

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#12 memo	Hamilton to Rostow S 3 p open 5-24-95 NLS 93-318	5/27/68	A
#12a draft	To the President S 6 p open 2-25-94 NLS 93-321	5/21/68	A
#18 memo	Hamilton to Rostow S 2 p open 1/12/93	1/18/68	A
#26 rpt	"Appendix I—Some Reflections on the Nature..." S 11 p open 8-25-94 NLS 93-358	undated	A
#27a memo	Rostow to the President, 1:00 p.m. S 2 p open 5-24-95 NLS 93-318 [Duplicate of #10, NSF, Memos to the President, W. Rostow, Vol. 36, Box 20]	7/31/67	A
#27e memo	Gaud to the President open 9-16-93 NLS 93-316 S 5 p [Duplicate of #10a, NSF, Memos to the President, W. Rostow, Vol. 36, Box 20]	7/29/67	A
#28a memo	Gaud to the President open 9-16-93 NLS 93-316 C 5 p [Duplicate of #29a, NSF, Memos to the President, W. Rostow, Vol. 36, Box 20] [Duplicate in WHCF, Confidential File, "LE/FO 3-2"]	7/28/67	A
#31a memo	Hamilton to Bator and Rostow C 2 p open 5-24-95 NLS 93-318	2/6/67	A
#31b memo	Gaud to Katzenbach, Rostow, Schultze & Califano C 1 p open 10-18-93 NLS 93-315	2/4/67	A
#31e memo	Gaud to President " C 4 p	undated	A
#32 memo	Hamilton to Bator, Rostow, and Califano S 1 p open 5-24-95 NLS 93-318	12/1/66	A

FILE LOCATION

NSF, Subject File, Foreign Aid

Box 16

RESTRICTION CODES

- (All open)
- (A) Closed by Executive Order 12356 governing access to national security information.
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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#32a memo	Hamilton to Bator, Rostow, and Califano S 7 p <i>open 5-24-95 NLS 93-318</i>	12/1/66	A
#36 memo	Saunders to Rostow " " C 1 p	9/27/66	A
#36a memo	Saunders to Rostow " " C 1 p	9/26/66	A
#36b rpt	"Regionalism in the Near East & South Asia" C 2 p <i>open 5-24-95 NLS 93-318</i>	undated	A
#37 memo	Wriggins to Rostow " " C 4 p	9/21/66	A
#51 memo	Meeker to Bundy C 1 p <i>open 2-25-94 NLS 93-321</i>	9/10/65	A
#52 memo	Bowman to Bundy C 2 p <i>open 5-24-95 NLS 93-318</i>	3/17/65	A
#54 memo	Saunders to Bator " " S 1 p	1/7/65	A
#56a memo	Bell to President C 9 p <i>open 1/06</i> [Duplicate of #9a, NSF, Agency File, AID, Vol. 1, Box 1] [Duplicate in WHCF, Confidential File, "FO 3-2"]	12/9/64	A
#58 memo	Komer to Wood S 1 p <i>open 5-24-95 NLS 93-318</i>	10/27/64	A
#60 memo	Saunders to Bundy S 1 p	10/12/64	A
#60a rpt	"If we want to use the recent increase in..." S 3 p <i>open 5-24-95 NLS 93-318</i>	10/12/64	A
#66 memo	Bundy to President C 1 p	6/5/64	A

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#66a memo	Bell to President C 1 p <i>open 1/06</i>	6/5/64	A
#66c table	"Attachment A--Mutual Defense & Development..." C 1 p <i>open 2/06</i>	undated	A
#66e table	"Attachment B--Mutual Defense & Development..." C 1 p <i>open 1/06</i>	undated	A
#68 memo	Komer to Bundy C 1 p <i>open 5-24-95 NLS 93-318</i>	4/16/64	A
#68a memo	Bundy to Bell C 1 p	4/17/64	A
#70 memo	Bell to President C 5 p <i>open 9-16-93 NLS 93-316</i>	5/7/64	A
#74 memo	Bell to Secretary S 3 p	1/21/64	A
#75 memo	Duplicate of #74		
#76 memo	Komer to President S 1 p <i>open 5-24-95 NLS 93-318</i>	1/17/64	A
#79 memo	Bell to Bundy C 7 p <i>open 9-16-93 NLS 93-316</i>	1/7/64	A
#79a table	"Annex A--Major FY 1964 Program Changes" S 12 p	undated	A
#79b table	"Annex B--FY 1964 Foreign Assistance..." S 8 p	undated	A
#80 draft	"Outline of possible points for Ball..." C 6 p <i>open 2-25-94 NLS 93-321</i>	1/6/64	A
#82 memo	Rostow to Secretary C 2 p	12/31/63	A

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#85 cable	Deptel 1111 to Mexico City C 2 p <i>open 2-25-94 NLJ 93-321</i>	12/20/63	A
#86 cable	Duplicate of #85 "		
#86a cable	Deptel 1105 to Mexico City C 1 p "	12/19/63	A
#87 cable	Duplicate of #86a <i>open 5-12-95 NLJ 93-321</i>		
#90 memo	Komer to Bundy S 1 p <i>open 5-24-95 NLJ 93-318</i>	12/17/63	A
#91 memo	Dungan to Ball, Bell, Gordon, Bullitt & Bundy C 1 p <i>open 5-24-95 NLJ 93-318</i>	12/17/63	A
#94 memo	Bell to SecState, SecDef, BOB Dir., Bundy, Dungan C 1 p <i>open 2-17-93</i>	12/15/63	A
#94a memo	Bell to President C 5 p <i>open 9-16-93 NLJ 93-316</i>	12/15/63	A
#95 memo	Komer to Bundy S 1 p <i>open 5-24-95 NLJ 93-318</i>	12/14/63	A
#95a memo	NSAM S 1 p <i>open 5-24-95 NLJ 93-318</i>	12/63	A
#96a rpt	"In signing the FY 1964 foreign..." S 2 p "	12/14/63	A
#96b memo	Komer to Bundy S 1 p <i>open 5-24-95 NLJ 93-318</i>	12/13/63	A
#96c memo	Duplicate of #95 <i>open 5-24-95 NLJ 93-318</i>		
#99 memo	Bell to SecState, SecDef, BOB Dir., Bundy, Dungan C 1 p <i>open 9-16-93 NLJ 93-316</i>	12/12/63	A

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#99a draft	Bell to President <i>open 9-16-93 NLJ 93-316</i> C 6 p	12/12/63	A
#101 memo	Komer to Bundy S 1 p <i>open 5-24-95 NLJ 93-318</i>	12/4/63	A
#101a memo	Bell to SecState, SecDef, BOB Dir., Bundy, Dungan C 1 p <i>open 9-16-93 NLJ 93-316</i>	12/3/63	A
#101b draft	Bell to President <i>//</i> C 2 p	12/3/63	A
#101c draft	"Memo on Possibilities for revamping..." C 12 p <i>open 9-16-93 NLJ 93-316</i>	12/3/63	A
#102 memo	Duplicate of #101a <i>open 5-12-95 NLJ 93-316</i>		
#102a draft	Duplicate of #101b <i>//</i>		
#102b draft	Duplicate of #101c <i>//</i>		
#103 memo	Komer to President S 1 p <i>open 5-24-95 NLJ 93-318</i>	11/26/63	A

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Foreign Consy

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in complete

Calendar No. 566

88TH CONGRESS
1ST SESSION

H. R. 7885

[Report No. 588]

IN THE SENATE OF THE UNITED STATES

AUGUST 26, 1963

Read twice and referred to the Committee on Foreign Relations

OCTOBER 22, 1963

Reported by Mr. FULBRIGHT, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italics*]

AN ACT

To amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Foreign Assistance Act
4 of 1963".

PART I

CHAPTER 1—POLICY

7 SEC. 101. Chapter 1 of part I of the Foreign Assistance
8 Act of 1961, as amended, is hereby redesignated "POLICY"
9 and section 101, which relates to short title, is hereby
10 deleted.

1 SEC. 102. Section 102 of the Foreign Assistance Act of
2 1961 as amended, which relates to statement of policy, is
3 amended as follows:

4 (a) In the last sentence of the seventh paragraph, strike
5 out "should emphasize long-range development assistance"
6 and insert in lieu thereof "shall emphasize long-range de-
7 velopment assistance".

8 (b) Immediately after the seventh paragraph, insert the
9 following:

10 "The Congress further declares that, in order to assure
11 that each program of assistance under this part is admin-
12 istered in such a manner as will most effectively carry out
13 the policies stated in this section, each request for authoriza-
14 tion of funds for such program shall be accompanied by a
15 detailed statement setting forth—

16 "(1) the purposes of such program;

17 "(2) the specific objectives of such program; and

18 "(3) the priorities assigned to such purposes and
19 objectives;

20 which will be adhered to in the administration of such
21 program."

22 (c) The eighth paragraph is amended to read as fol-
23 lows:

24 "It is the sense of the Congress that in the administra-
25 tion of these funds great attention and consideration should

1 be given to those countries which share the view of the United
2 States on the world crisis and which do not, as a result of
3 United States assistance, divert their own economic resources
4 to military or propaganda efforts directed against the United
5 States or against other countries receiving aid under this
6 Act; whether or not such efforts are supported by the Soviet
7 Union or Communist China."

8 (d) Immediately after the tenth paragraph insert the
9 following:

10 "It is the sense of the Congress that, in the administra-
11 tion of programs of assistance under chapter 2 of this part,
12 every possible precaution should be taken to assure that such
13 assistance is not diverted to short-term emergency purposes
14 (such as budgetary purposes, balance-of-payments purposes,
15 or military purposes) or any other purpose not essential to
16 the long-range economic development of recipient countries.
17 It is further the sense of the Congress that short-term emer-
18 geney purposes such as those referred to in the preceding
19 sentence should be met, to the extent possible, through inter-
20 national institutions (such as the International Monetary
21 Fund) which are equipped to condition assistance on im-
22 mediate economic and monetary reform."

23 (e) The first sentence of the last paragraph is amended
24 by inserting "(including private enterprise within such
25 countries)" immediately after "countries".

(f) Immediately after the first sentence of the last paragraph insert the following new sentence: "In particular, the Congress urges that other industrialized free-world countries increase their contributions and improve the forms and terms of their assistance so that the burden of the common undertaking, which is for the benefit of all, shall be equitably borne by all."

CHAPTER 2—DEVELOPMENT ASSISTANCE

TITLE I—DEVELOPMENT LOAN FUND

SEC. 103. The second sentence of section 201(b) of the Foreign Assistance Act of 1961, as amended, which relates to considerations to be taken into account in making loans from the development loan fund, is amended as follows:

(a) Strike out clauses (1) and (2) and insert in lieu thereof the following: "(1) whether financing could be obtained in whole or in part from other free-world sources on reasonable terms, including private sources within the United States; (2) the economic and technical soundness of the activity to be financed, including the capacity of the recipient country to repay the loan at a reasonable rate of interest,".

(b) Strike out "and" at the end of clause (5).

(c) Insert immediately before the period at the end of such second sentence the following: "and (7) the economic development plans of the requesting country, which plans

should specifically provide for appropriate participation by private enterprise and include an analysis of current human and material resources, together with a projection of the ultimate objectives of the plans with respect to the overall economic development of such country".

