscription to capital?

Mr. BULLITT. No.

Mr. RHODES. They have paid $17 million.

Mr. PASSMAN. $1.7 million.

Mr. BULLITT. They have paid the $1.7 million in dollars and the balance in rupees.

Mr. RHODES. I understand.

The total subscription to IDA was what, $40 million?

Mr. BULLITT. Yes.

Mr. RHODES. And they have paid $17 million in in dollars and rupees?

Mr. BULLITT. Yes.

Mr. RHODES. Are they not on the same schedule we are?

Mr. BULLITT. Yes. The rest is not due.

Mr. RHODES. We have a payment coming due this year and the final payment coming due next year, so we have paid in three-fifths of our subscription. They should have paid in three-fifths of theirs.

Mr. BULLITT. These figures are as of June 30, 1962, and we paid our third installment subsequent to June 30, 1962. We paid it last August or November. These June 30 figures represent two-fifths of the required payments.

Mr. RHODES. Do you know whether they have made the third payment?

Mr. BULLITT. The third payment was due November 8, so I presume they have made it because the only delinquency on payment of subscriptions is one country which paid in cash when it did not have to and took back the cash payment and substituted a note which was technically defective. There are no overdue subscriptions.

Mr. PASSMAN. They would be very foolish not to keep this up to date because they put in $1.7 million and they get back $280 million.

If they turn in the entire $17 million in rupees, they are still getting $17 million for each rupee they put up. "Sucker" is a mild word for us.

CREDITS TO PAKISTAN

What is the total amount to date of your commitments to Pakistan? But, first, who is the head of this Association?

Mr. BULLITT. The President and Chairman——

Mr. PASSMAN. The President?

Mr. BULLITT. George Woods.

Mr. PASSMAN. He is an American?

Mr. BULLITT. Yes.

Mr. PASSMAN. He succeeded Mr. Black?

Mr. BULLITT. That is right; $27.5 million are the commitments to Pakistan.

Mr. PASSMAN. What has Pakistan paid in?

Mr. BULLITT. Its subscription is $10,090,000 as of June 30, 1962. It has paid in $4,263,000.

Mr. PASSMAN. That would be $400,000 they would pay in dollars?

Mr. BULLITT. Roughly.

Mr. PASSMAN. And they would get a commitment of $27,500,000. I do not anticipate there will be any lag in them paying theirs. That is a pretty good investment, putting up $400,000 and getting $27.5 million.

DISBURSEMENT OF IDA CREDITS

Do you have any commitments over 1 year old on which there have been no disbursements made as yet?

Mr. BULLITT. I cannot answer that question.

Mr. PASSMAN. Do you have any policy on how long you will carry a commitment without disbursing it before you void it and start all over?

Mr. BULLITT. Yes, in each credit agreement there is a terminal date by which time the credit must be used. There have been cases when that terminal date was extended.

Mr. PASSMAN. Would it be disbursed in its entirety?

Mr. BULLITT. When they start working, it is disbursed——

Mr. PASSMAN. It may take 3 or 4 years to finally disburse the account? If you have an account that is not active and you have a look at it, unless there is some good reason, then you renegotiate rather than extend it?

Mr. BULLITT. That is right.

Mr. PASSMAN. Conditions can change rapidly in a nation in a very brief time.

ABILITY OF DEVELOPING COUNTRIES TO SERVICE DEBT

If I recall correctly, sir, Mr. Black of the World Bank made a speech in which he stated, "Many countries are finding that their capacity to make effective use of aid is growing faster than their capacity to repay."

I quote:

> In many cases, a dangerous high proportion of export earnings (the prospects for which are themselves clouded) are mortgaged to future debt service. Our own figures show that between 1955 and 1961, a group of 34 countries, accounting for some 70 percent of the underdeveloped world, more than doubled its total external public debt. Yet, over the same period, the export earnings of the same countries increased by a little more than 15 percent.

That is a discouraging ratio.

Mr. BULLITT. That certainly is.

Mr. PASSMAN. Does this situation cause you any worries?

Mr. BULLITT. It causes us considerable concern. It was one of the principal reasons when the terms of the IDA loans had to be

decided, these were soft terms decided on, it was one of the reasons in our own aid program we have endeavored to make assistance available on soft terms so this problem would not get worse.

Mr. PASSMAN. It is a worry we are going to have, and it is going to be a big one.

I have had the privilege of serving as chairman of this subcommittee for 9 years. We have been told, in the past, by every top echelon witness who has come here that the only thing that would work in underdeveloped countries was soft-currency loans. Secretary Dillion said if they repaid in hard currencies it would defeat the purpose of the program; therefore, it must be in local currency. That premise was restated over and over and over.

Other than approximately 10 percent of the total, the contracts called for the money to be spent back in their own country. That was the old agreement, and we were trying to get accustomed to it. Almost overnight we found this local currency running out of our ears, so they said we were going to have so much of it we would lose every friend because we would have control of the internal affairs of those countries, and we were really going to get into a mess because of it.

So we took an about face. They said, in effect, these things are not loans but let them appear as loans. So we started pouring it out—40 years, no interest, 10-year grace period, 1 percent for the next 10 years, and so forth. Among other things, it is an admission, and those people know it better than we, that we have just about lost our world markets unless we are willing to subsidize our exports.

Buy America unless you can get it at least 30-percent cheaper elsewhere, that is the practice. I do not think they ever intended to admit we were getting out of the world market to that extent.

The name of the agency has been changed again. I was just getting used to the other one when they changed it to AID. I hope there is no new change this year. It is properly named now.

We go to European countries and we enter into these consortiums. Some of the terms are 3 years, 6-percent interest; 4 years, 5 years, but they go up to 12 years, at a rather high rate of interest.

I am talking about the other countries' terms. So Uncle Sam comes in, and he comes in giving about twice as much as all the others put together. They do two things.

They find a ready market for the hard loans they make, the type they have been making from time immemorial. They are short-term, high rate of interest loans.

They sell the merchandise and make a big profit. Now those loans begin to fall due. And we are making more so-called loans so the borrowing countries can make repayments.

See what a mess we get in.

You are operating according to law. I have no criticism of the witnesses. We are the largest contributor.

Mr. BULLITT. We contribute about 42 percent of the hard currency.

Mr. PASSMAN. Take the total?

Mr. BULLITT. Of the total, it is closer to 35 percent.

Mr. PASSMAN. Let us say 35 percent.

There is some kind of exchange rate on all currencies, and we are putting up a third, out of 75 nations. In all probability, if you would look at the amount of dollars these nations have it would be substan-

tial. Yet some of these very nations are trying to borrow money to continue these programs.

Other nations could control our monetary system if they wanted to exercise that power. We have less than $16 billion in gold to meet $25 billion worth of free world dollar claims.

The whole situation frightens me.

TOTAL SUBSCRIPTIONS AND COMMITMENTS

What are your present plans to replenish your funds for development lending?

Mr. BULLITT. We have the resources of the IDA that will all be paid in under the present subscription schedule by fiscal year 1964.

Mr. PASSMAN. That will amount to how much?

Mr. BULLITT. That will be $968 million.

Mr. PASSMAN. How much as it paid in to date?

Mr. BULLITT. $473.7 million in hard currency.

The total amount is $595.5 million.

Mr. PASSMAN. How much have you committed, total?

Mr. BULLITT. $450.2 million.

ADDITIONAL RESOURCES FOR IDA

Mr. PASSMAN. So by the time you get all the money paid in, it is going to be committed. Where are you going to get money on which to operate?

Mr. BULLITT. We have begun to negotiate a new subscription which would extend beyond the time when these initial subscriptions are paid in, commencing in 1966.

AUTHORIZATION FOR EXTENSION OF U.S. SUBSCRIPTION

Mr. PASSMAN. You have no authorization? You came up with a formula here so new the ink has not dried. Only about 50 percent of the actual capital commitment has been paid in, and if the future parallels the past, you have committed your entire account, and by the time the contribution is paid in, you are going to have to go out of business, or get new authorization which calls for more money.

Mr. BULLITT. That is correct.

Mr. PASSMAN. There is no stopping place.

What is the policy of the people downtown now? Do you get an authorization, then go out and negotiate, or do you negotiate and then come in for an authorization?

Mr. BULLITT. We discuss this with the other countries. We have the National Advisory Council of the executive branch, which was set up by the Breton Woods Agreements Act, which authorizes us to proceed with a discussion of this, and before we make any final commitment to the organization we would have to have authorizing legislation.

Mr. PASSMAN. I know that is true.

But how far do you go? The Treasury came in with the request for $2 billion for the International Monetary Fund. Before you even made the request for the appropriation, some of the other nations had already passed their legislation. They were ready to put their money

up. It placed us in such a position that we had practically no alternative other than to put the money up.

Here you are now with a brand new account with about 50 percent of the money paid in, and in all probability, according to your records, by the time you get the capital paid in you will have disbursed it, or committed it, so you are out of business unless you can get a new authorization.

You are out negotiating now with the other member nations, and some are putting up as little as $10,000, and you should not have any trouble negotiating a contract with any nation when they can get back 17 times as much as they put up.

RATIO OF NEW SUBSCRIPTIONS

Does this mean you are going to ask for an authorization based on the same ratio you have under the present capital structure? Has that matter been determined?

Mr. BULLITT. We have not determined this finally yet.

Mr. PASSMAN. Would it be damaging the security of the country to tell the committee what the preliminary plan calls for.

Mr. BULLITT. I do not think so at all.

Mr. PASSMAN. Do you have a preliminary plan?

Mr. BULLITT. The preliminary plan that we are thinking about and discussing with other countries is an increase in the resources which would be contributed by the part I countries for a 3-year period commencing when these subscriptions have run out.

We would hope to reduce our share somewhat to the extent we are able to negotiate a reduction. That is the general outline of what we are talking about.

Mr. PASSMAN. What would be the policy if our deficits should continue to increase and our public debt continues to increase?

Many of these nations are having a reduction in their public debt. I wonder if something like this should not be postponed. Why get into more trouble when we realize that it is propositions such as this that have helped create this serious balance-of-payments situation we find ourselves in.

Mr. BULLITT. All of the contracts that are financed by the IDA are done on a competitive bidding basis.

Mr. PASSMAN. What do you mean?

Mr. BULLITT. International competitive bidding. If a——

Mr. PASSMAN. There is no buy America policy on this?

Mr. BULLITT. That is right.

To the extent that the U.S. firms are awarded contracts, so far as our balance of payments are concerned, we are getting our money back. We have gotten a high percentage of this, more than we have put in.

Mr. PASSMAN. How do you account for that when our balance-of-payments deficit has exceeded $24 billion over the past 13 years?

Mr. BULLITT. I am talking about this particular association.

Mr. PASSMAN. We may or may not get it back, if they are going to buy it where they can buy it the cheapest. Are we not just about out of the world market on many of our exports? Last year did we import more steel than we exported?

Mr. BULLITT. I do not know the figures on that.

Mr. PASSMAN. You can buy steel from some of these nations, delivered dockside in this country, at $30 a ton cheaper than you can buy it out of Pittsburgh.

Mr. BULLITT. We still sell more abroad than we import.

AMOUNT OF U.S. EXPORT UNDER AID PROGRAM

Mr. PASSMAN. There is a good possibility we have a trade deficit instead of a credit. You take credit in our exports for all the foreign aid shipments.

Mr. BULLITT. Excluding that.

Mr. PASSMAN. I do not know whether that is so or not.

If you take all our exports under the different aspects of foreign aid out or our total of exports and then compare it with the imports, it would be a different picture.

Mr. BULLITT. We had a $2 billion commercial trade surplus in 1962.

Mr. PASSMAN. How much was our total of aid shipments?

Mr. BULLITT. That would exclude shipments financed by Government grants and capital which ran $2,286 million. That includes shipments financed by the AID agency and by the Export-Import Bank, and by the Public Law 480 program.

Mr. PASSMAN. Other witnesses tell us that such items are included, in our total of exports.

Mr. BULLITT. You can do what you want with statistics.

Mr. PASSMAN. If you remove from our exports all the exports paid for with aid dollars, what story do you get?

Mr. BULLITT. The $2 billion figure I gave you.

Mr. PASSMAN. How much do you show our aid shipments amounted to last year?

Mr. BULLITT. $2,286 million, not just aid, all Government-financed exports.

The total nonmilitary merchandise exports, nonmilitary as distinguished from services, was $20,566 million.

The exports financed by Government grants and capital were $2,286 million, so subtracting that figure, the commercial merchandise exports were $18 billion.

Mr. PASSMAN. You show total amount of aid credited against the exports as being how much?

Mr. BULLITT. $2,286 million, but that is not aid, that is all Government programs. That is the Export-Import Bank.

Mr. PASSMAN. Can you break it down and show just what your aid is?

Mr. BULLITT. I do not have those figures.

Mr. PASSMAN. The total aid program cost more than $8 billion last year. Where did the other go?

Those have been the commitments under all the facets of foreign aid. The people downtown, they say they are going to pull out of this spigot about $2.6 billion.

How about shipments to India and Pakistan and other countries against this so-called development loan? Are you including those?

Mr. BULLITT. Against the development loan?

Mr. PASSMAN. Are you carrying that as an export, or are you subtracting it from the total?

Mr. BULLITT. That would be subtracted.

Mr. PASSMAN. There is something wrong with the bookkeeping. That is only $2,286 million, and the withdrawal from the aid pipeline has been $3.2 billion, so you are off $1 billion there.

Mr. BULLITT. Of course——

Mr. PASSMAN. You are not shipping any of that aid that goes out to our own people?

Mr. BULLITT. If you look at these figures over the last 3 years, the exports financed by Government grants and capital have increased as follows: 1960, $1,798, million; 1961, $2,183 million; and 1962, $2,286 million.

Part of the reason for that increase is the fact that our aid has become increasingly tied to U.S. exports.

As our aid becomes more tied, that figure increases.

Mr. PASSMAN. How could you reconcile the fact that our total aid costs about three times what you are subtracting there?

Mr. BULLITT. What are you referring to by the total aid cost?

Mr. PASSMAN. Let us take this thing you are dealing with here, the IDA. You have the Export-Import Bank for exports, you have taken that out. You have the aid program, $3.9 billion last year, just that one alone.

Mr. BULLITT. The $3.9 billion figure was the amount——

Mr. PASSMAN. Congress appropriated?

Mr. BULLITT. Congress appropriated. This figure would include only disbursements.

Mr. PASSMAN. If they pull out of the pipeline this year $3.6 billion——

Mr. BULLITT. If they disburse $3.6 billion?

Mr. PASSMAN. Yes, disburse.

Mr. BULLITT. You would have to subtract from that figure whatever aid was untied. Say that was $600 million, or whatever it is, then this figure should increase to $3 billion.

Mr. PASSMAN. Let us say that for the past 10 years you have withdrawn from that pipeline an average of $3.5 billion annually. If you are going to withdraw from the pipeline $3.6 billion, and you are only going to take off $2,286 million, there is something wrong, is there not?

Mr. BULLITT. Assuming——

Mr. PASSMAN. You cannot ship out three times as much as you are taking off there. You cannot claim that the overall Export-Import Bank, Mutual Security, and all the other spigots, and Public Law 480——

Mr. BULLITT. You may have put your finger on it.

Mr. PASSMAN. Perhaps I have.

Mr. BULLITT. I may be wrong about the Government grants, including the Export-Import Bank shipments.

Mr. PASSMAN. I am going to venture you a Cola-Cola that if you take it from the record, we are operating with a trade deficit rather than a credit.

They have given us these aid figures, and we are going to operate by them. We want you to take off the amount that we are shipping out of the country which is charged to aid. I do not care from what facet, if it goes out of the country and is charged to the aid. Try to recon-

cile it for us, and do not overlook the fact that much, if not most, of the so-called development loans are actually grants, no matter what label they may carry.

Mr. BULLITT. We will do it.

(The information follows:)

FOREIGN ASSISTANCE EXPENDITURES ENTERING U.S. BALANCE OF PAYMENTS

The total amount of U.S. nonmilitary merchandise exports financed by Government grants and capital in calendar year 1962, as published in table 2 in the balance-of-payments article of the March, Survey of Current Business was $2,286 million. This included the amount of such exports financed under the economic assistance program as well as by the Export-Import Bank and Public Law 480. In addition, table 2 shows that $512 million of U.S. exports of nonmilitary services during 1962 were financed under these programs. Government financing of nonmilitary merchandise and service exports thus amounted, together, to $2.8 billion. In calculating our "commercial" surplus on merchandise trade (i.e., excluding Government-financed merchandise exports), however, the appropriate deduction to be made from our $20,566 million of nonmilitary merchandise exports during 1962 is the $2,286 million figure which has been cited. Major differences between this $2,286 million figure and total Government grant and capital expenditures entering the balance of payments would include the $512 million of Government-financed services exports already mentioned, plus $1,136 million for payments to international institutions and untied economic assistance. As the tied aid policy of AID becomes increasingly reflected in expenditures, this figure should drop considerably. In addition, it is estimated that $1.6 billion of military assistance was granted in 1962.