SEC. 104. Section 202(a) of the Foreign Assistance Act of 1961, as amended, which relates to authorizations for the Development Loan Fund, is amended by inserting immediately before the period at the end thereof the following: "Provided further, That, in order to effectuate the purposes and provisions of sections 102, 201, 601, and 602 of this Act, not less than 50 per centum of the funds appropriated pursuant to this subsection for the fiscal year ending June 30, 1965 and June 30, 1966 respectively shall be available only for loans made for purposes of economic development through private enterprise".

SEC. 105. Section 201(d) of the Foreign Assistance Act of 1961, as amended, which relates to interest rates on development loans, is amended by inserting immediately after "in no event" the following: "less than 2 per centum per annum nor".

SEC. 106. Section 202(a), which relates to authorization, is amended by striking out "and \$1,500,000,000 for each of the next four succeeding fiscal years," and inserting in lieu thereof "and \$1,500,000,000 for the fiscal year 1963,

1 \$900,000,000 for the fiscal year 1964, and \$1,500,000,000
2 for each of the next two succeeding fiscal years.”

3 TITLE H—DEVELOPMENT GRANTS AND TECHNICAL
4 COOPERATION

5 SEC. 107. Title II of chapter 2 of part I of the Foreign
6 Assistance Act of 1961, as amended, which relates to
7 development grants and technical cooperation, is amended
8 as follows:

9 (a) Section 211(a), which relates to general authority,
10 is amended—

11 (1) by striking out “and” at the end of clause (5)
12 contained in the second sentence thereof; and

13 (2) by inserting immediately before the period at
14 the end of the second sentence the following: “; and (7)
15 whether such activity could be financed through a de-
16 velopment loan available under title I of this chapter”.

17 (b) In section 212, which relates to authorization,
18 strike out “1963” and “\$300,000,000” and substitute
19 “1964” and “\$217,000,000”, respectively.

20 (c) Amend section 214, which relates to American
21 schools and hospitals abroad, as follows:

22 (1) In subsection (a) strike out “use, in addition
23 to other funds available for such purposes; funds made
24 available for the purposes of section 211 for” and sub-
25 stitute the word “furnish”.

1 (2) In subsection (b) strike out “to use” and “for-
2 eign currencies accruing to the United States Govern-
3 ment under any Act, for purposes of subsection (a)
4 of this section and for” and substitute “to furnish” be-
5 fore the word “assistance”.

6 (3) Add the following new subsection:

7 “(c) There is hereby authorized to be appropriated to
8 the President for the purposes of this section, for the fiscal
9 year 1964, \$12,000,000, to remain available until expended.
10 Of the sums authorized to be appropriated under this sub-
11 section, not to exceed \$2,200,000 shall be available for
12 direct dollar costs in carrying out subsection (b) and
13 \$2,000,000 shall be available solely for the purchase of
14 foreign currencies accruing to the United States Government
15 under any Act.”

16 TITLE III—INVESTMENT GUARANTIES

17 SEC. 108. Title III of chapter 2 of part I of the Foreign
18 Assistance Act of 1961, as amended, which relates to in-
19 vestment guaranties, is amended as follows:

20 (a) Amend section 221(b), which relates to general
21 authority, as follows:

22 (1) In the first sentence after “wholly owned” in-
23 sert “(determined without regard to any shares, in
24 aggregate less than 5 per centum of the total of issued

1 and subscribed share capital, required by law to be held
2 by persons other than the parent corporation)."

3 (2) In paragraph (1) strike out "\$1,300,000,000"
4 in the proviso and substitute "\$2,500,000,000".

5 (3) In paragraph (2) strike out "\$180,000,000"
6 in the third proviso and substitute "\$300,000,000".

7 (4) In paragraph (2) strike out "1964" in the
8 fourth proviso and substitute "1965".

9 (b) Amend section 222(a), which relates to general
10 provisions, by striking out "section 221(b)" and substi-
11 tuting "sections 221(b) and 224".

12 (c) Amend section 222(b), which relates to general
13 provisions, by striking out "section 221(b)", in both places
14 it appears and substituting "sections 221(b) and 224".

15 (d) Amend section 222(d), which relates to general
16 provisions, to read as follows:

17 "(d) Any payments made to discharge liabilities under
18 guaranties issued under sections 221(b) and 224 of this
19 part, sections 202(b) and 413(b)(4) of the Mutual
20 Security Act of 1954, as amended, and section 111(b)(3)
21 of the Economic Cooperation Act of 1948, as amended (ex-
22 clusive of informational media guaranties), shall be paid first
23 out of fees referred to in section 222(b) as long as such fees
24 are available, and thereafter shall be paid out of funds, if any,
25 realized from the sale of currencies or other assets acquired

1 in connection with any payments made to discharge liabilities
2 under such guaranties as long as such funds are available,
3 and thereafter shall be paid out of funds heretofore appro-
4 priated for the purpose of discharging liabilities under the
5 aforementioned guaranties, and thereafter out of funds real-
6 ized from the sale of notes issued under section 413(b)(4)
7 (F) of the Mutual Security Act of 1954, as amended, and
8 section 111(e)(2) of the Economic Cooperation Act of
9 1948, as amended, and finally out of funds hereafter made
10 available pursuant to section 222(f)."

11 (e) Amend section 222(e), which relates to general
12 provisions, to read as follows:

13 "(e) All guaranties issued prior to July 1, 1956, all
14 guaranties issued under sections 202(b) and 413(b)(4)
15 of the Mutual Security Act of 1954, as amended, and all
16 guaranties heretofore or hereafter issued pursuant to this
17 title shall be considered contingent obligations backed by
18 the full faith and credit of the Government of the United
19 States of America. Funds heretofore obligated under the
20 aforementioned guaranties (exclusive of informational media
21 guaranties) together with the other funds made available
22 for the purposes of this title shall constitute a single reserve
23 for the payment of claims in accordance with section 222(d)
24 of this part."

1 ~~(f)~~ Amend section 222 by adding at the end thereof the
2 following new subsection:

3 ~~“(g)~~ In making a determination to issue a guaranty
4 under section 221(b), the President shall consider the pos-
5 sible adverse effect of the dollar investment under such
6 guaranty upon the balance of payments of the United
7 States.”

8 ~~(g)~~ Amend section 224, which relates to housing
9 projects in Latin American countries, as follows:

10 (1) In subsection (b) strike out “\$60,000,000”
11 and substitute “\$150,000,000”.

12 (2) Strike out subsection (c).

13 TITLE VI—ALLIANCE FOR PROGRESS

14 SEC. 409. Title VI of chapter 2 of part I of the Foreign
15 Assistance Act of 1961, as amended, which relates to the
16 Alliance for Progress, is amended as follows:

17 (a) Amend section 251, which relates to general
18 authority, as follows:

19 (1) In subsection (b), amend the next to the last
20 sentence thereof by inserting immediately after “reason-
21 able terms” the following: “(including private sources
22 within the United States); the capacity of the recipient
23 country to repay the loan at a reasonable rate of
24 interest.”

1 ~~(2)~~ In subsection (c) strike out “economical” and
2 substitute “economically”.

3 ~~(3)~~ In subsection (f) strike out “Agency for Inter-
4 national Development” and substitute “agency primarily
5 responsible for administering part I”.

6 ~~(b)~~ Section 252, which relates to authorization is
7 amended as follows:

8 (1) In the first sentence, strike out “fiscal years
9 1963 through 1966; not to exceed \$600,000,000 for
10 each such fiscal year” and insert in lieu thereof “fiscal
11 years 1963, 1965, and 1966; not to exceed \$600,000,000
12 for each such fiscal year, and for use beginning in the
13 fiscal year 1964; not to exceed \$450,000,000.”

14 (2) Immediately after “1963” the second time it
15 appears therein, insert the following: “and not to exceed
16 \$100,000,000 of the funds appropriated pursuant to
17 this section for use beginning in fiscal year 1964.”

18 (c) Section 252, which relates to authorization, is
19 amended by adding at the end thereof the following new
20 sentence: “In order to effectuate the purposes and provisions
21 of sections 402, 251, 601, and 602 of this Act, not less than
22 50 per centum of the loan funds appropriated pursuant to this
23 section for the fiscal years ending June 30, 1965 and June
24 30, 1966 respectively shall be available only for loans made

1 for purposes of economic development through private enter-
2 prise."

3 CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND
4 PROGRAMS

5 SEC. 140. Section 302 of the Foreign Assistance Act
6 of 1961, as amended, which relates to international organi-
7 zations and programs, is amended by striking out "1963"
8 and "\$148,900,000" and substituting "1964" and "\$136,
9 050,000", respectively.

10 CHAPTER 4—SUPPORTING ASSISTANCE

11 SEC. 141. Section 402 of the Foreign Assistance Act
12 of 1961, as amended, which relates to supporting assistance,
13 is amended by striking out "1963" and "\$415,000,000"
14 and substituting "1964" and "\$380,000,000", respectively.

15 CHAPTER 5—CONTINGENCY FUND

16 SEC. 142. Section 451 of the Foreign Assistance Act
17 of 1961, as amended, which relates to the contingency fund,
18 is amended by striking out "1963" and "\$300,000,000" and
19 inserting in lieu thereof "1964" and "\$150,000,000",
20 respectively.

1 PART II

2 CHAPTER 1—POLICY

3 SEC. 201. Chapter 1 of part II of the Foreign Assistance
4 Act of 1961, as amended, is hereby redesignated "POLICY"
5 and section 501, which relates to short title, is hereby de-
6 leted.

7 SEC. 202. Chapter 2 of part II of the Foreign Assist-
8 ance Act of 1961, as amended, which relates to military as-
9 sistance, is amended as follows:

10 (a) In section 504(a), which relates to authorization,
11 strike out "the fiscal years 1962 and 1963" and "\$1,700,
12 000,000 for each such fiscal year, which sums" and substi-
13 tute "fiscal year 1964" and "\$1,000,000,000, which",
14 respectively.

15 (b) In section 510(a), which relates to special author-
16 ity, strike out "1963" in the first and second sentences and
17 substitute "1964".

18 (c) At the end of such chapter, add the following new
19 section:

20 "SEC. 512. RESTRICTIONS ON MILITARY AID TO

1 AFRICA.—No military assistance shall be furnished on a
2 grant basis to any country in Africa, except for internal
3 security requirements or for programs described in section
4 505(b) of this chapter."

5 PART III

6 CHAPTER 1—GENERAL PROVISIONS

7 SEC. 301. Section 601(b) of the Foreign Assistance Act
8 of 1961, as amended, which relates to encouragement of pri-
9 vate enterprise, is amended as follows:

10 (a) Strike out "and" at the end of paragraph (3).

11 (b) Strike out the period at the end of paragraph (4)
12 and insert in lieu thereof a semicolon.

13 (c) At the end thereof add the following new para-
14 graphs:

15 "(5) utilize, wherever practicable, the services of
16 United States private enterprise (including, but not
17 limited to, the services of experts and consultants in tech-
18 nical fields such as engineering); and

19 "(6) take appropriate steps to discourage nationali-
20 zation, expropriation, confiscation, seizure of ownership
21 or control, of private investment and discriminatory or
22 other actions having the effect thereof, undertaken by
23 countries receiving assistance under this Act, which di-
24 vert available resources essential to create new wealth,
25 employment, and productivity in those countries and

1 otherwise impair the climate for new private investment
2 essential to the stable economic growth and development
3 of those countries."

4 SEC. 302. Section 611(b) of the Foreign Assistance
5 Act of 1961, as amended, which relates to completion of
6 plans and cost estimates, is amended by striking out "circular
7 A-47 of the Bureau of the Budget" and substituting "the
8 Memorandum of the President dated May 15, 1962".

9 SEC. 303. Section 611, of the Foreign Assistance Act
10 of 1961, as amended, which relates to completion of plans
11 and cost estimates, is amended by adding to the end thereof
12 the following subsection:

13 "(c) The President shall establish such procedures as
14 he may deem necessary to assure to the maximum extent
15 practicable all contracts for construction outside the United
16 States made in connection with any agreement or grant
17 subject to subsection (a) of this section shall be made
18 in accordance with the same standards applicable to contracts
19 made by the Federal Government for similar construction
20 within the United States."

21 SEC. 304. Section 620(a) of the Foreign Assistance Act
22 of 1961, as amended, which relates to prohibitions against
23 furnishing assistance to Cuba, is amended as follows:

24 (a) Insert "(1)" immediately after "(a)".

25 (b) Insert immediately after the second sentence thereof

1 the following new sentence: "No funds provided under this
2 Act shall be used to make any voluntary contribution to
3 any international organization or program for financing proj-
4 ects of economic or technical assistance to the present Gov-
5 ernment of Cuba."

6 (c) At the end thereof add the following new para-
7 graphs:

8 "(2) Except as may be deemed necessary by the Presi-
9 dent in the interest of the United States, no assistance shall
10 be furnished under this Act to any government of Cuba; nor
11 shall Cuba be entitled to receive any quota authorizing the
12 importation of Cuban sugar into the United States or to
13 receive any other benefit under any law of the United States;
14 until the President determines that such government has
15 taken appropriate steps according to international law stand-
16 ards to return to United States citizens, and to entities not
17 less than 50 per centum beneficially owned by United States
18 citizens, or to provide equitable compensation to such citizens
19 and entities for property taken from such citizens and en-
20 tities on or after January 1, 1959, by the Government of
21 Cuba.

22 "(3) No funds authorized to be made available under
23 this Act (except under section 214) shall be used to furnish
24 assistance to any country which has failed to take appro-

1 priate steps, not later than 60 days after the date of enact-
2 ment of the Foreign Assistance Act of 1962—

3 "(A) to prevent ships or aircraft under its registry
4 from transporting to Cuba (other than to United States
5 installations in Cuba)—

6 "(i) any items of economic assistance;

7 "(ii) any items which are, for the purposes of
8 title I of the Mutual Defense Assistance Control
9 Act of 1951, as amended, arms, ammunition and
10 implements of war, atomic energy materials, petro-
11 leum, transportation materials of strategic value, or
12 items of primary strategic significance used in the
13 production of arms, ammunition, and implements of
14 war; or

15 "(iii) any other equipment, materials, or com-
16 modities;

17 so long as Cuba is governed by the Castro regime; and

18 "(B) to prevent ships or aircraft under its registry
19 from transporting any equipment, materials, or com-
20 modities from Cuba (other than from United States
21 installations in Cuba) so long as Cuba is governed by
22 the Castro regime."

23 SEC. 305. Section 620 (c) of the Foreign Assistance Act

1 of 1961, as amended, which relates to suspension of assist-
2 ance, is amended as follows:

3 (a) In clause (2), immediately after "operational con-
4 ditions," insert "or has taken other actions,".

5 (b) Strike out "equitable and speedy compensation for
6 such property in convertible foreign exchange" and insert
7 in lieu thereof "speedy compensation for such property in
8 convertible foreign exchange equivalent to the full value
9 thereof".

10 SEC. 306. Section 620 (f) of the Foreign Assistance Act
11 of 1961, as amended, which relates to prohibitions against
12 furnishing certain assistance to Communist countries, is
13 amended by inserting immediately before the period after
14 "Union of Soviet Socialist Republics" the following: "(in-
15 cluding its captive constituent republics)".

16 SEC. 307. Section 620 of the Foreign Assistance Act
17 of 1961, as amended, which relates to prohibitions against
18 furnishing assistance to Cuba and certain other countries,
19 is amended by adding at the end thereof the following new
20 subsections:

21 "(i) No assistance shall be provided under this or any
22 other Act, and no sales shall be made under the Agricultural
23 Trade Development and Assistance Act of 1954, to any
24 country which the President determines is engaging in or
25 preparing for aggressive military efforts directed against—

1 "~~(1)~~ the United States;

2 "~~(2)~~ any country receiving assistance under this
3 or any other Act; or

4 "~~(3)~~ any country to which sales are made under
5 the Agricultural Trade Development and Assistance
6 Act of 1954,

7 until the President determines that such military efforts or
8 preparations have ceased and he reports to the Congress
9 that he has received assurances satisfactory to him that
10 such military efforts or preparations will not be renewed.
11 This restriction may not be waived pursuant to any au-
12 thority contained in this Act.

13 "~~(j)~~ No assistance under this Act shall be furnished to
14 Indonesia unless the President determines that the furnish-
15 ing of such assistance is in the national interest of the United
16 States. The President shall keep the Foreign Relations
17 Committee and the Appropriations Committee of the Senate
18 and the Speaker of the House of Representatives fully and
19 currently informed of any assistance furnished to Indonesia
20 under this Act.

21 "~~(k)~~ Until the enactment of the Foreign Assistance
22 Act of 1964 or other general legislation, during the calendar
23 year 1964, authorizing additional appropriations to carry
24 out programs of assistance under this Act, no assistance
25 shall be furnished under this Act to any country for con-

struction of any productive enterprise with respect to which the aggregate value of such assistance to be furnished by the United States will exceed \$100,000,000. No other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection.

"(l) No assistance shall be provided under this Act after December 31, 1964, to the government of any less developed country which has failed to enter into an agreement with the President to institute the investment guaranty program under section 221(b)(1) of this Act, providing protection against the specific risks of inconvertibility under subparagraph (A), and expropriation or confiscation under subparagraph (B), of such section 221(b)(1).

"(m) No assistance shall be furnished under this Act for the construction or operation of any productive enterprise in any country unless the President determines that similar productive enterprises within the United States are operating at a substantial portion of their capacity and that such assistance will not result in depriving such United States enterprises of their reasonable share of world markets. The President shall keep the Foreign Relations Committee and the Appropriations Committee of the Senate and the Speaker of the House of Representatives fully and currently informed of assistance furnished under this Act for the

construction or operation of productive enterprises in all countries, including specifically the numbers of such enterprises, the types of such enterprises, and the locations of such enterprises.

"(n) No assistance shall be furnished under section 204, 244, or 254 of this Act to the government of any country which does not agree to permit such reviews, inspections, and audits by the United States as the President may require for the purpose of ascertaining whether such assistance is being administered within the recipient country to carry out the purposes for which it was furnished."

CHAPTER 2—ADMINISTRATIVE PROVISIONS

SEC. 308. Chapter 2 of part III of the Foreign Assistance Act of 1961, as amended, which relates to administrative provisions, is amended as follows:

(a) Amend section 624, which relates to statutory officers, as follows:

(1) In subsection (a)(2) strike out "two shall have the rank of Deputy Under Secretaries" and substitute "one shall have the rank of Deputy Under Secretary".

(2) In subsection (a)(3) strike out "nine" and substitute "ten".

1 ~~(3)~~ In subsection ~~(b)~~ strike out "paragraphs ~~(2)~~
2 and" and substitute "paragraph".

3 ~~(b)~~ Amend section 626~~(b)~~, which relates to experts,
4 consultants, and retired officers, as follows:

5 ~~(1)~~ Strike out the entire first sentence.

6 ~~(2)~~ In the second sentence strike out "Nor shall
7 such service" and substitute "Service of an individual as
8 an expert or consultant under subsection ~~(a)~~ of this
9 section shall not".

10 ~~(c)~~ In section 631, which relates to missions and staffs
11 abroad, add the following new subsection ~~(c)~~:

12 "~~(c)~~ The President may appoint any United States
13 citizen who is not an employee of the United States Govern-
14 ment or may assign any United States citizen who is a United
15 States Government employee to serve as Chairman of the
16 Development Assistance Committee or any successor Com-
17 mittee thereto of the Organization for Economic Cooperation
18 and Development upon election thereto by members of said
19 Committee, and, in his discretion, may terminate such ap-
20 pointment or assignment, notwithstanding any other provision
21 of law. Such person may receive such compensation and
22 allowances as are authorized by the Foreign Service Act of
23 1946, as amended, not to exceed those authorized for a chief
24 of mission, class 2, within the meaning of said Act, as the

1 President may determine. Such persons may also, in the
2 President's discretion, receive any other benefits and per-
3 quisites available under this Act to chiefs of special missions
4 or staffs outside the United States established under this
5 section."

6 ~~(d)~~ Amend section 635, which relates to general author-
7 ities, by adding the following new subsection ~~(k)~~:

8 "~~(k)~~ Any cost-type contract or agreement (including
9 grants) entered into with a university, college, or other
10 educational institution for the purpose of carrying out pro-
11 grams authorized by part I may provide for the payment
12 of the reimbursable indirect costs of said university, college,
13 or other educational institution on the basis of predetermined
14 fixed-percentage rates applied to the total, or an element
15 thereof, of the reimbursable direct costs incurred."

16 ~~(e)~~ Amend section 636, which relates to provisions on
17 uses of funds, by adding at the end thereof the following new
18 subsection:

19 "~~(h)~~ In carrying out programs under this Act, the
20 President shall take all appropriate steps to assure that, to
21 the maximum extent possible, ~~(1)~~ countries receiving as-
22 sistance under this Act contribute local currencies to
23 meet the cost of contractual and other services rendered in
24 conjunction with such programs, and ~~(2)~~ foreign currencies

owned by the United States are utilized to meet the costs of such contractual and other services."

(f) Amend section 637 (a), which relates to administrative expenses, by striking out "1963" and "\$53,000,000" and substituting "1964" and "\$54,000,000", respectively.

CHAPTER 3—MISCELLANEOUS PROVISIONS

SEC. 309. Section 644 (f) of the Foreign Assistance Act of 1964, as amended, which relates to definition of defense services, is amended by inserting "including orientation" after "training" the first time it appears.

SEC. 310. Section 645 of the Foreign Assistance Act of 1964, as amended, which relates to unexpended balances, is amended to read as follows:

"SEC. 645. UNEXPENDED BALANCES.—Unexpended balances of funds made available pursuant to this Act, the Mutual Security Act of 1954, as amended, or Public Law 86-736 are hereby authorized to be continued available for the general purposes for which appropriated, and may at any time be consolidated, and, in addition, may be consolidated with appropriations made available for the same general purposes under the authority of this Act."

PART IV—AMENDMENTS TO OTHER LAWS

SEC. 401. The Act to provide for assistance in the development of Latin America and in the reconstruction of Chile, and for other purposes (Public Law 86-735, 22 U.S.C. 1942 et seq.), is amended as follows:

(a) In section 2 strike out "\$500,000,000" and substitute "\$700,000,000".