CREDITS MADE TO FOREIGN GOVERNMENTS FOR RELENDING

Mr. PASSMAN. I note in your fiscal year 1962 annual report that a substantial number of your credits were made to the government which, in turn, is relending the equivalent of the credit to either a state, municipality or government corporation at terms substantially harder than the terms at which you are lending the money to the national governments.

Is your charter broad enough to permit that practice?

Mr. BULLITT. Yes.

Mr. PASSMAN. That may be one of the advantages so we can get to the local level.

Mr. BULLITT. Some of these loans have been to these industrial development institutions that relend to private organizations.

Mr. PASSMAN. Your currencies are extended in a convertible currency form?

Mr. BULLITT. The currencies, yes.

Mr. PASSMAN. Could you provide for the record a list of the governments who may be extending their allowance down to the lower levels, the state and municipal levels, if that is available?

Mr. BULLITT. I can go over some of them.

Mr. PASSMAN. Insert it in the record.

Mr. BULLITT. I will give you a short description of each credit that has had the proceeds relent by the government.

(The information follows:)

IDA CREDITS MADE AVAILABLE BY CENTRAL GOVERNMENT TO STATE AND LOCAL ENTITIES

The following IDA credits were made to national governments which then made the funds available for projects at the state or municipal levels:

[Millions of dollars]

Country	Amount	Ultimate recipient
China	2.2	Province of Taiwan for Keelung Harbor dredging project.
China	3.7	Province of Taiwan for ground water development project.
China	4.4	City of Taipei for municipal water supply project.
India	6.0	State of Uttar Pradesh for Tubewell irrigation project.
India	4.5	State of Gujarat for Shetrunji irrigation project.
India	8.0	State of Orissa for Salandi irrigation project.
India	10.0	State of Punjab for flood protection and drainage project.
India	15.0	State of Bihar for Sone irrigation project.
India	13.0	State of Maharashtra for Purna irrigation project.
India	17.5	State of Maharashtra for second Koyna power project.
India	18.0	Port of Bombay for harbor improvement.
Jordan	2.0	Municipality of Amman for water supply project.
Nicaragua	3.0	City of Managua Water Authority for water supply project.
Pakistan	1.0	Province of East Pakistan for Dacca irrigation project.
Pakistan	2.0	Province of East Pakistan for inland ports project.
Pakistan	18.0	Province of West Pakistan for Khairpur irrigation project.
Pakistan	6.5	Province of West Pakistan for industrial estates project.
Turkey	1.7	Cukurova Electric Co. serving Adana area.

NOTE.—Omitted from this list are credits for highway programs made to national governments. Though no relending of funds to state or local authorities takes place, the economic effects and benefits the programs are usually widespread.

Mr. PASSMAN. I was about to ask you what disposition you have made on the loans.

Mr. BULLITT. There is a credit fee.

Mr. PASSMAN. That is a service charge?

Mr. BULLITT. Yes.

Mr. PASSMAN. The nations who borrow the money from the fund without interest may be making the loans to the municipalities, towns, and states in the local currency at a high rate of interest. That becomes a profit to the government that borrowed the money?

Mr. BULLITT. That becomes a profit.

Mr. PASSMAN. That has nothing to do with your original terms?

Mr. BULLITT. That is right.

Mr. PASSMAN. Could you give us a list of the nations who are members of this Association who are presently delinquent in their payments? There would not be any reason they should be delinquent with the ratios we discussed earlier.

Mr. BULLITT. There is one technical delinquency.

Mr. PASSMAN. When we refer to the 16 nations part I, these are the wealthier nations?

Mr. BULLITT. Yes.

CREDITS TO POSSESSION OF NATIONS IN PART I CATEGORY

Mr. PASSMAN. Do you think it would be well to give some thought to a policy that other nations in part I, or their colonies or possessions, should not be eligible for loans, such as the one involving the United Kingdom?

Mr. BULLITT. As I said when we discussed this before, I was not involved at the time this particular loan was made, but I think you have made an interesting suggestion.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

IDA ADMINISTRATIVE BUDGET

Mr. PASSMAN. The administrative expenses for the Association have been: 1961, $558,658; 1962, $1,130,393; and for 1963, $2,040,000.

Mr. BULLITT. That is the budgeted amount for 1963. We contemplate the actual results will be significantly less than that.

Mr. PASSMAN. What amount are you projecting for 1964 as your administrative expenses?

Mr. BULLITT. I do not have that. The budget is developed by the management of the Bank and presented to the executive directors. Last year it was presented in June and I would assume it will be about that time this year.

Mr. PASSMAN. It is not the policy to double it every year, is it?

Mr. BULLITT. No, sir.

Mr. PASSMAN. That is about the way it has worked out.

Mr. BULLITT. Of course in 1961 the figure represents only 8 months of operation because the Association did not begin operations until November of 1960. So, as in any new institution, the expenses have gone up more rapidly in the first year. The expenses for the first half of 1963 have been 37 percent of what was budgeted for the first year, instead of 50 percent. So there has been a substantial reduction.

Mr. PASSMAN. Could you give us a new estimate, then, on the administrative expenses for 1963?

Mr. BULLITT. I cannot; no. I would think, though, that it would be substantially less.

Mr. PASSMAN. Or it could be more when you get all the bills in?

Mr. BULLITT. I would doubt very much it would be more because the arrangement by which the administrative expenses of the IDA are determined, there is a formula by which the IDA reimburses the Bank for its services.

Mr. PASSMAN. Some of it is fixed?

Mr. BULLITT. None of the top management is paid for by IDA.

Mr. PASSMAN. By whom are they paid?

Mr. BULLITT. By the Bank. The president, top officers, and heads and assistant heads of the departments are paid solely by the Bank, and the rest of the staff actually estimates how much time it spends on IDA matters and IDA reimburses the Bank for that, plus a fixed charge.

Mr. MINSHALL. Mr. Chairman, will you yield for a question?

Mr. PASSMAN. Yes.

Mr. MINSHALL. How many people are on the staff?

Mr. BULLITT. There is a total professional staff of 369 and a total nonprofessional staff of 478 for a total overall staff of 847 for both the World Bank and IDA.

Mr. MINSHALL. For both?

Mr. BULLITT. Yes.

Mr. PASSMAN. To establish the actual cost for IDA you would have to know the salaries of the officials of the World Bank and the amount of time they put in in administering IDA?

Mr. BULLITT. That is correct.

Mr. PASSMAN. Could you give us a breakdown of that data, if you are not including it here?

Mr. BULLITT. It is included in the budget to the extent that the formula that has been adopted is an accurate reflection of what is happening.

Mr. PASSMAN. But are you dealing with it in terms of the figures I read?

Mr. BULLITT. Yes, sir.

Mr. PASSMAN. What part of this represents reimbursement to the World Bank by IDA?

Mr. BULLITT. Out of the 1962 figure, $620,233 was for personal services. In other words, that is reimbursement by IDA to the World Bank for the use of the World Bank's staff. IDA has no separate staff of its own.

Mr. PASSMAN. It is all reimbursed.

Mr. BULLITT. That is right. And you have other items right on down here. This is contained in the annual report of the institution.

STAFF TRAVEL

Mr. PASSMAN. I note that the staff travel has increased from $79,859 in 1961 to $251,500 in 1963. Is that correct?

Mr. BULLITT. That is correct. The $251,500 is the budgeted amount. The figure for the first half year of fiscal 1963 was $94,297. So if you doubled that first 6 months' figure you would have $188,600, roughly.

Mr. PASSMAN. We shall accept that, but then you double it again for 1963?

Mr. BULLITT. No; I am saying that the figure for fiscal 1963, the final result will be about the same as it was for 1962 if things continue as they were in the first 6 months.

Mr. PASSMAN. Of course under this type of a money request there is very little we can do about it. If this were an agency where we could make a reduction in your request, we would have a thousand questions we would ask that we are not asking today.

Mr. BULLITT. I would be glad to answer any questions you have, sir, or try to.

Mr. PASSMAN. Why is it necessary to spend this much money for staff travel? Where do they go and what do they do?

Mr. BULLITT. The staff travel would include travel of engineers to inspect projects; it would include travel of consultants and lawyers to develop the terms of projects; but primarily it would be travel in connection with developing the particular projects which the Association was financing.

Mr. PASSMAN. Let us go back to the record.

Development credits involve only three nations, I believe, India, Pakistan, and the United Kingdom?

Mr. BULLITT. This was in 1963, you mean?

Mr. PASSMAN. Yes.

Mr. BULLITT. So far in 1963.

Mr. PASSMAN. That should not necessitate a lot of travel. Your others are commitments and they are made at headquarters?

Mr. BULLITT. These are commitments that were put into final form during 1963. There was considerable preparatory work, of course, before those commitments were signed up that took place in 1962, and in the same way in 1963, for credits that will be signed up subsequently, there will be travel and preparatory work.

Mr. PASSMAN. I would think that might be the expense and responsibility of the borrowing country rather than the Association.

Mr. BULLITT. Some of the expenses are paid by the borrowing country. For example, the World Bank has missions in about eight or nine countries, resident missions, in countries where its operations are large. The host countries pay the travel expenses within their country of those missions. The IDA does not pay any of those expenses.

Mr. PASSMAN. That should cut down on the travel expenses. The resident missions are not part of this expense, are they?

Mr. BULLITT. No. IDA does not pay any of the expenses of resident missions.

Mr. PASSMAN. These commitments you have made, did they necessitate several trips to the borrowing country or is that paperwork that is done at headquarters?

Mr. BULLITT. A lot of it requires going out and having engineers actually look at the site. None of these commitments have been signed up without having World Bank employees actually looking at the sites that will be financed, going over the designs, and so on.

Mr. PASSMAN. We are dealing with about $456 million in commitments, are we not?

Mr. BULLITT. $450.2 million so far.

Mr. PASSMAN. In how many nations?

Mr. BULLITT. There have been 18 different areas where commitments have been made.

Mr. PASSMAN. That is about $10,000 per commitment, is it not?

Mr. BULLITT. No. It is $10,000 per country.

Mr. PASSMAN. Well, that is a commitment in a country?

Mr. BULLITT. For example, in India there have been 10 commitments.

Mr. PASSMAN. Do you negotiate all commitments in one country at the same time or does it require separate trips?

Mr. BULLITT. They go along at the same time.

Mr. PASSMAN. I would recommend that the agency read the bill the House passed yesterday on travel.

Our contribution is fixed by law, is it not?

Mr. BULLITT. That is correct, subject to congressional appropriation.

Mr. PASSMAN. What would actually happen if Congress got stubborn and did not appropriate the money?

Mr. BULLITT. Well, I do not know the form that this took, actually, but we have signed an international agreement by which we agreed to put up these funds, so we would be in default on an international agreement.

IMPLEMENTATION OF AUTHORIZATION ACT SUBJECT TO FUNDS APPROPRIATED

Mr. PASSMAN. Do you have a clause in the agreement you just mentioned that says it is based on the action of Congress?

Mr. BULLITT. I would presume it does.

Mr. ENGLERT. No. It was entered into pursuant to action of Congress.

Mr. PASSMAN. But you have to have an appropriation to implement these agreements?

Mr. BULLITT. That is correct. We did not adhere to the agreement until we had congressional authorization.

Mr. PASSMAN. What about the appropriation?

Mr. ENGLERT. We were authorized by the Congress to enter into this.

Mr. PASSMAN. We want to know whether or not it was entered into based upon the clause that they tell us is in your commitments under the development credit.

Mr. BULLITT. Section 7(a) of the act which authorized us to accept membership states:

There is hereby authorized to be appropriated, without fiscal year limitation, for the subscription of the United States to the association, $320,290,000.

Mr. PASSMAN. You are dealing with the authorization, are you not? You entered into this agreement with the understanding it must later be implemented with an appropriation, and technically we have not violated any agreement if we do not make the contribution. If that is not the way it is, I do not know why you should want to ask for an appropriation.

Are you going to read the rest of the act? Do you have a copy of the act there?

Mr. ENGLERT. Yes. The act says:

The President is hereby authorized to accept membership for the United States in the International Development Association (hereinafter referred to as the "association"), provided for by the articles of agreement (hereinafter referred to as the "articles") of the association deposited in the archives of the International Bank for Reconstruction and Development.

Mr. PASSMAN. What does it say about the money?

Mr. ENGLERT. Section 7(a) says:

There is hereby authorized to be appropriated, without fiscal year limitation, for the subscription of the United States to the association, $320,290,000.

Mr. PASSMAN. It does not stop there, does it?

Mr. ENGLERT. The act goes on a different subject.

Mr. PASSMAN. But that is nothing more than an authorization act?

Mr. BULLITT. That is correct.

Mr. PASSMAN. And it is not incumbent on the Congress, under the language you read, to give the full amount?

Mr. BULLITT. There is no legal obligation on the part of the Congress to appropriate the money.

Mr. PASSMAN. Do you make that fact plain in your contract?

Mr. ENGLERT. There is nothing in the contract to that effect.

Mr. PASSMAN. Your last statement is correct, that it is not incumbent upon the Congress to appropriate the money?

Mr. BULLITT. By that statement, I mean there is no legal requirement.

Mr. PASSMAN. Maybe technically, but legally we would not have violated any international agreement if we did not appropriate the funds?

Mr. BULLITT. I would rather give you something in writing on that if I could, Mr. Chairman.

Mr. PASSMAN. Would you submit an opinion to the committee in writing?

Mr. BULLITT. Yes, sir.

(The following was submitted for the record:)

INTERNATIONAL COMMITMENT OF THE UNITED STATES TO IDA

In connection with the request for an appropriation of $61,656,000 for payment of the fourth installment of the U.S. subscription to the International Development Association, the committee has asked to be advised whether the United States would violate any international agreement if the funds requested were not appropriated by the Congress.

By Public Law 86-565, approved June 30, 1960, the Congress approved U.S. membership in the International Development Association and expressly authorized the President "to accept membership for the United States in the International Development Association * * * provided for by the articles of agreement * * * of the association deposited in the archives of the International Bank for Reconstruction and Development."

The association's articles of agreement provided for a subscription by the United States in the amount of $320,290,000; the articles required that 23 percent of the U.S. subscription should be paid within 30 days after the date on which the association began operations, and 19.25 percent should be paid in equal annual installments for 4 years thereafter. Each of these installments equals $61,655,825, and it is the fourth installment with respect to which an appropriation is now being requested.

The United States, by accepting membership in the association pursuant to the articles of agreement committed itself to pay its subscription of $320,290,000, of which $196,978,350 has been paid, and $123,311,650 remains unpaid, being payable in installments of $61,655,825 due on November 8, 1963, and November 8, 1964. Should the Congress not appropriate the amount necessary for the installment which will be due in November, and should the United States thus be unable to pay this installment, it would thereby default on an international commitment, and be in violation of an international agreement formally entered into by the President pursuant to express authorization by the Congress to do so.

Mr. PASSMAN. Mr. Rooney?

BENEFIT TO UNITED STATES FROM OPERATIONS

Mr. ROONEY. Awhile ago, Mr. Bullitt, you said, with regard to American firms having to do with the activities of IDA, that we got more out of it than we put in. Exacty what did you mean by that?

Mr. BULLITT. I meant by that, sir, that the procurement from the United States with funds from the World Bank exceeded our quota in the Bank.

Mr. ROONEY. Do you have figures with regard to this?

Mr. BULLITT. Yes, I have.

Mr. ROONEY. Would you let us have them, please?

Mr. BULLITT. This is under World Bank loans. We do not have figures that mean anything for the IDA because the disbursements of IDA up to this point have only been $37.2 million, and it is over a very short period of time.

Mr. ROONEY. Are you saying you cannot back up this statement you made awhile ago with figures?

Mr. BULLITT. I would like to have the statement read back to me if it is available. If I said that is the case in IDA I can back it up, but I do not think it is very significant. The imports from the United States that we know about so far have been 62.5 percent of the total identifiable IDA procurement. But the 100 percent, of which that 62.5 percent represents imports from the United States, represents only $8.96 million. So I do not think that is significant. I think what is significant is the record of the procurement under the World Bank loans. The pattern should be roughly similar.

Mr. ROONEY. I have nothing further.