(b) Insert following the enacting clause "That this Act may be cited as 'the Latin American Development and Chilean Reconstruction Act'".

SEC. 402. (a) Section 101 (f) of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended to read as follows:

"(f) obtain rates of exchange applicable to the sale of commodities under such agreements which are not less favorable than the highest of exchange rates legally obtainable from the Government or agencies thereof in the respective countries."

(b) Section 105 of such Act is amended by adding at the end thereof the following new sentence: "The President

1 shall utilize foreign currencies received pursuant to this title
2 in such manner as will, to the maximum extent possible,
3 reduce any deficit in the balance of payments of the United
4 States."

5 (c) Section 202 of such Act is amended by striking
6 out "economic development" and inserting in lieu thereof
7 "economic and community development".

8 SEC. 403. (a) Section 571(a) of the Foreign Service
9 Act of 1946, as amended, is amended by changing the final
10 period to a colon and adding the following: "Provided, That
11 in individual cases when personally approved by the Secre-
12 tary further extension may be made."

13 (b) Section 911(2) of the Foreign Service Act of 1946,
14 as amended, is amended by inserting immediately after "on
15 authorized home leave;" the following: "accompanying him
16 for representational purposes on authorized travel within the
17 country of his assignment or, at the discretion of the Sec-
18 retary, outside the country of his assignment, but in no case
19 to exceed one member of his family;"

20 (c) Title IX of the Foreign Service Act of 1946, as
21 amended, is amended by striking out section 921(d), re-
22 lating to use of Government vehicles, and by inserting im-
23 mediately after section 913 the following new section:

1 "USE OF GOVERNMENT OWNED OR LEASED VEHICLES"

2 "SEC. 914. Notwithstanding the provisions of section 5
3 of the Act of July 16, 1914, as amended (5 U.S.C. 78),
4 the Secretary may authorize any principal officer to approve
5 the use of Government owned or leased vehicles located at
6 his post for transportation of United States Government
7 employees and their dependents when public transportation
8 is unsafe or not available."

9 (d) Title X of the Foreign Service Act of 1946, as
10 amended, is amended by adding at the end thereof the follow-
11 ing:

12 "PART I—EDUCATIONAL FACILITIES"

13 "SEC. 1081. Whenever the Secretary determines that
14 educational facilities are not available, or that existing educa-
15 tional facilities are inadequate, to meet the needs of children
16 of American citizens stationed outside the United States
17 engaged in carrying out Government activities, he is author-
18 ized, in such manner as he deems appropriate and under
19 such regulations as he may prescribe, to establish, operate,
20 and maintain primary schools, and school dormitories and
21 related educational facilities for primary and secondary
22 schools, outside the United States, or to make grants of funds
23 for such purposes, or otherwise provide for such educational

1 facilities. The provisions of the Foreign Service Buildings
 2 Act, 1926, as amended, and of paragraphs (h) and (i) of
 3 section 3 of the Act entitled 'An Act to provide certain basic
 4 authority for the Department of State', approved August 1,
 5 1956 (5 U.S.C. 170(h) and 170h(i)), may be utilized
 6 by the Secretary in providing assistance for educational
 7 facilities. Assistance may include, but shall not be limited
 8 to, hiring, transporting, and payment of teachers and other
 9 necessary personnel."

10 SEC. 404. The Act entitled "An Act to provide certain
 11 basic authority for the Department of State", approved
 12 August 1, 1956 (5 U.S.C. 170f-170t), is amended by in-
 13 serting immediately after section 12 the following new
 14 section:

15 "SEC. 13. There is hereby established a working capital
 16 fund for the Department of State, which shall be available
 17 without fiscal year limitation, for expenses (including those
 18 authorized by the Foreign Service Act of 1946, as amended)
 19 and equipment, necessary for maintenance and operation
 20 in the city of Washington and elsewhere of (1) central
 21 reproduction, editorial, data processing, audiovisual, library
 22 and administrative support services; (2) central supply
 23 services for supplies and equipment (including repairs);

1 and (3) such other administrative services as the Secretary,
 2 with the approval of the Bureau of the Budget, determines
 3 may be performed more advantageously and more economi-
 4 cally as central services. The capital of the fund shall consist
 5 of the amount of the fair and reasonable value of such supply
 6 inventories, equipment, and other assets and inventories on
 7 order, pertaining to the services to be carried on by the
 8 fund, as the Secretary may transfer to the fund, less the
 9 related liabilities and unpaid obligations, together with any
 10 appropriations made for the purpose of providing capital.
 11 Not to exceed \$750,000 in net assets shall be transferred
 12 to the fund for purposes of providing capital. The fund
 13 shall be reimbursed, or credited with advance payments,
 14 from applicable appropriations and funds of the Department
 15 of State, other Federal agencies, and other sources author-
 16 ized by law, for supplies and services at rates which will
 17 approximate the expense of operations, including accrual
 18 of annual leave and depreciation of plan and equipment of
 19 the fund. The fund shall also be credited with other receipts
 20 from sale or exchange of property or in payment for loss or
 21 damage to property held by the fund. There shall be trans-
 22 ferred into the Treasury as miscellaneous receipts, as of the
 23 close of each fiscal year, earnings which the Secretary deter-

1 mines to be excess to the needs of the fund. There is hereby
2 authorized to be appropriated such amounts as may be
3 necessary to provide capital for the fund."

4 SEC. 405. The first sentence of the first section of the
5 Act entitled "An Act to authorize participation by the
6 United States in parliamentary conferences of the North
7 Atlantic Treaty Organization", approved July 11, 1956
8 (70 Stat. 523), is amended to read as follows: "That not
9 to exceed eighteen Members of Congress shall be appointed
10 to meet jointly and annually with representative parliamen-
11 tary groups from other NATO (North Atlantic Treaty
12 Organization) members, for discussion of common problems
13 in the interests of the maintenance of peace and security in
14 the North Atlantic area."

15 That this Act may be cited as the "Foreign Assistance Act
16 of 1963".

17 PART I

18 CHAPTER 1—POLICY

19 SEC. 101. Chapter 1 of part I of the Foreign Assistance
20 Act of 1961, as amended, is amended as follows:

21 (a) In the chapter heading strike out the words "SHORT
22 TITLE AND".

23 (b) Section 101, which relates to short title, is repealed.

24 (c) Amend section 102, which relates to statement of
25 policy, by—

1 (1) striking out "should emphasize" in the last
2 sentence of the seventh paragraph and substituting "shall
3 emphasize",

4 (2) striking out "Finally, the" in the first sentence
5 of the last paragraph and substituting "The",

6 (3) inserting "(including private enterprise within
7 such countries)" immediately after "countries" in the
8 first sentence of the last paragraph thereof, and

9 (4) adding the following after such last paragraph:

10 "It is the sense of the Congress that assistance author-
11 ized by this Act should be extended to or withheld from
12 the government of South Vietnam, in the discretion of the
13 President, to further the objectives of victory in the war
14 against communism and the return to their homeland
15 of Americans involved in that struggle."

16 CHAPTER 2—DEVELOPMENT ASSISTANCE

17 TITLE I—DEVELOPMENT LOAN FUND

18 SEC. 102. Section 201 of the Foreign Assistance Act
19 of 1961, as amended, which relates to general authority with
20 respect to development loans, is amended by adding at the
21 end thereof the following:

22 "(f) No assistance shall be furnished under this title
23 unless the President determines that the project for which
24 such assistance is requested is taken into account in the eco-
25 nomic development of the requesting country, including an

1 analysis of current human and material resources, together
 2 with a projection of the ultimate objectives of the project with
 3 respect to the overall economic development of such country,
 4 and specifically provides for appropriate participation by
 5 private enterprise."

6 TITLE II—DEVELOPMENT GRANTS AND TECHNICAL

7 COOPERATION

8 SEC. 103. Title II of chapter 2 of part I of the Foreign
 9 Assistance Act of 1961, as amended, which relates to devel-
 10 opment grants and technical cooperation, is amended as
 11 follows:

12 (a) In section 211, which relates to general authority,
 13 add the following at the end of subsection (a): "No program
 14 of technical assistance shall be undertaken under this title
 15 unless prior to the commencement thereof the recipient country
 16 shall have agreed to accept responsibility for the continuation
 17 and financing of such program after the expiration of such
 18 reasonable time, which shall not exceed seven years, as shall
 19 be specified in the agreement, or unless such program is
 20 scheduled for completion within such time."

21 (b) In section 212, which relates to authorization,

1 strike out "1963" and "\$300,000,000" and substitute
 2 "1964" and "\$225,000,000", respectively.

3 (c) Amend section 214, which relates to American
 4 schools and hospitals abroad, as follows:

5 (1) In subsection (a) strike out "use, in addition
 6 to other funds available for such purposes, funds made
 7 available for the purposes of section 211 for" and sub-
 8 stitute the word "furnish".

9 (2) In subsection (b) strike out "to use" and
 10 "foreign currencies accruing to the United States Gov-
 11 ernment under any Act, for purposes of subsection (a)
 12 of this section and for" and substitute "to furnish" before
 13 the word "assistance".

14 (3) Add the following new subsections:

15 "(c) There is hereby authorized to be appropriated to
 16 the President, in addition to other funds available for such
 17 purposes, such amounts as may be necessary from time to
 18 time to carry out the purposes of this section, which amounts
 19 shall remain available until expended."

20 "(d) The President is authorized to use, in addition to
 21 other funds available for such purposes, foreign currencies

1 accruing to the United States Government under any Act, for
2 purposes of this section."

3 TITLE III—INVESTMENT GUARANTIES

4 SEC. 104. Title III of chapter 2 of part I of the Foreign
5 Assistance Act of 1961, as amended, which relates to invest-
6 ment guaranties, is amended as follows:

7 (a) Amend section 221(b), which relates to general
8 authority, as follows:

9 (1) In the first sentence after "wholly owned"
10 insert "(determined without regard to any shares, in
11 aggregate less than 5 per centum of the total of issued
12 and subscribed share capital, required by law to be
13 held by persons other than the parent corporation)".

14 (2) In paragraph (1) strike out "\$1,300,000,000"
15 in the proviso and substitute "\$2,500,000,000".

16 (3) In paragraph (2) strike out "fraud or mis-
17 conduct" in the second proviso and substitute "fraud,
18 misconduct, or negligence".

19 (4) In paragraph (2) strike out "1964" in the
20 fourth proviso and substitute "1965".

21 (b) Amend section 222(a), which relates to general
22 provisions, by striking out "section 221(b)" and substi-
23 tuting "sections 221(b) and 224".

24 (c) Amend section 222(b), which relates to general

1 provisions, by striking out "section 221(b)" in both places
2 it appears and substituting "sections 221(b) and 224".