Mr. PASSMAN. Mr. Natcher?

INDUSTRIAL ESTATE

Mr. NATCHER. Mr. Bullitt, I want to direct your attention to page 5 of your statement. Here you have informed the committee that two local development banks have received credits for making small subloans to private enterprise, and that one credit has been extended for creation of an industrial estate, and another has been given for a secondary education project.

What do you mean by an industrial estate?

Mr. BULLITT. An industrial estate, this particular one was in Pakistan, and it was for the purpose of creating an area for the development of small industry, building small plants, the kind you see so much of in this country in what we call industrial parks.

We can read you a short description.

Mr. NATCHER. I wish you would, and give us some idea as to the size.

Mr. BULLITT. The credit to Pakistan, equivalent to $6.5 million, will be used by the West Pakistan Industrial Development Corporation (WPIDC) for the development of two industrial estates for small- and medium-scale industries at Gujranwala and Sialkot in West Pakistan, near Lahore, and for the provision of technical assistance to these estates and to small industries in other areas of West Pakistan. The development of estates to accommodate and service small industries is one feature of a program of assistance to small industries included in Pakistan's second 5-year plan (1960–65). Small industries employ about 80 percent of Pakistan's industrial workers and account for about 40 percent of industrial production. The IDA credit will be relent by the Government of Pakistan to the West Pakistan Provincial Government, which will in turn make the proceeds of the credit available to the WPIDC. An estimated $5.3 million, which will be used for capital requirements, will be repaid by the WPIDC over a period of 25 years, including 5 years of grace, with interest at 4 percent per annum. The balance of about $1.2 million will be given to the WPIDC by the province as a grant.

Mr. NATCHER. Where is your secondary education project?

Mr. BULLITT. That is in Tunis.

Mr. NATCHER. What is the nature of this particular project, Mr. Bullitt?

Mr. BULLITT. This is for secondary school construction and for technical school construction, and the amount is $5 million.

Mr. NATCHER. Is this a $5 million project.

Mr. BULLITT. No. I believe this is for several different schools in the area of Tunis.

Mr. NATCHER. You do not know how many?

Mr. BULLITT. Yes. It will provide just over half the financing for the construction and equipping of six schools for which the need is particularly urgent.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Flynt?

Mr. FLYNT. I have no questions, Mr. Chairman.

Mr. PASSMAN. Mr. Rhodes?

FINANCING OF RECLAMATION PROJECTS

Mr. RHODES. Mr. Bullitt, do you have any projects in which there are reclamation features such as we know them in the United States—irrigation, domestic water, electric power, and the like?

Mr. BULLITT. Yes. A high proportion of the commitments have been for this purpose. Under the general heading of agriculture and irrigation, 20.5 percent of the total commitments have been for this purpose, and most of this has been either irrigating new areas or improving areas that have already been irrigated, digging wells and that sort of thing.

Mr. RHODES. Is there any attempt being made on the part of IDA to furnish funds for the purpose of irrigation to grow crops which will aggravate the world surplus situation?

Mr. BULLITT. I am not sure I can answer that in particular terms. The effort generally is to finance the increased productivity of large and important agricultural areas. I do not think any loans have been made to finance the increased production of any particular crop. Of course, in most of the countries in which the commitments have been made there is probably a shortage of food.

Mr. RHODES. I wish you would get a statement of policy from the Association on this, because I think it is rather important, particularly to the United States, due to the fact we have, as you know, such large surpluses and they are unwieldy and they are costly. If we are furnishing money for this Association to aggravate the world surplus situation and thereby make our own investment in agricultural products even less secure, I think it would not be a good thing for us.

Mr. BULLITT. Under the Public Law 480 program, of course, many of these countries have the problem of acquiring their food, for example wheat, and it is a question of enabling them to acquire it.

Mr. RHODES. Of course, this is true, but I did not have in mind Public Law 480. I do not want to see this money used in such a way as to aggravate the world surplus situation in certain crops. Certainly, wheat is one product in which it appears now there is a world surplus. Whether there would be a surplus if we had a perfect distribution system or not is subject to conjecture. Cotton is another crop which we support and in which there seems to be a world surplus.

Mr. Chairman, I think it would be well if we could have a statement of policy from the Association along this line.

Mr. BULLITT. I am not sure we can get a statement of policy from IDA. I will endeavor to get that but, as you know, it is an international institution and we may not be able to get that. We will certainly be able to provide you with a statement of what the U.S. policy would be in terms of the influence that it can exert on the allocation of these funds.

Mr. RHODES. Well, Mr. Bullitt, I am not sure we can get Congress to appropriate these funds, either, so we are both unsure. I would suggest you do the best you can to have the IDA make its policy clear on this subject.

Mr. BULLITT. Yes, sir.

(The following was submitted for the record:)

In considering the question of IDA's policy with respect to the financing of irrigation and related water projects which could result in increased production of crops which are already in world surplus, it should be noted that (1) IDA credits in the field of irrigation are not specifically directed toward the production of any particular crop, but rather toward the general promotion of agricultural productivity; (2) in determining the pattern of IDA lending account is taken of the world prospective supply and demand situation in particular commodities; and (3) most of IDA's credits in the field of irrigation have been in countries—India, Pakistan, and China (Formosa)—which are net importers rather than exporters of agricultural products in world surplus.

Bearing these points in mind, IDA seeks to assure itself when it is considering an irrigation project that the cropping pattern proposed for the irrigated area is well suited to the climatic and soil conditions, and to the country's position in international trade. In the case of countries which are or might become exporters of commodities which are already in world surplus, IDA encourages diversification of production into other lines in the economic interests of the country itself and of the IDA membership as a whole.

I have discussed the above statement of IDA's policy with its management and it is in agreement with respect thereto.

INCOME FROM INVESTMENTS

Mr. RHODES. I note that you have income from investments of $1,748,671 for the fiscal year 1962–63. Could you tell us the investments which created this income?

Mr. BULLITT. You are looking at appendix B?

Mr. RHODES. Yes.

Mr. BULLITT. If you turn back to appendix A you will see the investments consist of Government obligations of the face amount of $54,420,000, includng $47 million U.S. Government obligations. Then time deposits maturing within 1 year in U.S. dollars, $20 million. Those are the investments.

Mr. RHODES. Do you know what the average interest rate is that the U.S. Government pays on its long-term obligations at the present time?

Mr. BULLITT. On its obligations of over 1 year?

Mr. RHODES. Yes.

Mr. BULLITT. I do not know that figure.

Mr. RHODES. Would you furnish that for the record and with it an approximation of the amount of interest which the U.S. Government would pay the International Development Association on $47 million worth of U.S. Government obligations?

Mr. BULLITT. I will. I could furnish you a breakdown of what this $47 million of obligations is. Would that be a better thing to have?

Mr. RHODES. If we can have the exact amount of interest paid on the $47 million rather than the average.

Mr. BULLITT. We can provide that.

Mr. RHODES. Fine.

(The following information was submitted for the record:)

IDA INTEREST EARNINGS ON INVESTMENTS IN U.S. GOVERNMENT OBLIGATIONS

The $47 million worth of U.S. Government obligations held by IDA on March 31, 1963, consisted entirely of U.S. Government securities maturing within 5 years. The IDA portfolio therefore contains U.S. Treasury bills and U.S. Treasury notes. The range of specific yields on these securities is from 2.80 percent to 4 percent, and the average yield at present is 3.05 percent.

The size and composition of IDA's portfolio of U.S. Government securities varies from week to week. Interest paid on these securities in the fiscal year to date may be estimated by taking the $47 million figure as the average amount held by IDA, multiplying by the average yield of 3.05 percent per annum, and then multiplying the result by 75 percent to adjust for the fact that only three-fourths of a fiscal year is covered. Such a computation indicates that about $1.1 million has been earned in interest in the fiscal year to date.

It should be noted that a substantial proportion of the funds which are invested by IDA consists of subscription payments by countries other than the United States.

SUBSCRIPTION IN NONINTEREST NOTES

Mr. RHODES. Am I correct in assuming that the countries which subscribe to IDA may pay their subscriptions initially in notes which are not interest bearing?

Mr. BULLITT. It is divided into two parts; 10 percent of the total subscription each year has to be paid in gold or dollars, in cash; 90 percent can be paid in non-interest-bearing demand notes.

Mr. RHODES. Is this for both part I and part II countries?

Mr. BULLITT. Yes.

Mr. RHODES. Has the United States paid any of its subscription in non-interest-bearing notes?

Mr. BULLITT. Yes; to the full extent possible it has done that. In December 1962 or the end of November, the Association called $50 million worth of non-interest-bearing demand notes which it held ratably among all the countries, and we put up, I think, $22 million in cash at that time.

Mr. RHODES. I note IDA has obligated $450.2 million. How much in dollars does IDA have to meet the obligation of these credits as they are drawn on?

Mr. BULLITT. Well, at the present time its assets would be—if you look at that statement of condition in appendix A, its liquid assets would be $53,905,983 unrestricted currencies which are on deposit in banks. Then there are—I should not have said liquid—Government obligations of $53,743,777, and time deposits maturing within 1 year of $20 million to meet these obligations.

Then you have the amount of non-interest-bearing notes which can be cashed at any time, and that is the $309,493,000 figure.

Mr. RHODES. Do you consider this amount consisting of unrestricted currencies of $53 million plus the Government obligations of $53 million to be an unreasonable accumulation of cash or securities.

Mr. BULLITT. The unrestricted currencies of $53 million will be paid out within the next couple months. They are anticipating disbursements within the next 2 months which will pay out substantially all of that. The Government obligations investment was made in order to yield some income when the association first started out and did not have any income. It did not cost the United States anything because we were obliged to pay that money anyhow.

Mr. RHODES. But we did step up and prime the pump ahead of anybody else?

Mr. BULLITT. No. Everybody primed the pump together. Everyone put up this cash amount at roughly the same time.

Mr. RHODES. Was this done so it could be invested to provide enough investment income to operate IDA initially?

Mr. BULLITT. I cannot say why this was negotiated the way it was negotiated, the 10 percent and the 90 percent, but the requirement of the articles is that this 10 percent be paid in cash, so that this is simply following the provisions of the articles.

Mr. RHODES. Of the $450.2 million which has been allocated, $280 million was allocated to India?

Mr. BULLITT. That is right.

Mr. RHODES. In other words, over half?

Mr. BULLITT. 62.2 percent, I think.

Mr. RHODES. I know, Mr. Chairman, if you take the letters IDA and if you put an "N" between the "I" and the "D" and an "I" between the "D" and the "A," it would spell INDIA. Maybe this would be a better way to identify it.

Mr. PASSMAN. They are really dipping into all of them.

Mr. Minshall?

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. MINSHALL. For the record, I would like for you to amplify your remarks at the point where I previously asked about the loan to Haiti, about the investigation you made and the background behind making the loan, the general circumstances and whether or not you still consider it a good loan.

Mr. BULLITT. Yes, sir.

Mr. MINSHALL. That is all.

Mr. PASSMAN. Thank you very much, gentlemen.

WEDNESDAY, MAY 8, 1963.

INVESTMENT IN THE INTER-AMERICAN DEVELOPMENT BANK

WITNESSES

TOM KILLEFER, U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK
ALEXANDER M. ROSENSON, U.S. ALTERNATE EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK
ROY T. ENGLERT, ASSISTANT GENERAL COUNSEL, U.S. TREASURY DEPARTMENT
HENRY J. COSTANZO, DIRECTOR, OFFICE OF LATIN AMERICA, U.S. TREASURY DEPARTMENT
EDWARD J. WIDMAYER, BUDGET ANALYST, OFFICE OF BUDGET AND FINANCE, U.S. TREASURY DEPARTMENT

SUBSCRIPTION TO CAPITAL STOCK

Program and financing

[In thousands of dollars]

	1962 actual	1963 estimate	1964 estimate
Program by activities:			
Investment in Inter-American Development Bank (costs—obligations) (object class 33)	110,000	60,000	50,000
Financing:			
Unobligated balance brought forward (−)	−200,000	−200,000	−200,000
Unobligated balance carried forward	200,000	200,000	200,000
New obligational authority (appropriation)	110,000	60,000	50,000

Mr. PASSMAN. The next item we shall consider will be the budget request of the Inter-American Development Bank.

Already, I see, this Bank is in need of more capital.

I think the aid program started some 16 or 17 years ago considering this fiscal year. Members of Congress to some extent felt rather secure as it was being started in saying that we were embarking upon a program that might eventually cost $15 billion and could conceivably take 5 years to complete, and we might finally go into 16 nations with it. Instead of 5 years it is 17 years, and instead of 16 countries it is 105, and instead of $15 billion it is many times that.

We can get the money to meet all these requests only by borrowing it.

The agency appearing before the subcommittee just before this one indicated that they too would be running out of money. But they are a little bit more hasty than you are because even before all the capital stock has been paid in they are trying to work out a new formula and get us committed for more money for the fund. I am referring to the International Development Association.

AUTHORIZING LEGISLATION

In this program, as I understand, the request today is for an appropriation based on the assumption that at a subsequent date you will get an authorization; there is no authorization presently for it; is that correct?

Mr. KILLEFER. It is correct, but as a matter of scheduling the authorization request is in the White House now and I expect it will be up soon.

Mr. PASSMAN. This is no reflection on you, personally.

JUSTIFICATION DATA

We shall insert pages 1, 2, and 3 of the justifications at this point in the record.

(The pages follow:)

INTER-AMERICAN DEVELOPMENT BANK

Total appropriation authorized by the Inter-American Development Bank Act (Public Law 86-147; Aug. 7, 1959):	
Paid-in shares of capital stock	$150,000,000
Callable capital stock	200,000,000
Fund for Special Operations	100,000,000
Total appropriations authorized	450,000,000
Appropriated by the Supplemental Appropriation Act, 1960 (Public Law 86-213; Sept. 1, 1959):	
Paid-in shares of capital stock	30,000,000
Callable capital stock	200,000,000
Fund for special operations	50,000,000
Total appropriated	280,000,000
Appropriated by the Foreign Assistance and Related Agencies Appropriation Act, 1962 (Public Law 87-329; Sept. 30, 1961):	
Paid-in shares of capital stock	60,000,000
Fund for special operations	50,000,000
Total appropriated	110,000,000
Appropriated by the Foreign Aid and Related Agencies Appropriation Act, 1963 (Public Law 87-872; Oct. 23, 1962): Paid-in shares of capital stock	60,000,000
Appropriation estimate, 1964:[1] Additional subscription to Fund for Special Operations	50,000,000

[1] Authorizing legislation is being put before the Congress at this session.

JUSTIFICATION

Public Law 86-147, approved August 7, 1959, authorized U.S. membership in the Inter-American Development Bank (IDB), and authorized an appropriation of $450 million to cover the U.S. obligation to the Bank. The Bank's charter establishes the Bank as an intergovernmental institution, corporate in form, all its capital stock being owned by its member governments. It is the purpose of the Bank to contribute to the acceleration of the process of economic development of the member countries by providing capital, extending technical assistance, and by encouraging private investment in development projects. All the Western Hemisphere Republics, except Cuba, are members of the Bank, and have completed payment of their authorized subscriptions.

The Bank's authorized capital is the equivalent of $850 million of which approximately $813 million has been subscribed. Of this total amount, the equivalent of $381,580,000 has been paid in, while the remaining $431,580,000 remains subject to call by the Bank only as required to meet its obligations arising out of borrowings or guarantees. The Bank's charter also provided for establishment within the Bank of a Fund for Special Operations, with resources of $150 million. The purpose of this fund is to permit the Bank to extend loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects. The actual amount subscribed in the Fund is equivalent to $146 million.

The U.S. subscription to the Bank's resources involves (*i*) a subscription of $150 million for paid-in shares of capital stock, which was paid in three installments in 1960, 1961, and 1962; (*ii*) a $200 million subscription to the callable capital stock, which was appropriated in 1959; and (*iii*) a quota of $100 million to the resources of the Fund for Special Operations, which was paid in two equal installments in 1960 and 1961.

By the end of 1962, commitments by the IDB from ordinary capital had reached $209 million in 58 loans. At the same time, $88 million in 29 loans had been committed from the Fund for Special Operations. Realizing that the resources of the Fund would be exhausted during 1963, the Board of Governors, at their third annual meeting in April 1962, instructed the Board of Executive Directors to "consider the question of enlarging the resources of the Bank through an increase in its authorized capital stock or an increase in the resources of the Fund for Special Operations, or both * * *." The Board of Executive Directors, having duly considered this question, has now recommended to the Governors that the quotas of members of the Inter-American Development Bank in the Fund for Special Operations should be increased by 50 percent of the existing contributions of each member.

It is proposed, at this time, to increase the U.S. subscription quota in the Fund for Special Operations in the Bank by $50 million, representing the full U.S. share of the total increase. Other members would contribute, as their aggregate share, $23,158,000, of which one-half is payable in gold or dollars. The United States would be required to notify the Bank not later than December 31, 1963, that it consents to the increase and is prepared to make payment. The increase would become effective when the Bank had received such notification from member countries representing 75 percent of the total planned increase in the fund. Payment would be due within 90 days thereafter. Legislation to authorize appropriation of the $50 million U.S. subscription, as well as an increase in the U.S. subscription to the callable capital, will shortly be requested of the Congress, although, in the latter case, no appropriation will be proposed this year.

Mr. PASSMAN. If you have a statement, Mr. President—is that your title?

Mr. KILLEFER. Mr. Chairman, I am the U.S. Executive Director of the Inter-American Development Bank, and I do have a brief statement.

NUMBER OF DIRECTORS AND VOTING RIGHTS

Mr. PASSMAN. May I ask before you start, how many Directors do you have?

Mr. KILLEFER. We have seven Directors, six of whom are Latin Americans, and I represent the interests of the United States. I vote 41.82 percent of the Bank's stock and each of the other Directors votes the stock of the countries he represents.

Mr. PASSMAN. You can vote 42 percent and they can vote 58 percent, so they could outvote you?

Mr. KILLEFER. That is true with respect to one fund. With respect to the other funds it is not true because our loans must be approved, if they come under the special operations fund that we are here for today, or if they come under the funds of the United States that the Bank administers as trustee, those loans must be approved by two-thirds majority.

Mr. PASSMAN. You would have the veto, then. Those are the two windows to which I believe your predecessor referred?

Mr. KILLEFER. Yes.

Would you mind if I were to go ahead with my statement?

Mr. PASSMAN. After one more question, please. Under the formula, can the American representative ever be President of the Association?

Mr. KILLEFER. No.

Mr. PASSMAN. Thank you; we shall be pleased now to hear your statement.

GENERAL STATEMENT

Mr. KILLEFER. Mr. Chairman and members of the committee, I appear before you today in support of the request for a fiscal year 1964 appropriation of $50 million to augment the U.S. contribution to the Fund for Special Operations of the Inter-American Development Bank.

U.S. membership in the Bank was authorized on August 7, 1959, by Public Law 147 of the 86th Congress. This legislation also authorized the appropriation of funds to cover the initial U.S. subscriptions to the Bank in accordance with the provisions of the Bank's charter.

U.S. PARTICIPATION IN IDB

The charter of the IDB called for an aggregate initial U.S. participation of $450 million in the Bank divided into three categories:

(1) A U.S. subscription of $150 million for paid-in shares of capital stock,

(2) A U.S. subscription of $200 million to the callable capital stock, and

(3) A U.S. quota of $100 million to the resources of the Fund for Special Operations.

Your committee recommended and the Congress appropriated the funds to meet the U.S. obligations with regard to this initial participation.

When the Bank's Board of Governors reviewed the Bank's operations at their annual meeting in 1962, they expressed doubt as to whether the available resources of the Bank would prove to be sufficient in light of the increased tempo required for economic activity in Latin America. By a resolution unanimously adopted, they instructed the Board of Executive Directors to consider enlarging the resources of the Bank through an increase in its authorized capital stock or an increase in the resources of the Fund for Special Operations, or both, and "that if, having regard to the views expressed by the Governors and all other aspects of the matter, they find that action to increase the resources would be desirable, they submit an appropriate proposal to the Board of Governors." The Board of Executive Directors duly examined this question and reported to the Governors a proposal to increase the capital stock of the Bank by $1 billion, of which the U.S. share would be $412 million, and the Fund for Special Operations, by $73.2 million, of which the U.S. share would be $50 million. The Board of Governors approved the proposal and recommended that each member country take the legislative and administrative actions necessary to make the proposed increases effective as soon as possible.

Public Law 86–147 which authorized U.S. membership in the Bank provided in section 5 thereof that unless Congress authorizes such action by law, neither the President nor any person or agency shall, on behalf of the United States: (*a*) subscribe to additional shares of stock, or (*b*) request or consent to any change in the quota of the United States to the Fund for Special Operations. The administration will shortly submit to the Congress a formal recommendation for legislation which would authorize the U.S. Governors to vote for the increase and to subscribe to additional shares of stock, and to consent to the increase in the contribution of the United States to the Fund for Special Operations. It is with respect to the latter that I appear before you. An appropriation will not be requested this year for the increase in the capital stock of the Bank. My presentation, therefore, is directed only to the $50 million appropriation for the additional U.S. contribution to the Fund for Special Operations.

PURPOSE AND STRUCTURE OF THE IDB

Permit me to review briefly the purpose of the Inter-American Development Bank and the present status of its operations.

Since the beginning of this century, a series of institutions has been created to promote economic and political cooperation between the nations of the Western Hemisphere and to serve their mutual interests and needs. As examples, there may be cited the Organization of American States, the Inter-American Defense Board, and many bilateral commissions and boards. The Inter-American Development Bank is the regional financial institution which serves as an essential economic and financial link in hemispheric cooperation. The Bank was created with the purpose of accelerating economic development of the Latin American Republics by providing capital, extending technical assistance, and encouraging private investment in development projects. The Bank's charter was negotiated by representatives of all the member countries of the Organization of American States in 1959. All the Western Hemisphere republics, except Cuba, adhered by February 1960; the Bank commenced operations after a period of organization in October of that year, and made its first loan in February of 1961. The payment of the capital subscription was completed on October 31, 1962, with all countries fully meeting their commitments under the charter by that date.

The Bank's authorized capital of $850 million supplies the resources for development lending operations on terms and conditions similar to those normally applied by other financial institutions engaged in international lending, such as the World Bank and the Export-Import Bank. The charter also provided for the establishment within the Bank of a Fund for Special Operations with resources of $150 million. The purpose of this Fund is to permit the Bank to extend loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects. Loans may be partially or wholly repayable in the currency of the borrower. Thus, the total authorized resources of the Bank were to be $1 billion. However, since Cuba did not join the Bank, the actual capital subscribed amounts to approximately $813 million and the total contributions to the fund for special operations are $146

million, giving the Bank aggregate subscribed resources of approximately $959 million.

It should be noted that the capital stock is partially paid in and partially callable. Of the total capital, the equivalent of $381,580,000 has been paid in, while the remaining $431,580,000 remains subject to call.

The Bank's scope and responsibility were broadened considerably under the program of the Alliance for Progress when the Bank was designated to act as the Administrator for the Social Progress Trust Fund of $394 million created by the United States to assist Latin American countries to achieve greater social progress. This Fund is being administered under a trust agreement signed by President Kennedy and Dr. Felipe Herrera, the President of the Bank, on June 19, 1961. The funds for this purpose were authorized by Congress under the inter-American Social and Economic Cooperation program and appropriated by Public Law 87–41 of May 27, 1961. The Bank as administrator, in accordance with the provisions of the trust agreement is using these funds for loans and technical assistance in the fields of land settlement and improved land use, housing for low income families, community water supply and sanitation facilities and for projects designed to assist advanced education and training.

These three funds described above are administered by the Bank entirely separately and individually and the liabilities of one cannot be attached to the other.

IDB ACTIVITIES TO DATE

As of February 22, 1963, the Bank's Board of Directors had approved 61 operations from its ordinary capital resources totaling the equivalent of $210.8 million. Of this total amount, approximately $36.5 million represented loans or portions thereof in the currencies of member countries other than the United States and $13.1 million represented the Italian lire component. These loans can be grouped into the following broad categories:

		Million
A.	Development loans for relending to private enterprise (12)	$54.5
B.	Direct private enterprise loans (24)	48.5
C.	Loans to governments and governmental entities (17)	75.9
D.	Water supply and sewerage (8)	31.9

During the same period, the Bank's Board authorized 29 operations from the fund for special operations totaling $93.1 million which included local currencies of the equivalent of $10.1 million. These loans may be grouped in the same categories as follows:

		Million
A.	Development loans for relending to private enterprise (8)	$43.8
B.	Direct private enterprise loans (1)	0.7
C.	Loans to governments and governmental entities (18)	34.6
D.	Water supply and sewerage (2)	14.0

As of February 22, 1963, 59 operations had been approved by the Bank's Board of Directors from the social progress trust fund committing $335.5 million which can be broken down in the following categories:

	Million
A. Land settlement and improved land use (18)	$61.6
B. Housing in low-income groups (18)	152.7
C. Community water supply and sanitation facilities (18)	109.2
D. Education (5)	12.1

As noted above, the capital structure provides the Bank both with lendable resources derived from its paid in capital and with the ability to obtain additional resources on the strength of the guarantee of the member governments inherent in the callable portion of its capital. This features enables the Bank to mobilize private capital for international investment through the sale of the Bank's obligations to private investors. It was the intent of the drafters of the charter that the Bank provide a safe bridge over which private capital could move into the international field, and the callable capital does this. The Bank's sound practices and the prudent building of a loan portfolio have enabled it to float two bond issues successfully in the private capital markets during 1962.

TRAVEL EXPENSES

Mr. Chairman, you spoke briefly in your introductory remarks of the Bank's activities in Europe in obtaining capital. I would like to correct your remarks to the following extent: In April of 1962 during the trip you mentioned, the Bank borrowed the equivalent of $24.2 million in fully convertible lire.

Mr. PASSMAN. Would you mind reading the record before you correct me? You correct your predecessor. You put in the record what you wish but I have questions to ask on that point because they told us this when they were over there.

Since you brought it up, here is a little expense acount of $12,786.64 for three of them from June 4 to July 19.

When we get into that matter, I shall read from the record what they told us they were doing over there in looking for capital.

Mr. KILLEFER. My reference, Mr. Chairman, was to your remarks when you referred to the trip these gentlemen made, you mentioned their not having, if I understood you correctly, obtained any additional capital as a result of this trip. What I was——

Mr. PASSMAN. They did not obtain it then. At a subsequent date, as the record will indicate, there may have been some considerations. I think they gave the only answer they had.

Since you brought it up in the middle of your statement about correcting me, there was a little meeting in Rio that cost a total of $143,358; some of the items were travel of directors, $92,698; local services (secretarial, translation), $19,638; printing, $6,000 plus; transportation, $2,000 some, representation, and by that we understand "whisky allowance," $17,745.

This is not chargeable to you. It is in the record at page 214 and the other one I referred to, about the European trip, is at page 219 of the hearings. Have you had an opportunity to read them?

Mr. KILLEFER. I have had an opportunity to read them and the correction I sought to make was the following: That——

Mr. PASSMAN. How about you leaving it to me to correct my record? Let me suffer the embarrassment, if I am in error.

Mr. KILLEFER. Fine.

Mr. PASSMAN. Thank you.

Mr. KILLEFER. I will continue with my statement then. On April 5——

Mr. PASSMAN. Let the record show I did not interrupt you. You were tempted to correct me in your statement.

Mr. KILLEFER. I would still like to.

Mr. PASSMAN. Correct your own remarks. I will stand on the record.

BOND ISSUES

Mr. KILLEFER. On April 5, 1962, the Bank borrowed the equivalent of $24.2 million in fully convertible lire in the Italian market through the issuance of 20-year, 5-percent bonds, all of which were purchased by a syndicate of Italian banking institutions. A second issue consisting of $75 million of 20-year 4¼-percent bonds was offered in the United States on December 15, 1962. This offering was completely underwritten by a syndicate consisting of 102 leading commercial and investment banking firms all over the United States. The issue price of the bonds was par and the bonds are rated by the leading rating services as AAA, the highest classification possible. They are selling today at par and a fraction.

INCREASE IN THE RESOURCES OF THE BANK

The need for an increase in the Bank's resources arises from the task which, under its charter, the Bank has to perform within the context of an expanded program of Inter-American economic cooperation. The Charter of Punta del Este, subscribed to by all the members of the Organization of American States, recognized that if the economic and social development objectives of the Alliance for Progress were to be achieved, Latin America would require a minimum of $2 billion annually from all sources, private and public, to complement its own greater efforts for the mobilization of domestic resources and for institutional reforms. The Bank, as one of the major instrumentalities for providing the needed external funds is seeking this increase in its resources to enable it to continue fulfillng its responsibilities within the overall program of the Alliance.

AUGMENTATION OF THE RESOURCES OF THE FUND FOR SPECIAL OPERATIONS

As noted above, the Fund for Special Operations was established completely separate from the Bank's ordinary capital resources by contributions of the members totaling the equivalent of $146,316,000. The U.S. contribution was $100 million, paid in two installments in 1960 and 1961. The balance was contributed by the other member countries, half in U.S. dollars, and half in the national currency of the member. As of March 1, the Bank's Board of Directors had authorized 29 loans from the fund totaling $39.1 million. Negotiations are underway with prospective borrowers which, when concluded,

will have the effect of committing the entire remaining balance of the Fund's resources. In fact, applications on hand far exceed those resources.

In passing, on the economic and technical merits of the projects to be financed from the Fund, the Bank's management employs the same criteria and procedures as it does in the case of loans from the Bank's ordinary capital resources. However, in accordance with the charter, which provides that loans made from the Fund shall be extended "on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects," the terms of repayment have been more flexible than on loans from the Bank's ordinary resources. Thus, the amortization periods have usually been longer, the interest rates lower, and, in many cases, the loans have been repayable in the currency of the borrower.

The Bank determines the existence of "special circumstances" on a case-by-case basis, taking into account such factors as the debt-servicing capacity of the country, the ability of the project to earn foreign exchange, and the length of time needed for the investment to produce results.

The existence of the Fund has permitted the Bank considerable flexibility in the financing of well-conceived projects in key economic sections of its member countries. As may be noted from the attached detailed list of authorized loans—which is contained in the annual report for 1962 which the members of the committee have before them—the Fund's resources have been utilized to deal with a broad range of industrial, agricultural, and mining projects in countries whose debt servicing capacity is limited, such as Bolivia and Haiti. The Fund has also enabled the financing of projects in special problem areas, such as the northeast of Brazil. In a few cases, the Bank has combined funds from its several resources to finance different aspects of a single sizable project. A case in point is a large project for the improvement of water supply systems in Colombia which was financed with three complementary loans, one each from the Bank's ordinary resources, the Fund for Special Operations and the social progress trust fund. Finally, the existence of the Fund is of special significance for the Bank's technical assistance activities, which enable member countries to carry out preinvestment studies to determine the feasibility and priority of individual projects since 3 percent of the Fund's initial resources have been available under the charter for technical assistance grants. I am convinced that at least for the next few years, Latin America will continue to need large amounts of external economic development capital on relatively lenient terms, such as those extended by the Fund for Special Operations.

The $50 million appropriation requested by the Administration is a part of an overall increase in the fund of $73,158,000 to which the members will contribute half in dollars and half in their respective national currencies. The resolution recommended by the Board of Executive Directors authorizing the increase in the Fund's resources contemplates payment on or before December 31, 1963, and, accordingly, the appropriation for this purpose is requested during this session of the Congress. It is expected that in accordance with a provision of the Bank's charter, the United States will make this contribution, if authorized and appropriated, half in cash and half in non-interest bearing notes.

In summary, the $50 million appropriation presently requested by the Administration is needed to permit the United States to fulfill an international commitment, which it is expected Congress will authorize, to augment the resources of the Fund for Special Operations of the Inter-American Development Bank. I believe that the Bank as a multilateral institution representative of all the American Republics (except Cuba) has justified in its 2½ years of banking operations the belief and confidence of its 20 founding governments that it would make a substantial and significant contribution to the acceleration of economic development in Latin America. The additional contribution by the United States to the Fund for Special Operations will permit the Bank to continue its effective operations and contribute to the realizaion of the goals for the Alliance for Progress.

Thank you, Mr. Chairman.

BORROWING BY THE INTER-AMERICAN DEVELOPMENT BANK

Mr. PASSMAN. Could you give us a recapitulation of the different funds available for Latin America and the several acts of Congress, both authorizations and appropriations?

Mr. KILLEFER. I have that data, Mr. Chairman, with respect to the Inter-American Development Bank. As you understand, this is an international, multinational institution. I do not have it for the U.S. Government or other international agencies.

Mr. PASSMAN. This Bank operates in how many countries?

Mr. KILLEFER. In 19 countries of Latin America.

Mr. PASSMAN. Only for Latin America?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. Could you tell us how much money the Inter-American Development Bank has borrowed from England? Have they sold any bonds or received any loans from England?

Mr. KILLEFER. No, they have not, Mr. Chairman.