3 (d) Amend section 222(d), which relates to general
4 provisions, to read as follows:

5 "(d) Any payments made to discharge liabilities under
6 guaranties issued under sections 221(b) and 224 of this
7 part, sections 202(b) and 413(b)(4) of the Mutual Se-
8 curity Act of 1954, as amended, and section 111(b)(3) of
9 the Economic Cooperation Act of 1948, as amended (exclu-
10 sive of informational media guaranties), shall be paid first
11 out of fees referred to in section 222(b) as long as such fees
12 are available, and thereafter shall be paid out of funds, if
13 any, realized from the sale of currencies or other assets ac-
14 quired in connection with any payments made to discharge
15 liabilities under such guaranties as long as such funds are
16 available, and thereafter shall be paid out of funds heretofore
17 appropriated for the purpose of discharging liabilities under
18 the aforementioned guaranties, and thereafter out of funds
19 realized from the sale of notes issued under section 413(b)
20 (4)(F) of the Mutual Security Act of 1954, as amended,
21 and section 111(c)(2) of the Economic Cooperation Act
22 of 1948, as amended, and finally out of funds hereafter made
23 available pursuant to section 222(f)."

1 (e) Amend section 222(e), which relates to general
2 provisions, to read as follows:

3 “(e) All guaranties issued prior to July 1, 1956, all
4 guaranties issued under sections 202(b) and 413(b)(4)
5 of the Mutual Security Act of 1954, as amended, and all
6 guaranties heretofore or hereafter issued pursuant to this
7 title shall be considered contingent obligations backed by the
8 full faith and credit of the Government of the United States
9 of America. Funds heretofore obligated under the afore-
10 mentioned guaranties (exclusive of informational media
11 guaranties) together with the other funds made available
12 for the purposes of this title shall constitute a single reserve
13 for the payment of claims in accordance with section 222(d)
14 of this part.”

15 (f) Amend section 224, which relates to housing proj-
16 ects in Latin American countries, as follows:

17 (1) In subsection (b) strike out “\$60,000,000”
18 and substitute “\$150,000,000”.

19 (2) Strike out subsection (c).

20 TITLE V—DEVELOPMENT RESEARCH

21 SEC. 105. Section 241 of the Foreign Assistance Act of
22 1961, as amended, which relates to development research, is
23 amended by inserting “(a)” after the section heading and by
24 adding at the end thereof the following new subsection:

1 “(b) Funds made available to carry out this section may
2 be used to conduct research into the problems of controlling
3 population growth and to provide technical and other assist-
4 ance to cooperating countries in carrying out programs of
5 population control.”

6 TITLE VI—ALLIANCE FOR PROGRESS

7 SEC. 106. Title VI of chapter 2 of part I of the Foreign
8 Assistance Act of 1961, as amended, which relates to the
9 Alliance for Progress, is amended as follows:

10 (a) Amend section 251, which relates to general
11 authority, as follows:

12 (1) In subsection (e) strike out “economical” and
13 substitute “economically”.

14 (2) In subsection (f) strike out “Agency for
15 International Development” and substitute “agency
16 primarily responsible for administering part I”.

17 (3) Add the following new subsection (g):

18 “(g) In order to carry out the policies of this Act, the
19 President shall, when appropriate, assist in promoting the
20 organization, implementation, and growth of the cooperative
21 movement in Latin America as a fundamental measure to-
22 ward the strengthening of democratic institutions and prac-
23 tices and economic and social development under the Alliance
24 for Progress.”

1 (b) Amend section 252, which relates to authorization,
2 as follows:

3 (1) Insert the following after the words "available
4 until expended": ": Provided, That any unappropriated
5 portion, not to exceed \$50,000,000, of the amount au-
6 thorized to be appropriated for any such fiscal year
7 may be appropriated in any subsequent fiscal year dur-
8 ing the above period in addition to the amount otherwise
9 authorized to be appropriated for such subsequent
10 fiscal year. The funds appropriated pursuant to this
11 section".

12 (2) Strike out "and which" before ", except for".

13 (3) Insert following "1963" the second time it
14 appears the words "and not to exceed \$75,000,000 of
15 the funds appropriated pursuant to this section for use
16 beginning in fiscal year 1964".

17 (c) Amend section 253, which relates to fiscal provisions,
18 by inserting immediately after the first sentence thereof the
19 following new sentence: "All receipts in foreign currencies
20 from loans made under this title or for nonmilitary assistance
21 purposes under the Mutual Security Act of 1954, as amended,
22 or any Act repealed thereby, shall, notwithstanding the pro-
23 visions of section 612 of this Act or the provisions of any
24 other Act, be available, in addition to other funds available for
25 such purposes, for loans on such terms and conditions as the

1 President may specify to carry out the purposes of subsection
2 (g) of section 251 of this title, and the President may, not-
3 withstanding the provisions of any other Act, reserve such
4 currencies in such amounts (not to exceed \$25,000,000 in
5 any fiscal year) and for such periods as he shall determine
6 to be necessary to provide for the programs authorized by said
7 subsection (g)."

8 (d) After section 253, which relates to fiscal provisions,
9 insert the following new section:

10 "SEC. 254. RESTRICTIONS ON ASSISTANCE.—None of
11 the funds made available under authority of this Act may
12 be used to furnish assistance to any country covered by
13 this title in which the government has come to power through
14 the forcible overthrow of a prior government which has been
15 chosen in free and democratic elections unless the President
16 determines that withholding such assistance would be con-
17 trary to the national interest."

18 CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND 19 PROGRAMS

20 SEC. 107. Section 302 of the Foreign Assistance Act of
21 1961, as amended, which relates to international organiza-
22 tions and programs, is amended by striking out "1963" and
23 "\$148,900,000" and substituting "1964" and "\$136,-
24 050,000", respectively.

CHAPTER 4—SUPPORTING ASSISTANCE

SEC. 108. Section 402 of the Foreign Assistance Act of 1961, as amended, which relates to supporting assistance, is amended by striking out "1963" and "\$415,000,000" and substituting "1964" and "\$400,000,000", respectively.

CHAPTER 5—CONTINGENCY FUND

SEC. 109. Section 451 of the Foreign Assistance Act of 1961, as amended, which relates to the contingency fund, is amended by striking out "1963" and "\$300,000,000" and substituting "1964" and "\$175,000,000", respectively.

PART II

CHAPTER 1—POLICY

SEC. 201. Chapter 1 of part II of the Foreign Assistance Act of 1961, as amended, is hereby redesignated "Policy" and section 501, which relates to short title, is hereby deleted.

CHAPTER 2—MILITARY ASSISTANCE

SEC. 202. Chapter 2 of part II of the Foreign Assistance Act of 1961, as amended, which relates to military assistance, is amended as follows:

(a) In section 504(a), which relates to authorization, strike out "the fiscal years 1962 and 1963" and "\$1,700,000,000 for each such fiscal year, which sums" and substitute "fiscal year 1964" and "\$1,300,000,000, which", respectively.

(b) In section 510(a), which relates to special author-

ity, strike out "1963" in the first and second sentences and substitute "1964".

(c) In section 511, which relates to restrictions on military aid to Latin America, strike out "\$57,500,000" and substitute "\$50,000,000, of which \$25,000,000 may be available during each fiscal year for assistance to an international military force under the control of the Organization of American States".

PART III

CHAPTER 1—GENERAL PROVISIONS

SEC. 301. Chapter 1 of part III of the Foreign Assistance Act of 1961, as amended, which relates to general provisions, is amended as follows:

(a) Section 601(b), which relates to encouragement of private enterprise, is amended as follows:

(1) At the end of paragraph (3), strike out "and".

(2) In paragraph (4), strike out "wherever appropriate" and insert in lieu thereof "to the maximum extent practicable", and strike out the period at the end thereof and substitute a semicolon.

(3) Add the following new paragraphs at the end thereof:

"(5) take appropriate steps to discourage nationalization, expropriation, confiscation, seizure of ownership or control, of private investment and discriminatory or

1 other actions having the effect thereof, undertaken by
 2 countries receiving assistance under this Act, which di-
 3 vert available resources essential to create new wealth,
 4 employment, and productivity in those countries and
 5 otherwise impair the climate for new private investment
 6 essential to the stable economic growth and development
 7 of those countries; and

8 “(6) utilize wherever practicable the services of
 9 United States private enterprise (including, but not
 10 limited to, the services of experts and consultants in
 11 technical fields such as engineering).”

12 (b) Section 611(b), which relates to completion of plans
 13 and cost estimates, is amended by striking out “circular
 14 A-47 of the Bureau of the Budget” and substituting “the
 15 Memorandum of the President dated May 15, 1962”.

16 (c) Section 612, which relates to use of foreign cur-
 17 rencies, is amended as follows:

18 (1) Insert “(a)” after the section heading.

19 (2) Add at the end thereof the following new sub-
 20 section:

21 “(b) In order to provide for the foreign currency needs
 22 of United States citizens for travel or other purposes, the
 23 Secretary of the Treasury shall make available for sale for
 24 United States dollars to such citizens, at United States em-
 25 bassies or other convenient locations, foreign currencies ac-

1 quired by the United States through operations under this
 2 Act, the Mutual Security Act of 1954, as amended, or any
 3 Act repealed thereby, or the Agricultural Trade Develop-
 4 ment and Assistance Act of 1954, as amended, which (1)
 5 he determines to be in excess of the needs of departments and
 6 agencies of the United States for such currencies, and (2)
 7 are not prohibited from such use or committed to other uses
 8 by agreement heretofore entered into with another country.
 9 United States dollars received from the sale of foreign cur-
 10 rencies under this subsection shall be deposited in the Treas-
 11 ury as miscellaneous receipts.”

12 (d) Section 620, which relates to prohibitions against
 13 furnishing assistance to Cuba and certain other countries, is
 14 amended as follows:

15 (1) Subsection (a) is amended as follows:

16 (i) Insert “(1)” immediately after “(a)”.

17 (ii) Add the following new paragraph (2) at
 18 the end thereof:

19 “(2) No funds authorized to be made available
 20 under this Act shall be used to furnish assistance (ex-
 21 cept under section 214) to any country which, by fail-
 22 ing (beginning not later than sixty days after enactment
 23 of the Foreign Assistance Act of 1963) to take such steps
 24 as are appropriate:

25 “(a) permits the further carriage by any ship

or aircraft under its registry, to or from Cuba, so long as it is governed by the Castro regime or any other Communist regime, of any military personnel, or any arms, ammunition, and implements of war, atomic energy materials, petroleum, or any articles, materials, or supplies, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war, contained on the list maintained by the Administrator pursuant to title I of the Mutual Defense Assistance Control Act of 1951, as amended; or

“(b) permits the further carriage by any ship under its registry, to or from Cuba, so long as it is governed by the Castro regime or any other Communist regime, of any other equipment, materials or commodities, unless the President determines that the furnishing of such assistance is important to the security of the United States and reports such determination to the Foreign Relations and Appropriations Committees of the Senate and the Speaker of the House of Representatives: Provided, however, That this subparagraph (b) shall not apply with respect to the fulfillment of firm commitments of the

United States made prior to the date of enactment of this paragraph, nor to military sales under section 508.

The restrictions contained in this paragraph (2) may not be waived pursuant to any other authority contained in this Act or any other provision of law.”