Mr. PASSMAN. Has the IDB borrowed from France?

Mr. KILLEFER. We have not borrowed any money from any country in Europe except Italy.

Mr. PASSMAN. Not from, West Germany?

Mr. KILLEFER. No.

Mr. PASSMAN. Switzerland?

Mr. KILLEFER. No.

Mr. PASSMAN. Holland?

Mr. KILLEFER. No.

Mr. PASSMAN. Or Belgium?

Mr. KILLEFER. No.

Mr. PASSMAN. You have borrowed money from only one European country and that was Italy. Have you made two loans in Italy?

Mr. KILLEFER. No, we made one public offering of bonds in Italy and one in the United States. You should understand, sir, that these European countries do participate in projects which the Bank finances.

Mr. PASSMAN. I understand that perfectly well, but that is another part of it.

Mr. KILLEFER. Exactly.

Mr. PASSMAN. They come in under some other arrangement but as far as the Bank is concerned, only Italy has purchased bonds of the Bank?

Mr. KILLEFER. Up until this date.

Mr. PASSMAN. When was that bond sale consummated?

Mr. KILLEFER. April 25, 1962.

NO LEGAL OBLIGATION FOR ADDITIONAL U.S. INVESTMENT

Mr. PASSMAN. You state that you need this $50 million appropriation to fulfill an international commitment. What is that commitment?

Mr. KILLEFER. The commitment is that the member countries of the Bank, including the United States, would seek approval of their legislatures to go ahead with this increase.

You are well advised to raise the question because there is no international treaty now undertaken that has bound the U.S. Government. The commitment is to make an effort with the legislatures of the various congresses of the member countries to have the appropriations approved by those legislatures.

Mr. PASSMAN. Of course, if the Congress, in its wisdom, should not pass the authorization, appropriate the money, then we have violated no legal commitment, have we?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. If this Bank is a going institution, as you have indicated, and I am quoting from page 7—

> * * * the Bank's sound practices and the prudent building of a loan portfolio have enabled it to float two bond issues successfully in the private capital markets during 1962 * * *

why would that fact not be sufficient to enable the Bank to go out and borrow capital without getting this from individual countries? What rate of interest are you paying?

Mr. KILLEFER. On our bond issue of December 15, it was 4¼ percent.

Mr. PASSMAN. If you are paying 4¼ percent, what are the terms?

Mr. KILLEFER. Twenty years. These bonds are 20-year bonds.

OBLIGATION OF UNITED STATES ON BONDS ISSUED BY BANK

Mr. PASSMAN. Are the bonds guaranteed by the credit of the countries in the percentage in which they participate?

Mr. KILLEFER. Actually, it is a contingent obligation of the United States.

Mr. PASSMAN. The entire amount?

Mr. KILLEFER. Covered by the original appropriation.

Mr. PASSMAN. The bonds you sell are callable; I understand that, but to what extent are we responsible, if you sell $100 million in bonds, for the entire bond issue to the Bank?

Mr. KILLEFER. The Bank is primarily responsible and now the only——

Mr. PASSMAN. If you do not have the assets at maturity to liquidate the bonds, the Inter-American Development Bank would be the next creditor?

Mr. KILLEFER. If the Bank were not to have enough assets to pay its own obligations, then the various member countries of the Bank would all have to step in, in accordance with their original contributions.

Mr. PASSMAN. We would not be responsible for any higher percentage than our original dollar contribution, would we?

Mr. KILLEFER. That is correct. We would not be responsible for any amount in excess of our original callable capital subscription.

TOTAL CONTRIBUTION OF UNITED STATES

Mr. PASSMAN. What is our total contribution going to be if you get this half a billion dollars?

Mr. KILLEFER. To date, we have $200 million in callable capital. This is the part that does not have to be put up. We have put in $150 million of paid-in capital and then we have put in $100 million in this Fund we are here discussing, for a total of $250 million.

But we have taken out non-interest-bearing notes in the amount of $125 million, so as of this point in time the United States has paid into the Bank $125 million.

SUBSTITUTION OF NON-INTEREST-BEARING NOTES FOR CAPITAL CONTRIBUTION

Mr. PASSMAN. In last year's committee report on the appropriation for the Bank, the committee stated:

> The committee was quite disturbed to discover during the hearings that in prior years the United States has paid in its subscription only to have the Bank reinvest a portion of the U.S. payment in U.S. securities. This procedure has cost the taxpayers an additional $2.4 million in interest payments. The committee does not approve of the practice and hopes the present Secretary of the Treasury will not pay subscriptions until they are needed, so that this practice will not prevail in the future.

What has been done along this line in the past year to correct this practice?

Mr. KILLEFER. Everything has been done that is permitted under the law. The United States has taken back and substituted non-interest-bearing notes to the extent of $75 million of the ordinary capital and $50 million of the $100 million of the Fund for Special Operations.

As you remember from my statement, it is planned if the money is appropriated the same procedure will be followed.

Mr. PASSMAN. The distinguished gentleman from Arizona, Mr. Rhodes, detected this practice and brought it to the attention of the committee.

Have you been able to recover the $2.4 million——

Mr. KILLEFER. Mr. Passman, may I say you have a question pending that I have not answered?

Mr. PASSMAN. I was giving you the second part. I was going to ask the question when you responded you had done everything that could be done under the law and, in effect, that is what you said.

Mr. KILLEFER. We have.

Mr. PASSMAN. Have you been able to recover the $2.4 million we paid out in interest? That is what it cost? We put our money up and the Bank earned $2.4 million in interest, but have they returned

that to the U.S. Treasury or is it still remaining as a profit to the Inter-American Development Bank?

Mr. KILLEFER. The Bank has not transferred any funds to the United States that came as a result of interest payments to the Bank for funds it had invested.

Mr. PASSMAN. Under your present procedure, can there be a repetition of this practice?

Mr. KILLEFER. Let us suppose the $50 million is authorized and appropriated.

Mr. PASSMAN. Let us get it up to the present time.

Mr. KILLEFER. With respect to the previous amounts paid in by the United States, all has been drawn out and non-interest-bearing non-negotiable notes substituted for it, that is permitted under the law.

Mr. PASSMAN. That is different from the original arrangement you had?

Mr. KILLEFER. In other words, this defect was cured that Mr. Rhodes referred to during the hearings last year.

Mr. PASSMAN. Not until it had cost us $2.4 million in interest; is that correct?

Mr. KILLEFER. I do not know whether it is correct, but I am willing to take the chairman's word.

Mr. PASSMAN. Since the Bank earned $2.4 million from advance payments they did not use, it would appear to me it would be well for us to recoup that money.

Mr. KILLEFER. The purpose in investing the U.S. funds and obtaining interest on them was the following: When you start a new institution, a banking institution, it cannot possibly have net earnings in the first months of its operation because it is only in the process of digesting its loan applications. So unless it is to feed on its own capital, it must have some other source.

It was in the minds of the congressional leaders to whose attention this matter was brought, and both the Secretaries of Treasury, Anderson and Dillon, that for the first year or so of the Bank's operations this would be permitted. That period has passed, and now it is no longer permitted and never would be again so far as I know.

Mr. PASSMAN. Would you know the congressional leaders to whom you refer?

Mr. RHODES. Would it not have been a little more direct approach if the people who were responsible for the legislation for the U.S. participation in this Bank had said, "This Bank has a certain amount of capital. It is not going to be in the business of lending money for some little time. It is going to take x dollars to operate it during that time, so we would therefore like to have the law include an authorization for a contribution from the U.S. Government to the Bank to take care of its operation for a certain period of time," isn't this really what we did?

Mr. KILLEFER. In effect, that is exactly what was done.

Mr. RHODES. But without the Congress having the opportunity to say yes or no.

That is my principal objection to what was done. I think it was a complete flouting of the prerogatives of the Congress.

Mr. PASSMAN. I, too, think so.

PROFITS FROM BANK OPERATIONS

When did you start receiving interest on loans into the Bank? Are you now having interest payments made?

Mr. KILLEFER. We are, and also repayments on account of principal are beginning to come in.

Mr. PASSMAN. I am interested primarily in profits. Your profits are from the interest?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. When did you start receiving interest payments?

Mr. KILLEFER. I do not have the date of our first interest payment. Last year, from both the Bank's ordinary resources and its Fund for Special Operations, a net profit was realized. I have those figures if you would like to have them.

I can give them to you now.

Mr. PASSMAN. You are giving us the interest only?

Mr. KILLEFER. What I will now give you is the net income of the Bank, which represents interest payments and the net income from the Bank's resources. The amount is $3,409,330.

Mr. PASSMAN. From what date did you start receiving the income?

Mr. KILLEFER. This is for calendar year 1962.

Mr. PASSMAN. You had no income in 1961?

Mr. KILLEFER. In 1961 we had a net income of $198,620.

ACCESSIBILITY OF LOANS FROM BANK

Mr. PASSMAN. Would you agree that loans of this type are somewhat lenient and that you do not actually have to go out and solicit very hard to get takers?

Mr. KILLEFER. Mr. Chairman, there are two funds here, and it is so easy to confuse the two and the purposes of them and the answers I should give for one fund are not the same for another. When you speak of raising bonds, we cannot raise bonds for the Fund for Special Operations.

Mr. PASSMAN. I am not talking about that. You are making loans to municipalities and they are in turn making loans to individuals so as to get this program going?

Mr. KILLEFER. In some cases that is true, in other cases it is rather for a development project where there is no relending.

Mr. PASSMAN. I would say most of them are that way. When this money is available on lenient terms, you do not have to do a lot of arm twisting to get people to come borrow it, do you?

Mr. KILLEFER. There are more applications by far on file than the Bank can process.

Mr. PASSMAN. You would not have to spend large sums of money to advertise the fact this money is available?

Mr. KILLEFER. We would not have to advertise, but I believe it is very important that the image of the Bank be understood, particularly in Latin America, as well as in the United States, so people know what is available in the way of facilities for assisting them to engage in enterprises that require investment capital.

Mr. PASSMAN. Would a brochure, or letters, to other banks and leanding organizations be sufficient to get the bank's "image" before the countries and municipalities?

Mr. KILLEFER. That would be one means, but certainly by no means all.

Mr. PASSMAN. I believe you will agree that businesses usually like to operate out of the profits, not the capital account?

Mr. KILLEFER. That is certainly correct.

MEETINGS OF BOARD OF GOVERNORS

Mr. PASSMAN. As I mentioned earlier, with regard to the meeting in Rio—I think it was possibly 1 week—the Bank may have had 3,000 guests. General Cutler did not know.

There was one very big banquet there. The cost of that meeting was $143,358, and the Bank had to pay for it out of the capital account because at that time it had earned no profits from which to pay the expense. You may wish to have a look at this, at page 214 of the hearings.

They had planned for the following year a similar meeting that would cost $225,000. I wonder if they held that meeting?

Mr. KILLEFER. A meeting was held, an annual meeting of the Board of Governors of the Bank this year in April in Caracas, Venezuela.

Mr. PASSMAN. What was the cost of this meeting?

Mr. KILLEFER. That was only concluded a week or so ago. We do not have the costs.

Mr. PASSMAN. Did you not have one in 1962?

Mr. KILLEFER. There was a meeting in 1962.

Mr. PASSMAN. Could you tell us what that meeting cost?

Mr. KILLEFER. I can give you that figure.

The actual expense of the 1962 meeting was $207,500.

Mr. PASSMAN. How long did the meeting last?

Mr. KILLEFER. Approximately 5 days.

Mr. PASSMAN. How much did you spend for travel for directors, officers, and staff? What was the transportation charge? Do you have it broken down?

Mr. KILLEFER. I do not have that broken down.

Mr. PASSMAN. How much was the representation?

Mr. KILLEFER. I do not have that.

Mr. PASSMAN. How much was the total?

Mr. KILLEFER. $207,500.

Mr. PASSMAN. We want a listing in the record of what the $207,500 represents. I wish you would go to page 214 of the hearings of last year and be sure you give us the information comparable to items listed there, and then give us an estimate on fiscal year 1963.

(The information supplied follows:)

Expenses, annual meeting of Board of Governors

	1962 budget estimate	1962 actual expense	1963 budget estimates
Travel of directors, officers, and staff	$124,352	$133,220	$112,000
Local services (secretarial, translation, etc.)	22,180	27,685	50,000
Printing	5,000	6,711	7,000
Transportation of records, documents, equipment, etc	8,300	8,262	5,000
Rental of interpretation and other equipment	7,500	6,960	7,500
Representation	20,535	10,899	15,950
Sundry expenses	10,133	13,764	5,000
Contingencies	27,000		19,550
Total	225,000	207,501	222,000

Mr. PASSMAN. Do you recall how many attended the banquet in 1962, last year?

Is it customary to have several thousand people in to a banquet when you have the annual meeting of the directors?

Mr. KILLEFER. No; it is not.

Mr. PASSMAN. Could you give us some idea at this time as to what this $207,500 represented?

Mr. KILLEFER. The largest item in that is the transportation of the Bank's staff down to the point of the meeting. That is about the only major expense that is not paid for in local currencies.

Mr. PASSMAN. It still does not make any difference; you are giving us a dollar equivalent.

Mr. KILLEFER. Yes; we are.

Mr. PASSMAN. Why would it be necessary to take the whole staff, cook, dishwasher, and all?

Mr. KILLEFER. We do not take the whole staff; about a quarter of them.

The Bank's staff is located here in Washington.

Mr. PASSMAN. You would take the directors, would you not? There are seven?

Mr. KILLEFER. That is right.

Mr. PASSMAN. Would each need more than one secretary?

Mr. KILLEFER. Normally they do not each take a secretary. They take their alternates. A little less than a quarter of the Bank's staff would attend the annual meetings.

Mr. PASSMAN. For what reason? Are you not discussing policy at the top echelon?

Mr. KILLEFER. Right. Mr. Passman, I would like you to come to one of these meetings one time. You would have an entirely different point of view on it.

From the House Banking and Currency Committee this year, Mr. Widnall and Mr. Ashley and then Senator Hubert Humphrey came.

Mr. PASSMAN. Did you pay their expenses?

Mr. KILLEFER. No, we did not, and neither do we pay the expenses of all the people who come who are engaged in private banking, commercial banking, all over the world, nor do we pay the expenses of the Board of Governors of the Bank. They all pay their own way.

Mr. PASSMAN. The members of the Board of Governors?

Mr. KILLEFER. Yes, they do.

Mr. PASSMAN. You have 190 professional employees here?

Mr. KILLEFER. More or less.

Mr. PASSMAN. If you take 25 percent of them, that would be 50.

Mr. KILLEFER. Counting secretaries, we had at the annual meeting somewhere around 90 people in the Bank staff.

Mr. PASSMAN. What do those people do when they get there, the secretaries?

Mr. KILLEFER. They are working on papers that are being transcribed. There are a great number of translators who have to translate the papers into Spanish or English. They are setting up the meetings. Mr. Passman, it is difficult for me to convince you on this, but——

Mr. PASSMAN. You have not convinced me, and I do not think you can, try as hard as you may, that you have to spend that much money and you have to take 90 members of the staff from Washington down

to a meeting. Those governments are bound to know you have this Bank, and you have one purpose for having this Bank, and that is, to lend money. You have more applications now than you can possibly fill; is that correct?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. What percentage of the applications would you be able to fund out of your present account?

Mr. KILLEFER. That is too hypothetical a question. You can approve the good ones but not the bad ones.

Mr. PASSMAN. How many applications do you have pending that would qualify for a loan if you had the money?

Mr. KILLEFER. I have no way of knowing.

Mr. PASSMAN. I will not press for an answer.

Are you advertising the Bank, or what?

PURPOSE OF GOVERNORS MEETINGS

Mr. KILLEFER. Let me tell you a little bit about the purpose.

These meetings are a focal point for the review of international development lending in Latin America. When I say that, I mean that the meetings are not just attended by finance ministers and ministers of economy and the Secretary of Treasury, but in addition to that, by commercial banks from all over the world who have international business.

For instance, all of our large commercial banks in New York, the senior representatives of these private and public financial banking institutions all over the hemisphere, and Europe too, go. These meetings are a place where scholarly papers on financial thinking are presented, on economic development, and they give an opportunity for people to exchange views, these senior representatives, with the private bankers from all over the world.

The result of the meetings is, these people are all present in one place together, and private bankers from New York have told me during the week of our last meeting in Caracas that it was a wonderful opportunity for them to get a lot of business done they would not possibly be able to do in less than 2 months. So they are interested in coming to these meetings, hearing what is said, and it is worth them paying their own way, which they do. They believe it is beneficial to them in their business.