(2) Subsection (c) is amended to read as follows:

“(c) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

“(1) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

“(2) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

“(3) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or opera-

1 tional conditions, or has taken other actions, which have
 2 the effect of nationalizing, expropriating, or otherwise
 3 seizing ownership or control of property so owned,
 4 and such country, government agency, or government sub-
 5 division fails within a reasonable time (not more than six
 6 months after such action, or, in the event of a referral to the
 7 Foreign Claims Settlement Commission of the United States
 8 within such period as provided herein, not more than twenty
 9 days after the report of the Commission is received) to take
 10 appropriate steps, which may include arbitration, to discharge
 11 its obligations under international law toward such citizen
 12 or entity, including speedy compensation for such property
 13 in convertible foreign exchange, equivalent to the full value
 14 thereof, as required by international law, or fails to take steps
 15 designed to provide relief from such taxes, exactions, or con-
 16 ditions, as the case may be; and such suspension shall con-
 17 tinue until the President is satisfied that appropriate steps are
 18 being taken, and no other provision of this Act shall be con-
 19 trued to authorize the President to waive the provisions of this
 20 subsection.

21 "Upon request of the President (within seventy days
 22 after such action referred to in paragraphs (1), (2),
 23 or (3) of this subsection), the Foreign Claims Settlement
 24 Commission of the United States (established pursuant to
 25 Reorganization Plan No. 1 of 1954, 68 Stat. 1279)

1 is hereby authorized to evaluate expropriated property, deter-
 2 mining the full value of any property nationalized, expro-
 3 priated, or seized, or subjected to discriminatory or other
 4 actions as aforesaid, for purposes of this subsection and to
 5 render an advisory report to the President within ninety
 6 days after such request. Unless authorized by the President,
 7 the Commission shall not publish its advisory report except
 8 to the citizen or entity owning such property. There is
 9 hereby authorized to be appropriated such amount, to remain
 10 available until expended, as may be necessary from time to
 11 time to enable the Commission to carry out expeditiously its
 12 functions under this subsection."

13 (3) Add the following new subsections at the end
 14 thereof:

15 "(i) No assistance shall be furnished on a grant basis
 16 under this Act to any economically developed nation capable
 17 of sustaining its own defense burden and economic growth,
 18 except (1) to fulfill firm commitments made prior to July 1,
 19 1963, or (2) additional orientation and training expenses
 20 under part II hereof during fiscal year 1964 in an amount
 21 not to exceed \$1,000,000.

22 "(j) No assistance under this Act shall be furnished
 23 for projects establishing or otherwise assisting government-
 24 owned manufacturing, utility, merchandising, or processing
 25 enterprises in any country or area, except where it clearly

1 appears that goods or services of the same general class are
2 not or cannot be adequately provided by private businesses
3 located within such country or area."

4 CHAPTER 2—ADMINISTRATIVE PROVISIONS

5 SEC. 302. Chapter 2 of part III of the Foreign Assist-
6 ance Act of 1961, as amended, which relates to administra-
7 tive provisions, is amended as follows:

8 (a) Amend section 624, which relates to statutory offi-
9 cers, as follows:

10 (1) In subsection (a)(2) strike out "two shall have
11 the rank of Deputy Under Secretaries" and substitute
12 "one shall have the rank of a Deputy Under Secretary".

13 (2) In subsection (a)(3) strike out "nine" and
14 substitute "ten".

15 (3) In subsection (b) strike out "paragraphs (2)
16 and" and substitute "paragraph".

17 (4) In subsection (d)(1) after the words "Deputy
18 Inspector General, Foreign Assistance," where they first
19 appear insert "who shall be appointed by the President
20 by and with the advice and consent of the Senate," and
21 strike out "\$19,500" and substitute "\$20,000".

22 (b) Amend section 626(b), which relates to experts,
23 consultants, and retired officers, as follows:

24 (1) Strike out the entire first sentence.

1 (2) In the second sentence strike out "Nor shall
2 such service" and substitute "Service of an individual as
3 an expert or consultant under subsection (a) of this sec-
4 tion shall not".

5 (c) In section 631, which relates to missions and staffs
6 abroad, add the following new subsection (c):

7 "(c) The President may appoint any United States
8 citizen who is not an employee of the United States Govern-
9 ment or may assign any United States citizen who is a
10 United States Government employee to serve as Chair-
11 man of the Development Assistance Committee or any
12 successor committee thereto of the Organization for Eco-
13 nomic Cooperation and Development upon election thereto
14 by members of said Committee, and, in his discretion, may
15 terminate such appointment or assignment, notwithstanding
16 any other provision of law. Such person may receive such
17 compensation and allowances as are authorized by the
18 Foreign Service Act of 1946, as amended, not to exceed
19 those authorized for a chief of mission, class 2, within the
20 meaning of said Act, as the President may determine. Such
21 person may also, in the President's discretion, receive any
22 other benefits and perquisites available under this Act to
23 chiefs of special missions or staffs outside the United States
24 established under this section."

1 (d) Amend section 635, which relates to general au-
2 thorities, as follows:

3 (1) Amend section 635(g) by striking out the word
4 "and" at the end of subparagraph (4); by striking out the
5 period at the end of subparagraph (5) and inserting in lieu
6 thereof a semicolon and the word "and"; and by adding the
7 following new subparagraph:

8 "(6) in the case of loans under part I (except under sec-
9 tion 205), shall establish terms which shall include (A) in-
10 terest at a rate not lower than three-fourths of 1 per centum
11 per annum during the five-year period following the date on
12 which the funds are initially made available under the loan,
13 and not lower than 2 per centum per annum thereafter, and
14 (B) repayment on an amortized basis, beginning not later than
15 five years after the date any funds are initially made available
16 under the loan, and ending not later than thirty years follow-
17 ing the end of such five-year period."

18 (2) Add the following new subsections:

19 "(k) Any cost-type contract or agreement (including
20 grants) entered into with a university, college, or other edu-
21 cational institution for the purpose of carrying out programs
22 authorized by part I may provide for the payment of the
23 reimbursable indirect costs of said university, college, or other
24 educational institution on the basis of predetermined fixed-

1 percentage rates applied to the total, or an element thereof,
2 of the reimbursable direct costs incurred.

3 "(l) No loan or grant in excess of \$100,000,000, and
4 no agreement obligating or committing the United States to
5 make a loan or grant in excess of \$100,000,000, for the
6 financing of any particular project shall be made or entered
7 into under part I unless such loan, grant, or commitment shall
8 have been specifically submitted to the Congress and specifi-
9 cally approved by Congress."

10 (e) Amend section 637(a), which relates to admin-
11 istrative expenses, by striking out "1963" and "\$53,000,-
12 000" and substituting "1964" and "\$52,000,000", respec-
13 tively.

14 CHAPTER 3—MISCELLANEOUS PROVISIONS

15 SEC. 303. Section 644(f) of the Foreign Assistance
16 Act of 1961, as amended, which relates to definition of de-
17 fense services, is amended by inserting "including orienta-
18 tion" after "training" the first time it appears.

19 SEC. 304. Section 645 of the Foreign Assistance Act
20 of 1961, as amended, which relates to unexpended balances,
21 is amended to read as follows:

22 "SEC. 645. UNEXPENDED BALANCES.—Unexpended
23 balances of funds made available pursuant to this Act, the
24 Mutual Security Act of 1954, as amended, or Public Law

1 86-735 are hereby authorized to be continued available for
 2 the general purposes for which appropriated, and may at
 3 any time be consolidated, and, in addition, may be consoli-
 4 dated with appropriations made available for the same gen-
 5 eral purposes under the authority of this Act."

6 PART IV—AMENDMENTS TO OTHER LAWS

7 SEC. 401. The Act to provide for assistance in the devel-
 8 opment of Latin America and in the reconstruction of Chile,
 9 and for other purposes (Public Law 86-735, 22 U.S.C.
 10 1942 et seq.), is amended as follows:

11 (a) Insert following the enacting clause "That this Act
 12 may be cited as 'The Latin American Development Act'".

13 (b) In section 2 strike out "\$500,000,000" and substi-
 14 tute "\$675,000,000".

15 SEC. 402. Section 231 of the Trade Expansion Act of
 16 1962 (Public Law 87-794, approved October 11, 1962)
 17 is amended as follows:

18 (a) Insert "(a)" before the words "The President
 19 shall".

20 (b) Add the following new subsection:

21 "(b) The President may extend the benefits of trade
 22 agreement concessions made by the United States to prod-
 23 ucts, whether imported directly or indirectly, of a country
 24 or area within the purview of subsection (a), when he deter-

1 mines that such treatment would be important to the national
 2 interest and would promote the independence of such country
 3 or area from domination or control by international com-
 4 munism, and reports this determination and the reasons
 5 therefor to the Congress."

6 SEC. 403. The Agricultural Trade Development and As-
 7 sistance Act of 1954, as amended (7 U.S.C. 1691 (et seq.)),
 8 is amended as follows:

9 (a) Section 104(e) is amended as follows:

10 (1) Strike out "25 per centum" and substitute "50
 11 per centum".

12 (2) Insert after the words "such firms" a comma
 13 and the words "and cooperative enterprises,".

14 (3) Strike out "United States agricultural prod-
 15 ucts" and substitute "United States agricultural and
 16 industrial products".

17 (b) Section 106 is amended by adding at the end thereof
 18 a new sentence as follows: "For the purposes of this title and
 19 title IV, the term 'surplus agricultural commodity' shall
 20 include any domestically produced fishery product if the
 21 Secretary of the Interior has determined that such product
 22 is at the time of exportation in excess of domestic require-
 23 ments, adequate carryover, and anticipated exports for
 24 dollars."

1 (c) The amendment made by subsection (b) of this
 2 section shall not be effective for purposes of title I of the
 3 Agricultural Trade Development and Assistance Act of
 4 1954, as amended, until January 1, 1965.

Passed the House of Representatives August 23, 1963.

Attest: RALPH R. ROBERTS,
 Clerk.

Referred to the Committee on Agriculture
 and Forestry
 October 22, 1963
 H. R. 1882
 (Approved for 2003)
 AN ACT
 To amend the Agricultural Trade Development and Assistance Act of 1954, as amended, to provide for the continuation of the program of agricultural trade development and assistance for the period beginning on January 1, 1965, and for other purposes.

1. (c) The amendment made by subsection (b) of this
2. section shall not be effective for purposes of title I of the
3. Agricultural Trade Development and Assistance Act of
4. 1954, as amended, until January 1, 1963.

Passed the House of Representatives August 23, 1963.

Attest:

RALPH H. ROBERTS,

Clerk.

Calendar No. 566

88TH CONGRESS
1ST SESSION

H. R. 7885

[Report No. 588]

AN ACT

To amend further the Foreign Assistance Act
of 1961, as amended, and for other purposes.

August 28, 1963

Read twice and referred to the Committee on

Foreign Relations

October 22, 1963

Reported with an amendment

DEPARTMENT OF STATE
POLICY PLANNING COUNCIL
WASHINGTON

2

11/20/68

Walt

I wrote this for the
President, as an idea he might
want to discuss with the President-elect.
bo

Mr. Kallow

White House

2a

MEMORANDUM

November 20, 1968

SUBJECT: Foreign Aid

A. Proposal

1. A public committee should be appointed to perform the "thorough and comprehensive reappraisal" of foreign aid which the Foreign Assistance Act of 1968 calls on the President to submit to the Congress by March 1970.

2. Hubert Humphrey should be chairman of this committee (this would not be a full time job--far from it; a small full time staff could do most of the work). Vice Chairman of the committee should be someone of the opposite political party--e.g., ex-Senator Morton, Douglas Dillon, or David Rockefeller.

B. Rationale

1. No U.S. Government activity has more beneficial effect on millions of men, women, and children around the world than foreign aid. Yet this program faces growing trouble: It was cut more deeply than ever this year, and present signs are that it will fare worse next year.

2. Three things are needed to reverse this trend: (i) an effective and disinterested outside review of the merits of the program; (ii) new ideas to improve the program, and particularly to dramatize the extent to which aid responsibilities are already being shared by other countries; (iii) an effective spokesman to present these new ideas, as well as the case for aid, to the public and Congress.

3. A public committee wholly unrelated to AID would meet the first need: for disinterested review. It could also meet the second need: for new ideas, drawing - among other sources - on excellent work recently completed by the AID Advisory Committee under James Perkins. Vice President Humphrey, as chairman, would be ideally suited to meeting the third need: for putting forward these new ideas (to which he could make a notable contribution) in ways that would appeal to the public and the Congress. His appointment would also make clear that aid was viewed as a bipartisan issue; this would enhance its chances of survival, with a Republican President and a Democratic Congress.

FOR IMMEDIATE RELEASE

OCTOBER 9, 1968

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT
UPON SIGNING H.P. 15263, THE
FOREIGN ASSISTANCE ACT OF
1968

Enactment of the foreign aid program each year, as much as any other single event, expresses America's concern for our fellow human beings. It reflects our hopes for the kind of world our children will live in. It states our conviction, based on experience, that we can take effective steps with other nations to repeal the crushing lifetime sentence of poverty, disease, and ignorance under which most people are born. In a word, foreign aid is America's best investment in world peace.

I have signed the Foreign Assistance Act of 1968. I must emphasize, however, my deep concern over the serious reductions in the amounts authorized under this act and the further reductions in foreign aid appropriations which the House has now voted.

The Foreign Assistance Act of 1968 is inadequate. Reflecting our tight budget situation, my proposal for this year's program was below any previous request. Congress, in this act, has cut this request by nearly one-third -- by almost \$1 billion -- to the lowest level in the history of foreign aid. And the House has voted even deeper appropriation cuts -- by some \$355 million.

These reductions have serious implications for America's security.

To understand what the House appropriation cut means, in the critical area of development loans

- only \$200 million would be appropriated for 21 countries in Latin America, compared to a minimum request of \$515 million to achieve Alliance-for-Progress goals approved at Punta del Este.
- only \$265 million would be appropriated for all other aided countries in Asia and Africa, whose populations total over one billion people.

The Senate has restored the most critical House reductions within the limits of this authorization act. I urge the Congress as a whole to support this responsible action.

We are the richest nation in history. We have much to do that is urgent and pressing at home and abroad, but we must maintain our involvement in the world-wide war on want.

Foreign aid -- representing only a fraction of one percent of our gross national product -- is the spearhead of that involvement. It is an involvement of which most Americans are proud. It has produced notable economic successes in West Europe, in Iran, in Israel, in Korea, and in Taiwan. It has built nearly 250,000 classrooms since 1962. Last year alone, it graduated more than 58,000 teachers in poor countries, put nearly 24 million children in school, and distributed 25 million textbooks for their use.

MORE

Our foreign aid program reflects the clear policy of both the President and the Congress -- that aid be given only to countries who help themselves. We share this responsibility in partnership with other wealthy nations. We do not do as much as some and we do no more than the average. We cannot afford to do less.

Many developing countries have now taken hard self-help steps which promise dramatic changes, particularly in the crucial race between food supply and population growth. I urge the Congress not to reverse this momentum toward peaceful change and to weigh carefully the cost of rejecting our part of the self-help bargain.

Another provision of this legislation deserves mention. It imposes a quota on the amount of unprocessed timber that may be sold for export from the United States. This provision affects our trade with Japan. The United States Government assures the Government of Japan that we will give full consideration -- bearing in mind United States domestic requirements -- to Japan's desire to have the law administered in a manner least harmful to our trade relations.

I have taken note of Section 651 concerning the sale of planes to Israel.

In the light of this expression of the sense of the Congress, I am asking the Secretary of State to initiate negotiations with the Government of Israel and to report back to me.

#

MEMORANDUM

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

Mr. Walt ~~Doles~~ -

Bill Gaud has
suggested a letter from
Mr. Clifford on the
AID bill. Mr. Clifford
would like your reaction.

Paul C. Wamba

Ha

Draft Letter for Mr. Clifford for the Speaker of the House

Dear Mr. Speaker:

In view of the fact that I will be in Vietnam next week, when I understand that the Foreign Aid bill will be acted upon in the House, I am taking this opportunity of recording with you my views as to the importance of this legislation to our national security.

The Military Assistance Program, administered by the Department of Defense, accounts for only a relatively small part of the total funds requested this year for foreign aid. The \$420 million asked for military assistance constitutes, however, a most important part of our overall defense program. This money will enable us to assist our less developed allies and friends in doing their share to maintain a collective security posture which deters aggression and promotes stable international relations. By far the greater portion of this amount is intended for countries which, because of their geographic locations, face the greatest threat. Substantial diminution of the planned program, or a moratorium on all military assistance for fiscal year 1969, would substantially eliminate our ability to assist these countries in their efforts to defend themselves and to participate in collective defensive efforts.

A requirement that the Military Assistance Program endeavor to survive during fiscal year 1969 on the undelivered balance of 1968 and prior years would upset carefully planned schedules of delivery

for major items and repair parts to recipients of military assistance and would vitiate the preparatory efforts which they have made in reliance on these deliveries. Such a moratorium, moreover, would lead to cancellation costs and other charges which would cut significantly the funds that otherwise might be available for investment and force improvement items.

Above all, however, I would like to emphasize the importance I place from the standpoint of our national security on the continuation of our economic aid programs. These are, in my opinion, vital to the maintenance of the alliances and other international relationships from which we, along with our friends, derive so much of our defensive strength. The impact of a drastic curtailment or a complete moratorium in economic aid on countries such as Korea and Thailand would be immediate and calamitous. Discontinuation of aid to South Vietnam and Laos could create internal situations which would prejudice the Paris peace negotiations and the accomplishment of our objectives in Southeast Asia. Our ability to retain key bases and facilities in a number of developing countries would inevitably be threatened. In less developed countries throughout the world, the prospect of even greater divergence between their needs and their resources would aggravate the distress conditions which could imperil the peace of the world.

I sincerely hope, therefore, that the Foreign Assistance Act will receive the sympathetic consideration of the House in both its economic and military assistance aspects.

Sincerely,

ACTION

THE WHITE HOUSE
WASHINGTON

5

Monday, July 15, 1968 - 7:45 am

Mr. President:

Neither McPherson nor Busby appears to be in town as of this morning. I think the proposed statement on the Aid Bill is good as it stands. (I suggest a possible insert at top of page 3.)

But you may wish to assign someone else to go over it this morning.

Walt Rostow

5a

W. W. Rostow's suggested insert on page 3.

of the free world.

From hard-won personal experience, every postwar President learned this fact: dollar for dollar, no U. S. expenditures contributed more to U. S. security and world peace than dollars spent in foreign aid.

Nor, if I may add a personal note, (continue on with remainder of page).

THE UNDER SECRETARY OF STATE
WASHINGTON

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT MAT1 SECURITY
INFORMATION, E.O. 12856,
SEC 1.1(a)

July 13, 1968

~~CONFIDENTIAL~~

BY *M/Sg* ON *11/11/93*

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Statement on the Aid Bill

A draft Presidential statement on the Aid Bill is attached. It is basically the same statement as that earlier sent to you as a draft letter to Speaker McCormack.

I continue to urge that you personally read this statement before TV some time on Monday.

Nicholas deB. Katzenbach
Nicholas deB. Katzenbach

Enclosure.

1. I will read the statement before TV. _____
2. No _____
3. See me. _____

*ask Harry & Buzz
to review & have
ready Monday
noon -*

~~CONFIDENTIAL~~

Wm. W. Hamilton
5-c
DRAFT PRESIDENTIAL STATEMENT ON THE AID BILL

The Congress is about to consider a critical piece of legislation--the continuation for another year of the foreign aid program. I want to emphasize to the American people and to all Members of Congress my conviction that passage of this legislation is absolutely essential.

I have just returned from Central America, where I saw and felt at first hand the needs and aspirations of people who look to us for leadership and help. These people, with energy and hope, are hard at work building a new life. They and the millions of others in Asia, in Africa and Latin America who are struggling to better their own lives and the lives of their children, deserve the assurance that they are not alone and friendless.

The world's poor know that there is no moratorium on disease.

They know that there is no moratorium on hunger, starvation or illiteracy.

And they know that there can be no moratorium on their own war against these age-old enemies. Can we do less than offer them a small measure of support and encouragement in this battle?

In the end, each citizen and each member of Congress must make his own judgment of our national priorities. Let me only say that my foreign aid budget request takes into account our critical needs at home as well as those abroad. As the Congress knows, it was the lowest request in history.

The Foreign Affairs Committee has reduced this request by \$600 million--about 20%. I regret this cut, but, in view of our joint concern for our fiscal problems, I will not oppose it.

But with these cuts, the program has been pared to the bone. Below this level the vitality of the regional initiatives we have stimulated in the developing areas would be severely threatened. Countries around the world which have trusted our resolve and heeded our advice would lose the confidence in peaceful progress which distinguishes this era from the long dark centuries of hopelessness which have been their common burden.

This is not, nor should it become, a partisan issue. Every President since Harry Truman has understood the importance of aid to our own security and to the future

INSERT

-3-

of the free world. ^{It} Nor, if I may add a personal note, can I imagine a greater disservice to my successor than the defeat, or crippling, of this bill. Be he Democrat or Republican, liberal or conservative, he will be charged with executing the foreign policy of the United States. It is our common responsibility to pass on to him intact the full range of instruments necessary to the performance of his duties. I speak from my own experience--and the experience of my three predecessors--when I say that none is more vital than foreign aid.

We are now engaged in crucial talks looking toward the end of the tragic conflict in Viet-Nam. We are about to begin talks with the Soviet Union on limiting the arms race. At a time when America's commitment to peace with security has begun to bear fruit, we must not seem to be withdrawing from the struggle against the basic causes of war and unrest.

I call upon the Congress to reaffirm--as it has so resolutely in the past--America's moral and material commitment to help others help themselves toward a better and more peaceful future.

ACTION

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W. W. Rostow

WWRostow:rlh

ACTION

6a

~~CONFIDENTIAL~~

Saturday, July 13, 1968
12:45 p.m.

Mr. President:

Herewith Nick produces a statement on the Aid Bill, which he recommends you read before TV sometime on Monday. In a conversation with Sec. Rusk this morning, he thought an opening volunteered statement at a press conference might be the best form for such a statement.

W. W. Rostow

~~CONFIDENTIAL~~

DETERMINED TO BE AN ADMINISTRATIVE
MARKING, CANCELLED PER E.O. 12356,
SEC. 1.3 AND ARCHIVIST'S MEMO OF
MAR. 16, 1983.

BY SP/sg ON 1/11/93

WWRostow:rlh

6-b

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The Congress is about to consider a critical piece of legislation--the continuation for another year of the foreign aid program. I want to emphasize to the American people and to all Members of Congress my conviction that passage of this legislation is absolutely essential.