Mr. PASSMAN. They pay their own expenses?

Mr. KILLEFER. They do, Mr. Passman.

Mr. PASSMAN. You are spending about $5,000 per person you take down.

I just do not understand how that much money could be advantageously spent. You are only going to have $1 for each $3 in applications.

Mr. KILLEFER. I should also say it provides the various countries that are members of the Bank with an opportunity to review pending loan applications that are in process in the Bank's machinery——

Mr. PASSMAN. I thought that was done here. Do you not receive your applications here?

Mr. KILLEFER. We do. It becomes necessary to do a lot of negotiating with respect to feasibility studies, engineering, market studies

and negotiating the terms of the loans, and to the extent this can be done, over one period of time——

Mr. PASSMAN. In 5 days all that can be done? An engineer could not get to one town and back over some of those roads down there. You are talking about a 5-day meeting.

ADVISABILITY OF GOVERNORS' MEETING IN WASHINGTON

Mr. RHODES. Why does the convention have to be out of Washington? Would it not be cheaper for the Bank to have the convention here?

Mr. KILLEFER. I think it would certainly be less expensive for the Bank itself if the meeting were held here and there was no travel connected for the Bank. Whether or not you would get the kind of attendance that gives the meeting the stature the Bank is trying to build for it is another matter.

The question you raised was raised this year, and I think it will be be seriously considered by the Bank. That is the reason to date it has not been done. It is so important in the first years to get the Bank well known in Latin America where it operates.

Mr. RHODES. Do you charge registration fees to other bankers who come to the meeting of the Board of Governors?

Mr. ROSENSON. I do not believe so.

Mr. RHODES. Whatever dinners there are, and whatever entertainment is held is at the expense of the Inter-American Bank?

Mr. KILLEFER. A good many of the private bankers gave dinners and luncheons themselves during the week of the meeting for various people in attendance. There are not dinners and luncheons given every day to all the people that are there. You should understand that. Mr. Passman calls our attention to this meeting in 1961. There was only one evening when the Bank hosted the people. I do not know how many were in attendance.

COST OF MEETING COMPARED TO INCOME OF BANK

Mr. RHODES. I think the record should show that in appendix II–2 there is a summary statement of income and administrative expenses which shows that for the year, December 31, 1962, the Bank showed a profit after technical assistance expense of $602,045.

They must have spent an amount equal to 33⅓ percent of their annual profit on one meeting of the Board of Governors.

Mr. PASSMAN. I was showing 40 percent, but I accept the corrected figure.

I want the record to show that I recognize it may be well to have the Governors meet once or twice a year. But so far as holding these full-fledged conventions where you have 1,000, 2,000, or 3,000 people in for a big banquet, I do not think it is necessary. We are having to borrow this money. In the end, I think of it as the American taxpayers' money.

That is not an indictment of your integrity. Easy come, easy go.

Mr. KILLEFER. Could I interrupt to say the figure you read related only to the Fund for Special Operations. We keep these all separately. If you look to appendix 1 on page 36, you will see our net income for

1962 for the other fund, ordinary resources, was $2,807, 285. Those both together represent the net income of the Bank for the year.

Mr. RHODES. I think we should also say in all fairness that the "lion's share" of that came from investments in U.S. Government bonds.

Mr. KILLEFER. I do not have the amount that came from it, but a substantial portion.

Mr. PASSMAN. We wish you would provide for the record the exact amount.

(The information supplied follows:)

Income from investments in U.S. Government securities acounted in 1962 for:

(i) $3,596,927, 51.3 percent of the gross ordinary capital income of $7,009,294.

(ii) $2.075,905, 62.7 percent of the gross income of the Fund for Special Operations of $3,312,873.

(iii) $5,672,832, 54.9 percent of aggregate gross income of ordinary resources and Special Fund, $10,322,167.

SUBSTITUTION OF NON-INTEREST-BEARING NOTES FOR CAPITAL CONTRIBUTION

Mr. RHODES. While we are on that, may I call your attention to page 59 of the 1962 report of the Inter-American Development Bank. It states:

The U.S. dollar portion of the funds received as contributions to the Fund for Special Operations, not required for technical assistance expenses or for loan disbursements, was invested in U.S. Government short-term obligations and in negotiable certificates of deposit in commercial banks.

In reference to the questions of the chairman, I think you were discussing regular operations of the Bank when you said the practice of substituting loans for actual contributions had been adopted.

Mr. KILLEFER. It also applies here.

Mr. RHODES. Then what does that mean? Do you see the paragraph on page 59?

Mr. KILLEFER. I do. Only 50 percent, by law, of contributions can be withdrawn. So, certainly, this language applies to the 50 percent that is left in, which is $50 million. Also, as you remember, last year there was part of the year in which the United States still had not taken out those funds and had substituted notes, so I would expect the language would equally apply to those funds.

Mr. RHODES. Your answer is that this would refer only to the 50-percent contribution that had to be made in cash?

Mr. KILLEFER. Plus whatever amounts had not yet been taken out by the Government.

INCREASE IN CAPITAL STOCK

Mr. PASSMAN. On page 2 you state:

The Board of Executive Directors duly examined this question and reported to the Governors a proposal to increase the capital stock of the Bank by $1 billion, of which the U.S. share would be $412 million.

How many votes were there present at the time of the adoption of this proposal?

Mr. KILLEFER. The Board of Executive Directors has seven members and their vote on this question was unanimous. The Governors, there is 1 for each member country, or a total of 20.

Mr. PASSMAN. The Governors had nothing to do with it?

Mr. KILLEFER. The Governors certainly did, sir. What the Governors did was to approve this proposal, and one of their resolutions, in Caracas last week, recommended that each member country take the legislative and administrative actions necessary to make the proposed increases effective.

Mr. PASSMAN. There was unanimous approval by the Board of Executive Directors. You have how many Governors?

Mr. KILLEFER. Twenty Governors.

Mr. PASSMAN. Did the proposal have the unanimous approval of the Board of Governors?

Mr. KILLEFER. Yes, sir.

Mr. PASSMAN. I would think there might be some opposition.

Mr. KILLEFER. I will have to correct that. There was one country that did not approve, so it was about 99 percent approval.

You understand there is no appropriation sought under that fund this year.

Mr. PASSMAN. You mean the $50 million?

Mr. KILLEFER. I mean the $412 million you referred to.

Mr. PASSMAN. The proposal was to increase the capital stock of the Bank by $1 billion, of which the U.S. share would be $412 million, and the Fund for Special Operations, by $73.2 million, of which the U.S. share would be $50 million, and you are asking for that amount?

Mr. KILLEFER. Yes.

Mr. PASSMAN. And if Congress should not appropriate it, you would have sufficient capital out of the present structure to continue operating?

Mr. KILLEFER. Not to continue operating with respect to the kind of operations conducted by this Fund.

Mr. PASSMAN. I am not talking about the kind of operations conducted by this Fund. We get these associations going, and before the ink dries they are in to increase their capital stock, just as IDA was. But, under the original formula, was it thought you had an organization that could function with the amount of capital subscribed?

Mr. KILLEFER. No. It was contemplated in the agreement establishing the Bank and a provision was made for replenishing the capital stock.

Mr. PASSMAN. From the nations or from selling bonds?

Mr. KILLEFER. From the nations. This proposal of $50 million is exactly what was originally contemplated. It is a 50-percent increase.

Mr. PASSMAN. What about the $1 billion increase?

Mr. KILLEFER. This is callable capital. That is not money that the United States will have to put up unless the Bank is completely unsuccessful in its operations.

Mr. PASSMAN. By this action are you anticipating it will be completely unsuccessful?

Mr. KILLEFER. Oh, no.

Mr. PASSMAN. Is that not what you said?

Mr. KILLEFER. No, sir.

Mr. PASSMAN. Please read back the answer.

(The answer referred to was read by the reporter as above recorded.)

Mr. PASSMAN. Then it would have to be completely unsuccessful before we put up the capital?

Mr. KILLEFER. The only time the callable capital is put up is if the Bank is unable to pay its own obligations, and what we will do with this callable capital is go to the public market in New York or wherever in the world to the extent needed to raise funds not from Government sources but from private capital.

Mr. PASSMAN. But the very fact you have an authorization without an appropriation would develop the credit for you and later you would expect an appropriation?

Mr. KILLEFER. Remember every year so far we have made a profiit and we expect to continue to do so and if so this money will never be called upon.

Mr. PASSMAN. Then why anticipate the need?

Mr. KILLEFER. Because it is a source for conducting our lending operations. The Special Fund includes loans made on these more lenient terms you referred to and they are not a proper portfolio item.

Mr. PASSMAN. When you go out to get this capital, you say you are making a profit and you do not have to worry, but there has been $1 billion pledged so if this is a failure you can call upon the other fund. Is that not what you are saying, that you will not need this unless the other is a failure? To me there would be some indication of doubt when you have to support it with a callable fund like this.

Mr. KILLEFER. Quite the contrary, because the whole concept of the Bank as an intergovernmental bank is one that due to the strength of the governments behind it, private capital will be willing to lend money to the Bank which the Bank in turn can lend for development.

Mr. PASSMAN. At some subsequent date the United States will be called upon to appropriate this money?

Mr. KILLEFER. No. They will appropriate it before. It would be appropriated in the beginning, but it would never be called upon to be paid unless the Bank were unsuccessful.

Mr. PASSMAN. It is a bookkeeping entry, but the first thing you know there might be an Executive directive that the funds can be used another way.

Off the record.

(Discussion off the record.)

EFFECT OF LOANS ON PRIVATE U.S. ENTERPRISES

Mr. PASSMAN. The Bank made six loans for a total of $24,270,487 from its original capital resources directly to private enterprise?

Mr. KILLEFER. In 1962, from its ordinary capital resources, the Bank made 19 loans totaling $83,694,000.

Mr. PASSMAN. I was referring specifically to your statement on page 15 of your report.

Mr. KILLEFER. Then your statement is correct, $24,270,487.

Mr. PASSMAN. What is the effect of these loans on U.S. private enterprise?

Mr. KILLEFER. They are intended to be of assistance to private enterprise because a very substantial amount of the proceeds goes to purchasing equipment in the United States from U.S. manufacturers.

Mr. PASSMAN. Let us take the second part of it. If it is for a plant that assembles automobiles in Latin America, would it not affect the sale of U.S. automobile parts in subsequent years if they are manufactured there?

Mr. KILLEFER. Yes, it would. To the extent that they manufacture those parts in that country, they would be importing less from the United States.

Mr. PASSMAN. I encourage that practice up to a certain point.

TERMS OF SUBLOANS

The Bank is making development loans for relending to private enterprise. Would the Washington office have knowledge of the terms of such loans?

Mr. KILLEFER. Yes.

Mr. PASSMAN. Are they usually longer terms or shorter terms than the original loan?

Mr. KILLEFER. The subloans?

Mr. PASSMAN. Yes. Do you have a policy with the prime borrower?

Mr. KILLEFER. We do have such a policy.

Mr. PASSMAN. The question is, he could not make loans the repayment of which would be a longer term?

Mr. KILLEFER. They would be much shorter. If our loan is a 15-year loan, what they are lending for agricultural equipment would be for 2 or at the most 3 years, and when the money is repaid it is placed in a revolving fund to be used for other similar loans.

LOANS TO BOLIVIA

Mr. PASSMAN. Page 8 of the same report indicates that in July of 1962 the U.S. Agency for International Development and the Bank entered an agreement calling for the financing of specific projects totaling more than $80 million to accelerate Bolivia's economic and social development.

Does this mean the funds have been committed before an agreement was reached on repayment by the Government of Bolivia?

Mr. KILLEFER. It does not. What the Bank agreed to do is to consider loan applications in Bolivia for around $20 million for loans from its own resources and those of the Social Progress Trust Fund. In effect the loans made to date in Bolivia are also shown in the annual report beginning at page 64, where the report refers to a farm settlement loan in Bolivia.

Mr. PASSMAN. You may insert that information in the record, if you will.

(The information follows:)

LOANS TO BOLIVIA

In July 1962 the Bank and the U.S. Agency for International Development (AID) agreed to consider new financial assistance to Bolivia for more than $80 million. Under the agreement the Bank would consider loans for specific projects for a total of about $21.4 million. The arrangement grew out of recommendations made by an ad hoc committee of experts following a study of Bolivia's 10-year economic and social development plan under the terms of the Charter of Punta del Este.

This loan for $2.6 million and another for $6.5 million from the Social Progress Trust Fund (see p. 88 of the Bank's Third Annual Report) are being provided as part of the arrangement to finance 43 percent of the cost of a land settlement and farm credit project contained in the 10-year plan. The project calls for moving about 8,000 farm families from the densely populated Altiplano and surrounding areas to government-owned lands in the tropical and subtropical

regions of east-central Bolivia and opening some 520,000 acres of new land to cultivation. This Fund for Special Operations loan will be used exclusively to extend credits to the settlers for the purchase of implements, seed, cattle, work animals, tools and other items essential to raising farm productivity. The loan from the Social Progress Trust Fund will be used to finance land clearance and parceling, building infrastructure facilities and for technical assistance. The project is part of a broad resettlement program aimed at relocating 100,000 farm families during the next 10 years. The loan is guaranteed by the Banco Central de Bolivia.

COURSES, SCHOLARSHIPS, AND OTHER ACTIVITIES

Mr. PASSMAN. Would you comment briefly on the $528,522 cost of courses, scholarships, and other activities on page 28 of the annual report?

Mr. KILLEFER. Yes. This is part of the technical assistance program of the Bank, and it is one of the most important parts because a primary lack in Latin America is professional capability on the part of the people in the fields of economics, engineering, and the basic sciences, and it is in an effort to improve that, and in accordance with its charter the Bank has made technical assistance loans for that purpose.

Mr. PASSMAN. Are these loans repayable?

Mr. KILLEFER. As you will see on page 28 of the annual report, $5,151,000 is reimbursable and $1,299,000 is nonreimbursable.

Mr. PASSMAN. The $1,299,000 is in effect a grant out of the profits of the Bank?

Mr. KILLEFER. It is a grant.

Mr. PASSMAN. Out of the profits of the Bank? It would have to be if it is not reimbursable. You certainly would not make nonreimbursable expenditures out of your capital?

Mr. KILLEFER. No. They are payable, as you suggest, out of the net profits of the Bank.

Mr. PASSMAN. The $1,299,618 is nonreimbursable technical assistance and comes out of the profits of the Bank?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. If you went too far afield, would you not use up all your profits, or do you have limitations in the charter or in the law?

Mr. KILLEFER. There was a limitation in the charter of 3 percent of resources of the Special Operations Fund that could be used during the first 3 years.

Mr. ROSENSON. But in actual fact no part of the original resources of the Fund has been used.

Mr. PASSMAN. What have our aid people been doing all these years with the huge amounts under point IV? Are you really sticking to banking when you get into the technical assistance field?

Mr. KILLEFER. You really are, for this reason: You cannot set up a savings and loan institution, for example, in a country where you do not have people who have the basic education to do it, and the purpose of these scholarships is to give the educational qualifications so people can be trained to run these institutions. It is a basic requirement of economic development, I think, in Latin America.

You asked, sir, what is the limit. Certainly sound business management and prudence in operation both on the part of the management of the Bank and the Board of Directors would dictate that not an inordinate amount of the Bank's funds be used for this purpose.

REPAYMENT IN CURRENCY OF BORROWING COUNTRY

Mr. PASSMAN. Under the Fund for Special Operations I notice a statement on page 60 which reads as follows:

> With regard to the repayment of loans or portions of loans granted in dollars, in several cases, due to special circumstances connected with the borrower or the project, repayment of the loans has been authorized in the currency of the borrowing country.

What countries have benefited from this special procedure?

Mr. KILLEFER. It really is not a special procedure, but the best way to get a quick look at just which loans——

Mr. PASSMAN. You say "due to special circumstances." I would be willing to substitute "special circumstances" for "special procedure." I was only quoting your own words.

SPECIAL OPERATIONS LOANS

Mr. KILLEFER. I have a list of these special operations loans and there are not very many of them and we can go down them.

Mr. PASSMAN. Kindly insert them in the record.

(The information follows:)

Inter-American Development Bank Fund for Special Operations

Loans approved to Mar. 31, 1963

Borrower	Date approved	Purpose	Amount (dollars or dollar equivalent)
Argentina:			
Republic of Argentina	Feb. 28, 1962	Technical assistance for planning development projects in Argentina.	$636, 428
Province of Rio Negro	July 31, 1962	To finance colonization, agricultural and industrial development.	4, 443, 947
Bolivia:			
Corporación Boliviana de Fomento.	Feb. 24, 1961	To finance specific projects for economic development.	10, 000, 000
Corporación Minera de Bolivia.	July 14, 1961	To finance machinery, equipment and services for rehabilitation of mines.	4, 500, 000
Corporación Boliviana de Formento.	Dec. 28, 1962	To finance a program of agricultural credit relating to the settlement of 8,000 farm families.	2, 600, 000
Corporación Minera de Bolivia.	Feb. 14, 1963	To finance machinery, equipment and services for second phase of rehabilitation of mines.	4, 860, 000
Brazil:			
Banco do Nordeste do Brasil	Apr. 9, 1961	Economic development program for northeastern Brazil.	10, 000, 000
Fundacão Comissão de Planejamento Economico da Bahia.	Feb. 21 1962	Technical assistance for planning industrial social and infrastructure projects.	65, 000
Banco do Estado da Guanabara, S.A.	Mar. 13 1962	Improvement and expansion of the water supply system of the State of Guanabara.	11, 000, 000
Chile:			
Corporación de Fomento de la Producción de Chile.	Dec. 21, 1961	Farm Settlement	6, 641, 408
Do	Dec. 21, 1961	Technical assistance in connection with rural credit, farm colonization.	265, 000
Do	Oct. 18, 1962	Aerial photogrametric survey of agricultural lands of Central Chile.	2, 100, 000
Colombia:			
Corporación Autónoma Regional de los Valles del Magdalena y del Sinu.	May 11, 1962	Technical assistance in connection with the regional development of the Sinu River watershed.	679, 870
Instituto Nacional de Fomento Municipal.	July 12, 1962	Expansion of potable water and sewerage system.	2, 500, 000
Ecuador:			
Comisión Nacional de Valores.	July 13, 1961	Development of African oil palm cultivation.	2, 365, 006
Banco Nacional de Fomento.	July 5, 1962	Technical assistance for reorganization of the borrower.	97, 000
Sistema de Crédito de Fomento.	Oct. 25, 1962	To assist in financing a program of credit for agricultural and industrial development.	6, 000, 000
El Salvador: Banco Central de Reserva.	Aug. 10, 1961	Development of rural electrification project for municipalities.	182, 728
Haiti: Banque Nationale de la Republique d'Haiti.	Apr. 19, 1961	To finance specific projects for economic development.	3, 500, 000
Honduras:			
Government of Honduras	May 11, 1961	Highway construction	2, 250, 000
Do	Nov. 9, 1961	Technical assistance for highway and air transport surveys.	960, 000
Banco Nacional de Fomento.	Apr. 12, 1962	To assist in financing an agricultural development program.	6, 000, 000
Panama: Instituto de Fomento Económico.	Dec. 7, 1961	To assist in financing an agricultural development plan.	2, 900, 000
Paraguay:			
Banco Nacional de Fomento del Paraguay.	Mar. 24, 1961	Development of industrial, agricultural and livestock projects.	3, 000, 000
Government of Paraguay	May 26, 1961	Equipment for expansion of colonization project.	250. 000
Do	Apr. 5, 1962	Technical assistance in connection with a colonization program of the Alto Paraná region.	800, 000
Administración Nacional de Electricidad (ANDE).	Dec. 6, 1962	Technical assistance for planning the construction of a hydroelectric plant.	400, 000
Uruguay: Establecimientos Frigorificos del Cerro, S.A.	Aug. 3, 1961	Improvement in meat-processing plant	640, 000
Venezuela: Instituto Agrario Nacional.	Nov. 8, 1962	To finance a program of consolidation of rural settlements.	2, 700, 000

Mr. PASSMAN. What were the special circumstances that necessitated this special procedure?

Mr. KILLEFER. I do not feel I have given the committee the basic understanding of the Fund. It is to be used to give the Bank additional flexibility in special circumstances. The circumstances are briefly two: (1) Where the repayment capabilities of the country are not as good as they are in other countries. Paraguay and Bolivia would be examples of such countries. (2) Where the character of the project is such that it is difficult to find out if it will pay out on its own. Take an access road to a place where melons are grown, from there to market. It is hard to prove the value of the increase in economic development in the country as a result of the road.

That is where we use the Fund for Special Operations and that is what special circumstances are intended to mean. When you look at these loans you will see that they are not the type we would like to have in our hard portfolio.

Mr. PASSMAN. I keep thinking about the expense account. With the amount of capital you have and the applications you receive and the flexibility you have under the charter, do you actually have to advertise this bank any more than you would normally through brochures and mailings to get applications?

Mr. KILLEFER. I suppose you can always find better applications. What we would like to do is to have the opportunity to choose the best of all of them.

Mr. PASSMAN. Has the AID agency made grants to any of the organizations to which the Bank has made either a grant or a loan, or would you know?

Mr. KILLEFER. No, but I can easily supply it. I cannot think of any offhand. I should say the Bank does not make grants except in this very narrow technical assistance field.

COMPARISON OF PROFITS WITH AMOUNT OF GRANTS

Mr. PASSMAN. Of course, when you have only been operating since 1961, $1,218,000 in grants out of your limited profits is quite substantial; is it not?

Mr. KILLEFER. It is.

Mr. PASSMAN. What percentage of your net profits would that amount be?

Mr. KILLEFER. Well, I can do the arithmetic for you right now, if you will wait. We figure our net profits for 1962 were $3.4 million and this is $1.2 million.

Mr. PASSMAN. This is about 34.5 percent, roughly, is it not?

Mr. KILLEFER. You are quicker than I am on the arithmetic.

IRRIGATION PROJECTS

Mr. PASSMAN. Do you have any irrigation projects financed by the Social Progress Trust Fund?

Mr. KILLEFER. No. What we do in the Social Progress Trust Fund, there are four fields and they are all, as the name indicates, not primarily economic development. They are social development. They are in the fields of housing for low-income groups, water and sanitation facilities, advanced education, and improved land use.

In improved land use, ordinarily you are not talking about irrigation which is an economic development. Normally those loans we make out of our other funds because they are economic. What we are doing here is to take people from an area, for instance, an overpopulated city or other overpopulated area, and bring them to a rural area and resettle them on that land.

That is what Social Progress Trust funds are used for, in connection with agricultural purposes.

Mr. PASSMAN. Do you have any irrigation projects financed by the special projects trust fund? I believe you said no.

Let us look at pages 89 and 90. Does this only finance 50 percent of the costs of an irrigation project?

Mr. KILLEFER. Would you mind indicating where you are reading from?

Mr. PASSMAN. On page 89 it says the loan will finance 40 percent of the cost of a project, contained in the overall program, to irrigate about 12,500 acres of new lands in southern Yucatan and distribute them among some 167 low-income farm families for growing fruits and vegetables. Then we go to page 90 and there is another loan. It says that this loan will finance 50 percent of the cost of an irrigation project.

Mr. KILLEFER. Where are you reading from?

Mr. PASSMAN. Page 90.

Then if we go to page 91 for Venezuela, it says that the loans will be used to finance land clearance and grading, the construction of small irrigation and drainage systems, and so on.

Mr. KILLEFER. When I refer to an irrigation project, I have in mind one where you build a dam for irrigation purposes, canals, or large works of that sort. This is what you would call on-farm irrigation. True, it is irrigation, but it is on an extremely small scale and relates to small farms.

If you will look on page 89, you will see these lands are to be distributed among low-income farm families for growing fruits and vegetables. The irrigation aspect of it is a minor one. It calls for drilling deep water wells on these small farms.

Mr. PASSMAN. We are talking about 12,500 acres in one instance.

I am now referring to the hearings of last year, and I quote:

Mr. ALEXANDER. Now, what type of projects will qualify for a loan from a bank? Will irrigation projects qualify?

Mr. GORDON. Under the Bank's regular lending capital and regular authority, which exists now, the irrigation projects would qualify.

Mr. ALEXANDER. Will they qualify under the $394 million?

Mr. GORDON. No, sir.

That is the trust fund?

Mr. KILLEFER. We are talking about the same thing.

Mr. PASSMAN. That is what I thought. Irrigation is irrigation. They say it would not qualify and then you say it will qualify when you are talking about 12,500 acres. When you are talking about 12,500 acres, you are talking about a pretty big irrigation project, are you not?

Mr. KILLEFER. The major purpose of this loan is to distribute these lands among small farmers in small parcels. Going along with that, they drill wells. I must admit that is irrigation but you cannot tell me that is an irrigation project in the same sense as where you dam up a river and channel it away to irrigate lands.

Mr. PASSMAN. Let us look a bit further on page 90, Mexico. That project calls for irrigation of 52,000 acres through the construction of 350 water storage facilities, 6 canals and drains, and 194 wells. Would you call that an irrigation project?

Mr. KILLEFER. Yes, I would.

Mr. PASSMAN. These people get this money on one basis and they do just whatever they want to after they get it. All you have to do is to go through these hearings to see this.

I am only referring to the testimony upon which they obtained the appropriation. Of course, no member of this committee can——

POLICY ON ASSISTANCE WHICH ADDS TO WORLD SURPLUS

Mr. RHODES. Mr. Chairman, I think it might be well if we asked the Inter-American Bank to furnish about the same type of statement I asked the International Development Association to furnish, concerning its policy as to the granting of loans for subjugating new lands, or adding additional facilities for water for old lands, upon which crops would be produced which would add to a world surplus.

Mr. KILLEFER. Very well.

Mr. RHODES. In other words, we do not feel the American taxpayers' money ought to go into the subjugation of land or the furnishing of water for growing of crops that add to the world's surplus of any commodity; be it coffee, wheat, cotton, or anything else which is in world surplus.

Mr. KILLEFER. We will be glad to supply that, Mr. Rhodes. Actually, much of our improved land-use funds go to the very opposite, which is crop diversification, as it should be.

(The information follows:)

In its loan operations, the Bank is fully aware of the undesirability of adding to the production of commodities which are in world surplus. When the Bank has reason to think that a loan related to agriculture might otherwise lead to an increased supply of such a commodity, except in rare cases there is included in the loan contract a clause providing that the resources of the loan shall not be used for the production of the commodity. This policy applies not only to loans for agricultural settlement and irrigation but also to those granted to provide credits for the improvement of existing farms. These clauses, of course, are not intended to prevent production of the crop involved to supply the farmers' own needs.

In most countries of Latin America, the great need in the field of agricultural production is to increase the availability of foodstuffs for internal consumption The basic focus of the Bank's agricultural loans is to help in meeting this need, which is becoming more significant each year in view of the rapid growth of population in Latin America.

BORROWINGS FROM ITALY

Mr. PASSMAN. Let us get to the subject of Italian lire. Is there any other consideration other than the fact they bought these bonds to get the interest? Were there any trade agreements? That is the only country that the Bank has borrowed money from or sold bonds to at 4.5-percent interest payable in 20 years?

Mr. KILLEFER. These were 5-percent bonds. That was the U.S. issue that was 4¼ percent.

Mr. PASSMAN. There are 5-percent bonds?

Mr. KILLEFER. The rates are higher in Europe.

Mr. PASSMAN. Is there any agreement between Italy and the Bank as to the considerations they would get other than just the interest?

Mr. KILLEFER. No, sir.

FINANCING SCHOOL CONSTRUCTION

Mr. PASSMAN. Has the Social Trust Fund financed school construction projects?

Mr. KILLEFER. The Social Progress Trust Fund is limited to advanced education, so it does not finance primary or secondary school construction. However, it has financed on a limited basis, particularly with respect to laboratory equipment, colleges, and universities in Latin America.

Mr. PASSMAN. How about buildings and clinics? Is there any construction that has been made out of these special funds?

Mr. ROSENSON. I think there was one case.

Mr. PASSMAN. I think there are several cases. Give us the one you know about.

Mr. ROSENSON. I will have to supply that.

Mr. PASSMAN. You just said you thought there was one.

Mr. ROSENSON. I believe there was one case.

Mr. PASSMAN. What case?

Mr. ROSENSON. A very exceptional case. I do not remember the case but I remember seeing about it.

Mr. KILLEFER. I will be glad to supply that.

(The information follows:)

CONSTRUCTION ASPECTS OF THE PROGRAM OF ADVANCED EDUCATION SOCIAL PROGRESS TRUST FUND

The agreement with the United States whereby the Inter-American Development Bank serves as the administrator of the Social Progress Trust Fund provides that the Bank will support "* * * such supplementary financing of facilities for advanced education and training relating to economic development as may be agreed upon from time to time between the United States and the administrator." (Article I, section 1.04(d).)

In discharging this responsibility, the Bank, as administrator, has concentrated its efforts on educational institutions on a post-secondary, university level.

As of May 1, 1963, the Bank has authorized loans amounting to $13,125,000 for 10 Latin American countries (Argentina, Chile, Mexico, Peru, and a group of Central American countries which are part of a regional operation—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) encompassing 18 institutions of national or regional importance. The purpose of the loans has been to support programs for the improvement of the quantity and quality of manpower trained in fields essential to development, primarily in the basic and applied sciences.

The borrowing institutions have matched the $13,125,000 provided by the Bank with a substantially larger amount. In addition, these institutions in order to qualify for support have been required to assure the Bank that necessary steps will be taken to improve the administration of teaching and research in these important fields through the elimination of duplicate courses, and the training of key personnel.

Of the $13,125,000 in loans, $11,350,000 will be expended on laboratory equipment, and scientific books and periodicals, most of which will be procured in the United States; $535,000 will be used for technical assistance, most of which will be spent for services performed by North American experts; and $1,240,000 will be used for the construction of facilities The latter amount is 9.4 percent of the total amount of the loans.

The construction item is distributed as follows:

University of Chile, regional colleges program:

Total loan, $2,300,000.

Construction, $940,000.

Purpose: Low cost, functional laboratory and classroom facilities in five regional centers required for instruction on a subprofessional level in fields related to labor market needs in these regions.

Central American Universities:

Total loan, $2,925,000.

Construction, $300,000.

Purpose: Laboratories and classrooms for physics and mathematics at the University of Costa Rica. These facilities will be used not only for the University of Costa Rica, but also as a center for advanced work for students from the other Central American universities.

Mr. PASSMAN. Again, to show you what we are up against, I quote from the record:

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 ICA.

I am not blaming you, but they get the money upon one line of testimony and then do just the opposite.

You can find this on page 169 of the hearings.

Mr. KILLEFER. What document?

Mr. PASSMAN. The hearings to get the money for this special fund of $394,000.

Mr. KILLEFER. That is the inter-American program for 1961?

Mr. PASSMAN. Yes.

COST OF PARIS OFFICE

What is the cost of maintaining the Bank's European office?

Mr. KILLEFER. Roughly, $70,000 a year.

Mr. PASSMAN. For what purposes?

Mr. KILLEFER. That includes the salary of the Bank's representative for Europe; rent on his office space; one secretary, full time; another secretary, part time; furniture and equipment.

Mr. PASSMAN. Where are they domiciled?

Mr. KILLEFER. In Paris.

Mr. PASSMAN. Give us a list of the expenses for the record, showing the amount for rent, salary, for the representative, and so on.

Mr. KILLEFER. Yes, sir.

I will try. I can certainly give you the exact total figure.

(The information follows:)

Inter-American Development Bank, Paris Office

	1963 budget
1. Personal services	$30,100
2. Administrative services and supplies	49,600
3. Miscellaneous	5,500
Total	85,200

Mr. PASSMAN. If it is costing $70,000 we want the component parts of that amount. We want to know the amount of rent, salary to the Bank's representatives, and the secretary.

Can you tell us at this time what their nationalities are?

Mr. KILLEFER. The Bank representative is an Argentine and his name is Dr. Julio Gonzalez del Solar.

Mr. PASSMAN. What is he doing there? There is only one nation that has bought any bonds at 5 percent.

Mr. KILLEFER. Mr. Chairman, the purpose of the Bank's office in Paris is to maintain liaison between the Bank and European private and public financial institutions and international organizations with which the Bank maintains contact.

Mr. del Solar before was the vice president of the Central Bank of Argentina and had served in a senior position with the International Monetary Fund.

There are five reasons why the Bank maintains an office in Paris for Europe. I would like to give them to you.

First, you have referred to the issue of bonds in Europe.

Mr. PASSMAN. One nation?

Mr. KILLEFER. One nation.

The Bank is constantly reviewing possibilities of additional bond issues. If we had issued bonds all over Europe before we needed the money, I would imagine the committee would have the right to criticize that action.

Mr. PASSMAN. I certainly agree with you that going over there and getting people to buy bonds before you need the money would put us in a heck of a mess. Do you have another reason?

Mr. KILLEFER. What I am concerned about is not having the record be incorrect on this.

Mr. PASSMAN. You let me worry about whether my part of it is correct. You address your remarks to your part any way you want to.

Mr. KILLEFER. I appreciate that opportunity and with that I am perfectly willing to go ahead.

Mr. PASSMAN. You did make a statement. Do not get irritated with me because you said, sir, if you had people over there and if you were to sell these bonds in advance of the need—and that is where you stopped—I could not help but think that it was premature to have those people over there in 1961 and spend that kind of money.

Mr. KILLEFER. I am not irritated at you and you cannot get me irritated.

Mr. PASSMAN. You cannot get me irritated either.

Mr. KILLEFER. I am not trying.

Mr. PASSMAN. Any other reasons?

Mr. KILLEFER. The second reason is that the Bank sells the earlier participations in its loans to commercial banks all over the United States and in Europe. As of March 1, we had sold about $705,000 of these participations to commercial banks in Europe.

Mr. PASSMAN. One country?

Mr. KILLEFER. All over Europe. If you wish, I will be glad to indicate all of those banks. There are a great many of them.

Mr. PASSMAN. The other reason?

Mr. KILLEFER. The third reason is to coordinate with the European governments and international organizations because the Bank administers, as financial agent for the German Government, approximately $4 million worth of funds which Germany has lent for operations in Latin America.

Mr. PASSMAN. Under this Inter-American Development Bank? Are you getting out of your field now? I am trying to keep it dealing entirely with this Bank's operations.

Mr. KILLEFER. This Bank operates as agent for the German Government which is participating in loans in Bolivia, and it also acts as financial agent for the Intergovernmental Committee for European Migration. They have made a loan of $1,250,000 for a colonization project in Brazil. We act just as their agent in that transaction.

Mr. PASSMAN. Who made the loan?

Mr. KILLEFER. The Intergovernmental Committee for European Migration.

Mr. PASSMAN. They made the loan?

Mr. KILLEFER. Yes. We are acting as their agent.

Mr. PASSMAN. To whom did they make the loan?

Mr. KILLEFER. To Brazil for a colonization project. This is not our fund, you understand.

Mr. PASSMAN. We have heard them in connection with their budget request and they did not mention this matter. You merely are servicing the loan for them?

Mr. KILLEFER. That is correct.

Mr. PASSMAN. This thing is really getting mixed up.

How many reasons is that why you should have a branch?

Mr. KILLEFER. Two more; the most important.

One, through the various intergovernmental coordinating mechanisms like the Development Assistance Committee of OECD, the Bank tries to interest the governments in Europe to grant general development assistance on terms and conditions that are appropriate to these projects.

By these means the Bank is seeking to channel investment from Europe into Latin America above and beyond the normal and usual exporter credits.

Finally, fifth, the Bank is always looking for opportunities to obtain funds from European private or public sources to participate with us in a parallel manner in financing economic development projects in Latin America.

Those are the reasons we have this office in Paris and we think it is most helpful to us. We think it is helpful to the United States because one of the main efforts of the Treasury is to get the Europeans to do their share of long-term financing in Latin America, not just skim off the cream by taking exporter credits of 5 years.

Mr. PASSMAN. We are neophytes in banking compared to the European bankers.

Are you familiar with the oeprations of the International Development Association?

Mr. KILLEFER. Yes, sir.

Mr. PASSMAN. They operate on a similar basis worldwide, do they not?

Mr. KILLEFER. I know the committee has heard testimony about it and that this is true.

Mr. PASSMAN. I think it is worldwide and they have a capital structure, I think, about the same that you have. Yours is concentrated in Latin America and they operate on a worldwide basis.

Do they have an office in Europe?

Do you know of any?

Mr. KILLEFER. No.

Mr. PASSMAN. Does the World Bank have an office in Europe?

Mr. KILLEFER. I think the World Bank and Fund do, but I do not know where.

Mr. PASSMAN. Why could not the World Bank represent you people over there? The first thing you know they will be opening these offices all over the world.

PARTICIPATION OF EUROPEAN BANKS BEFORE AND AFTER PARIS OFFICE OPENING

With respect to securities you sold to these people, does your record show whether or not they were sold prior to the opening of the Bank or subsequent to the opening of the Bank's office? You opened the Bank's office in Paris?

Mr. KILLEFER. Right.

Mr. PASSMAN. We were speaking about different sections of the country where banks have had participation in this Bank's operation?

Mr. KILLEFER. Right.

Mr. PASSMAN. Did that happen before or subsequent to the opening of this Bank?

Mr. KILLEFER. Both before and after.

Mr. PASSMAN. Could you tell us now something about that matter? I think you used a figure of $705,000.

Mr. KILLEFER. $705,000 of participations.

Mr. PASSMAN. Could you tell us how much of it was negotiated prior to the opening of this office there?

Mr. KILLEFER. I shall be glad to do that. I will supply it but I do not have the breakdown here.

(The information follows:)

The Paris office of the IDB was opened in February 1962. The European commercial bank participations obtained before then were as follows:

Banco Nazionale del Lavoro, Italy (June 25, 1961)	$70,000
Dresdner Bank A.G., Germany (Aug. 25, 1961)	40,000
Handelsfinanz A.G., Germany (Aug. 30, 1961)	100,000
Commerzbank A.G., Germany	65,000
Total	275,000

Participations obtained after the Paris office was opened amount to $430,000.

Mr. PASSMAN. The record is clear that since the adoption of our Constitution in 1789, every time our Government has collected a dollar in revenues it has incurred an obligation of $1.81, taking the 174-year period as a whole. We have now mismanaged America to the extent we are in debt $305 billion from borrowed money, and in addition to that there are 108 statutory obligations which call, in the aggregate, for a payout of $746 billion for services previously rendered, not to be rendered.

The record is there and we are in debt $1,051 billion.

Anyway, here we are. Your Bank is only 3 years old and you are in for an amended authorization.

STAFF OF THE IDB

What is the size of the staff of the Bank?

Mr. KILLEFER. Roughly, 416 persons of whom 190 are professional.

Mr. PASSMAN. How many?

Mr. KILLEFER. 190 in the fields of legal, engineering, economics, financial, and technical assistance. Thirty-six are administrative people and there are 154 secretaries and stenographers.

Mr. PASSMAN. We want the total, but give us a breakdown and insert that information in the record, please.

Mr. KILLEFER. Yes.

(The information follows:)

INTER-AMERICAN DEVELOPMENT BANK STAFF STATISTICS

The number of staff by function

Professionals (legal, engineering, economics, financial, technical assistance)	190
Administrative	36
Secretaries and stenographers	154
General services	36
Total	416

Nationality of the staff, broken down by category

	Professionals	Other		Professionals	Other
Argentina	20	12	Honduras	2	13
Bolivia	9	14	Mexico	5	14
Brazil	11	7	Nicaragua	4	3
Chile	21	5	Panama	1	14
Colombia	8	10	Paraguay	3	1
Costa Rica	7	3	Peru	6	23
Cuba	10	12	United States	55	56
Dominican Republic	2	6	Uruguay	6	1
Ecuador	9	6	Venezuela	2	8
El Salvador	4	9			
Guatemala	1	7	Total	190	226
Haiti	4	1			

Mr. PASSMAN. What is the total number, 416?

Mr. KILLEFER. Yes, sir.

Mr. RHODES. Does that include people in the Paris office?

Mr. KILLEFER. That includes everybody.

Mr. PASSMAN. How does that number compare with the Export-Import Bank staff?

Mr. KILLEFER. I will be glad to give you that.

Mr. PASSMAN. I think they had 293 last year; did they not?

Mr. KILLEFER. I think it is fewer than that, 291 employees.

Mr. PASSMAN. How about the operation of the Eximbank? They are worldwide, too, are they not?

Mr. KILLEFER. They are.

They have a budget of about $3 million.

Mr. PASSMAN. I am talking about the number of personnel.

Mr. KILLEFER. 291.

Mr. PASSMAN. You have 416?

Mr. KILLEFER. Correct.

Mr. PASSMAN. What is the total amount of accounts, dollarwise, they service?

Several billion, is it not?

Mr. KILLEFER. It is.

Mr. PASSMAN. Do you know those people?

Mr. KILLEFER. Very well. They do not have enough people working for them. If Mr. Linder, the President of the Bank, were here, he would tell you that his staff is much too small.

Would you let me speak for 1 minute on the reasons why the Eximbank operates more cheaply than we do? You have raised a point here.

Mr. PASSMAN. They are asking for 26 positions this year and that would give them 317.

What are you going to ask for this year? Are you going to stand pat on 416?

Mr. KILLEFER. I think we are probably going to be around 430 before the end of the year.

Mr. PASSMAN. I think we limit theirs, do we not?

Mr. KILLEFER. The two institutions are not comparable.

Mr. PASSMAN. They certainly are not.

Mr. KILLEFER. If you will just give me an opportunity——

Mr. PASSMAN. Please take your time.

EXIMBANK OPERATIONS COMPARED TO IDB

Mr. KILLEFER. I will try to explain to you why they are able to operate less expensively than the Inter-American Development Bank.

In the first place, they are a U.S. Government agency and many of their administrative expenditures are covered by supporting services rendered to the Eximbank by other Government agencies.

They conduct their foreign business frequently through U.S. Embassies. They purchase their equipment from the General Services Administration. They rent their space from GSA. They handle their communications, cables, telephones, et cetera, through existing Government channels.

They conduct their business only in English. They do their printing and their reproduction through the Government Printing Office. They maintain only one individual on a part-time basis abroad.

The IDB, on the other hand, does not have those advantages. It is a self-contained unit and it conducts its business outside U.S. Government channels, thereby incurring costs that are more nearly parallel with those of commercial institutions. We conduct our business in the Bank in the languages of the member countries. That requires sizable translating and interpreting staffs and importing our staffs from Latin American countries to the extent necessary.

We pay rental compared with commercial rental in Washington. Being a new organization we have had to purchase equipment and office supplies to meet our requirements.

The control of disbursements which, Mr. Chairman, you are interested in, and it is a vitally important part, and the supervision of the project require skilled personnel because the Bank takes every precaution to insure that the loans go into the project involved and that there is no wastage. The control of disbursement is a most important part of our loans, and a good many of our personnel are engaged in this work.

Mr. PASSMAN. When was the defense of this thing drafted? Did you read that statement?

Mr. KILLEFER. I have some notes I have taken down, and the basis of those notes is my 2 years' experience with the Eximbank.

Mr. PASSMAN. You expected I would ask that question?

Mr. KILLEFER. I hoped you would.

Mr. PASSMAN. The Export-Import Bank operates in about three times as many nations as you do?

Mr. KILLEFER. At least.

Mr. PASSMAN. Would they have to deal with three times as many foreign languages as you deal with?

Mr. KILLEFER. No, because they only deal in English.

Mr. PASSMAN. Only in English?

Mr. KILLEFER. Yes.

All their documents they require their borrowers to have translated into English.

Mr. PASSMAN. Why can you not do similarly?

EXPENSES OF IDB

Mr. RHODES. If I should take the amount of expenses set forth on page 36 of your 1962 report of $3,928,870 and add those to the expenses which are on page 71, appendix II–2, of $2,491,279, would I then have an accurate account of the dollar statement of expenses for the Inter-American Development Bank for the year 1962?

Mr. KILLEFER. You would, but you would have also to add in the expenses in dollars that the Bank incurs on account of Special Progress Trust funds for the United States.

Mr. RHODES That would include incurred. I think on page 36 the auditor deducted the $764,000 charged to the Social Progress Trust Fund.

However, $764,000 of that sum arises as a result of the administration of the Social Progress Trust Fund for the United States; is that correct?

Mr. KILLEFER. Those are indirect and overhead expenses to the Bank caused by that Fund.

Mr. RHODES. Then the total figure we might agree would be somewhere around $5,200,000 for total expenses for the Bank, exclusive of the Social Progress Trust Fund.

I guess we could read into the record at this time the fact that the administrative expenses requested by limitation for the Export-Import Bank this year is $3.5 million.

Mr. PASSMAN. Do you operate on a fiscal year or calendar year basis?

Mr. KILLEFER. Our fiscal year is the calendar year.

Mr. PASSMAN. You started your operation in 1961 and 1962. What has been your net profit for those 2 years?

Mr. KILLEFER. For 1962, it was——

Mr. ROSENSON. May I refer to the question Mr. Rhodes asked? He mentioned these figures and he said these are the expenses in dollars. These include a certain amount in nondollar currencies. The bulk is in dollars, but it does include some amount in nondollar currencies.

Mr. RHODES. For the purpose of comparing the two institutions, were the figures I gave valid?

Mr. ROSENSON. In broad terms, yes.

Mr. KILLEFER. Our net profit, our gross income less our administrative expense.

Mr. PASSMAN. Take everything out.

Mr. KILLEFER. In 1960 our net was $166,062. In 1961, our net was $198,620. In 1962, it was $3,409,330.

Mr. PASSMAN. You have increased your capital account by these figures?

Mr. KILLEFER. We have placed those sums in our reserves.

RESERVE FOR BAD ACCOUNTS

Mr. PASSMAN. That is the net. How much have you set up as a reserve for loss on bad accounts?

Mr. KILLEFER. What we do, all of this money, by resolution of the Board of Governors, has been set aside as a reserve.

Mr. PASSMAN. I believe practically all businesses, all banks, before declaring their net profit, establish a reserve for loss on bad accounts, and that is subtracted, and you come to a net. You do not have such a system?

Mr. KILLEFER. We are more conservative than that because we put all of our net——

Mr. PASSMAN. Let us be realistic about this.

You would need $65 or $70 million in reserves by banking standards. You do not know what your losses are going to be.

Mr. KILLEFER. That is correct.

Mr. PASSMAN. They could be greater than that amount?

Mr. KILLEFER. They could be.

Mr. PASSMAN. If you only had $200,000 net profit, that is the amount that would have gone into your reserve; is that correct?

Mr. KILLEFER. Yes.

Mr. PASSMAN. If you had had $7 million, that would have gone into your reserve?

Mr. KILLEFER. That is true.

Mr. PASSMAN. Simply because you put this amount in reserve, it would not indicate that would be the figure you would need for a reserve? Only time will determine that fact?

Mr. KILLEFER. Yes, sir.

Mr. PASSMAN. Had you started off in the beginning with the United States meeting its pledge on interest-bearing notes and bonds until you are ready to disburse, then the profit would have been $2.4 million less, would it not? That is the amount of profit you made on the advance payments made by the United States that the banks reinvested and earned $2.4 million on in interest.

Mr. KILLEFER. If you took out the interest we had earned by investing those funds of the United States, it is true our net would have been reduced by whatever that figure was.

Mr. PASSMAN. In all probability, had you continued operating by that criteria, then the interest payments could have been substantially greater than this—maybe $5 million?

Mr. KILLEFER. I do not follow you here. We have stopped doing that.

Mr. PASSMAN. Had you continued doing that from the time you discontinued up until the present time——

Mr. KILLEFER. We would have had substantially more net profit. It was never contemplated that that practice go on forever.

Mr. PASSMAN. I want to say that Mr. Rhodes may have saved the American taxpayers millions annually for his astuteness in uncovering that practice.

Mr. KILLEFER. You mentioned the size of the reserves needed. I also should point out now there is not one single loan made by the Bank that is either delinquent or in default.

Mr. PASSMAN. I have quite a few notes in my bank down in Monroe, La. They are current simply because I renew them. Sometimes you keep a note in the bank 10 or 12 years. You renew it. It is current when the inspectors come around, but if you met the man who signed the note first and signed it last, you would not think they lived in the same generation. Some of you must have had that same type of experience.

RENTAL OF OFFICE SPACE

What is the annual rental for your office space here in Washington?

Mr. KILLEFER. I do not have the figure, but I will supply it.

(The information supplied, follows:)

INTER-AMERICAN DEVELOPMENT BANK

WASHINGTON SPACE RENTAL EXPENSE 1962

The Bank occupied 118,861 square feet of office space in 1962 at an annual cost of $664,719.

STAFF TRAVEL

Mr. PASSMAN. What was the total cost of the staff travel in 1962?

Mr. KILLEFER. I do not have that, but I will furnish it.

(The information supplied follows:)

INTER-AMERICAN DEVELOPMENT BANK

Staff travel expenses, 1962, $560,745.81.

Mr. PASSMAN. Do any of the supporting witnesses have that information?

(No response.)

Mr. PASSMAN (continuing). I hope this agency can operate on the capital it has.

Mr. KILLEFER. This is a better bank than you think.

Mr. PASSMAN. I have not said anything derogatory about the Bank. Thank you, gentlemen.

We shall now adjourn until Monday at 1 o'clock p.m.

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