I have just returned from Central America, where I saw and felt at first hand the needs and aspirations of people who look to us for leadership and help. These people, with energy and hope, are hard at work building a new life. They and the millions of others in Asia, in Africa and Latin America who are struggling to better their own lives and the lives of their children, deserve the assurance that they are not alone and friendless.

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This is not, nor should it become, a partisan issue. Every President since Harry Truman has understood the importance of aid to our own security and to the future

of the free world. Nor, if I may add a personal note, can I imagine a greater disservice to my successor than the defeat, or crippling, of this bill. Be he Democrat or Republican, liberal or conservative, he will be charged with executing the foreign policy of the United States. It is our common responsibility to pass on to him intact the full range of instruments necessary to the performance of his duties. I speak from my own experience--and the experience of my three predecessors--when I say that none is more vital than foreign aid.

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I call upon the Congress to reaffirm--as it has so resolutely in the past--America's moral and material commitment to help others help themselves toward a better and more peaceful future.



THE UNDER SECRETARY OF STATE
WASHINGTON

2216
6-C
July 13, 1968

CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Statement on the Aid Bill

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I continue to urge that you personally read this statement before TV some time on Monday.

Nicholas deB. Katzenbach
Nicholas deB. Katzenbach

Enclosure.

1. I will read the statement before TV. _____
2. No _____
3. See me. _____

CONFIDENTIAL

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT NATL SECURITY
INFORMATION, E.O. 12854,
SEC. 1.1(a)

BY SP/REG ON 11/11/93

DRAFT PRESIDENTIAL STATEMENT ON THE AID BILL

The Congress is about to consider a critical piece of legislation--the continuation for another year of the foreign aid program. I want to emphasize to the American people and to all Members of Congress my conviction that passage of this legislation is absolutely essential.

I have just returned from Central America, where I saw and felt at first hand the needs and aspirations of people who look to us for leadership and help. These people, with energy and hope, are hard at work building a new life. They and the millions of others in Asia, in Africa and Latin America who are struggling to better their own lives and the lives of their children, deserve the assurance that they are not alone and friendless.

The world's poor know that there is no moratorium on disease.

They know that there is no moratorium on hunger, starvation or illiteracy.

And they know that there can be no moratorium on their own war against these age-old enemies. Can we do less than offer them a small measure of support and encouragement in this battle?

In the end, each citizen and each member of Congress must make his own judgment of our national priorities. Let me only say that my foreign aid budget request takes into account our critical needs at home as well as those abroad. As the Congress knows, it was the lowest request in history.

The Foreign Affairs Committee has reduced this request by \$600 million--about 20%. I regret this cut, but, in view of our joint concern for our fiscal problems, I will not oppose it.

But with these cuts, the program has been pared to the bone. Below this level the vitality of the regional initiatives we have stimulated in the developing areas would be severely threatened. Countries around the world which have trusted our resolve and heeded our advice would lose the confidence in peaceful progress which distinguishes this era from the long dark centuries of hopelessness which have been their common burden.

This is not, nor should it become, a partisan issue. Every President since Harry Truman has understood the importance of aid to our own security and to the future

of the free world. Nor, if I may add a personal note, can I imagine a greater disservice to my successor than the defeat, or crippling, of this bill. Be he Democrat or Republican, liberal or conservative, he will be charged with executing the foreign policy of the United States. It is our common responsibility to pass on to him intact the full range of instruments necessary to the performance of his duties. I speak from my own experience--and the experience of my three predecessors--when I say that none is more vital than foreign aid.

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I call upon the Congress to reaffirm--as it has so resolutely in the past--America's moral and material commitment to help others help themselves toward a better and more peaceful future.

2226

Orig + I — received 62
2:00 PM 13 July —

Orig to WWR

Ruth — sent to President —
he will read on TV Monday

THE UNDER SECRETARY OF STATE
WASHINGTON

July 13, 1968

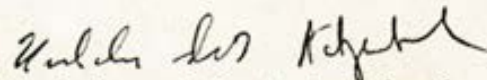
~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Statement on the Aid Bill

A draft Presidential statement on the Aid Bill is attached. It is basically the same statement as that earlier sent to you as a draft letter to Speaker McCormack.

I continue to urge that you personally read this statement before TV some time on Monday.


Nicholas deB. Katzenbach

Enclosure.

1. I will read the statement before TV. _____
2. No _____
3. See me. _____

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT NAT'L SECURITY
INFORMATION, E.O. 12854,
SEC. 1.1(a)

BY SP/19 ON 1/11/93

~~CONFIDENTIAL~~

DRAFT PRESIDENTIAL STATEMENT ON THE AID BILL

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I have just returned from Central America, where I saw and felt at first hand the needs and aspirations of people who look to us for leadership and help. These people, with energy and hope, are hard at work building a new life. They and the millions of others in Asia, in Africa and Latin America who are struggling to better their own lives and the lives of their children, deserve the assurance that they are not alone and friendless.

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But with these cuts, the program has been pared to the bone. Below this level the vitality of the regional initiatives we have stimulated in the developing areas would be severely threatened. Countries around the world which have trusted our resolve and heeded our advice would lose the confidence in peaceful progress which distinguishes this era from the long dark centuries of hopelessness which have been their common burden.

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I call upon the Congress to reaffirm--as it has so resolutely in the past--America's moral and material commitment to help others help themselves toward a better and more peaceful future.

ACTION
THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

Saturday, July 13, 1968
12:45 p.m.

Mr. President:

Herewith Nick produces a statement on the Aid Bill, which he recommends you read before TV sometime on Monday. In a conversation with Sec. Rusk this morning, he thought an opening volunteered statement at a press conference might be the best form for such a statement.

DETERMINED TO BE AN ADMINISTRATIVE
MARKING, CANCELLED PER E. O. 12356,
SEC. 1.3 AND ARCHIVISTS MEMO OF
MAR. 16, 1983.

BY W. A. R. ON 11/11/93
W. A. R. Rostow

CONFIDENTIAL

THE UNDER SECRETARY OF STATE
WASHINGTON

July 13, 1968

CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Statement on the Aid Bill

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I continue to urge that you personally read this statement before TV some time on Monday.

Nicholas deB. Katzenbach
Nicholas deB. Katzenbach

Enclosure.

1. I will read the statement before TV. _____
2. No _____
3. See me. _____

*ask Harry & Buzz
to review & have
ready Monday
noon -*

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT MAT'L SECURITY
INFORMATION, E.O. 12856,
SEC. 1.1(a)

CONFIDENTIAL

BY *gmg* ON *1/11/93*

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RECEIVED
FBI'S OFFICE
1968 JUL 13 AM 11 45

7-6
DRAFT PRESIDENTIAL STATEMENT ON THE AID BILL

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I call upon the Congress to reaffirm--as it has so resolutely in the past--America's moral and material commitment to help others help themselves toward a better and more peaceful future.

ACTION 8

THE WHITE HOUSE
WASHINGTON

Friday, July 12, 1968 - 1:00 p.m.

Mr. President:

Herewith, as you requested, a proposed Presidential statement on the aid bill.

I think the statement will help.
I recommend you approve.

Walt Rostow.
As you see, Nick did the job
as a letter: it's easily
convertible to a statement

Not

5618 July 16

W

2197

8a

THE UNDER SECRETARY OF STATE
WASHINGTON

July 11, 1968

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT MAT'L SECURITY
INFORMATION, E.O. 12856,
SEC 1.1(a)

BY OP/AS ON 1/11/93

~~CONFIDENTIAL~~

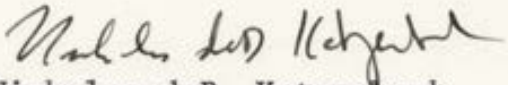
MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Statement on the Aid Bill

In line with your instructions at the Cabinet meeting yesterday, at Tab A is a draft Presidential letter to Speaker McCormack. (Bill Gaud has seen and approved the text.) It makes a strong pitch for passage of the Aid Bill and could serve as a public Presidential statement. It offers several advantages over a Presidential speech. It is short and punchy, and would have more impact than a longer, necessarily more complicated speech on the subject.

I recommend that you read the letter before TV Monday, since House debate is scheduled to begin Tuesday.

If you approve the letter, we will need your signature at Tab A.


Nicholas deB. Katzenbach

Enclosure.

1. I will read the letter before TV _____
2. No _____
3. See me _____

CONFIDENTIAL

enclosure.

1. I will read the letter before TV
2. No
3. See me

1968 JUL 11 PM 4 12

RECEIVED
POSTOFFICE

8-b

A

THE WHITE HOUSE

WASHINGTON

July 12, 1968

Dear Mr. Speaker:

The House of Representatives is about to consider a critical piece of legislation -- the Foreign Assistance Act. I want to emphasize to you -- and through you to all Members of Congress -- my strong support for this bill.

I have just returned from Central America, where I saw and felt at first hand the needs and aspirations of people who look to us for leadership and help. These people, with energy and hope, are hard at work building a new life. They, and the millions of others in Asia, Africa and Latin America who are struggling to better their own lives and the lives of their children, deserve the assurance that they are not alone and friendless.

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This is not, nor should it become, a partisan issue. Every President since Harry Truman has understood the importance of aid to our own security and to the future of the free world. Nor, if I may add a personal note, can I imagine a greater disservice to my successor than the defeat, or crippling, of this bill. Be he Democrat or Republican, liberal or conservative, he will be charged with executing the foreign policy of the United States. It is our common responsibility to pass on to him intact the full range of instruments necessary to the performance of his duties. I speak from my own experience -- and the experience of my three predecessors -- when I say that none is more vital than foreign aid.

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I call upon the Congress to reaffirm -- as it has so resolutely in the past -- America's moral and material commitment to help others help themselves toward a better and more peaceful future.

Sincerely,

The Honorable
John W. McCormack
Speaker of the House
of Representatives

UNCLASSIFIED

Received Washington CommCen
11:54 A.M. EDT Tuesday 9 Jul 68

Received LBJ Ranch CommCen
11:55 A.M. CDT Tuesday 9 Jul 68

EEA849
00 WTE10
DE WTE 2673

FROM WALT ROSTOW
TO THE PRESIDENT
CITE WH81594

UNCLAS

JULY 9, 1968

THERE FOLLOWS A PROPOSED PRESIDENTIAL LETTER TO DOC MORGAN IN SUPPORT OF HIS COMMITTEE'S VERSION OF THE FOREIGN AID BILL. MESSRS. KATZENBACH, GAUD, SANDERS AND I ARE PERSUADED THAT THIS MAY HELP TO HOLD OFF THE REPUBLICANS AND THAT WE NEED ALL THE HELP WE CAN GET. MORGAN WILL BE DELIGHTED TO RECEIVE IT AND WOULD PROBABLY READ IT INTO THE RECORD AT THE BEGINNING OF THE DEBATE.

THE AID BILL IS SCHEDULED COME ON THE FLOOR AFTER HOUSING, PROBABLY FIRST THING TOMORROW. IF YOU APPROVE THE LETTER, YOU MAY WANT TO HAVE GEORGE RELEASE IT FROM THE RANCH THIS AFTERNOON TO CATCH TOMORROW MORNING'S PAPERS. WE SHOULD ALSO LET MORGAN KNOW IT'S COMING BEFORE HE READS IT ON THE TICKER.

BEGIN TEXT:

DEAR MR. CHAIRMAN:

SOON THE CONGRESS MUST DECIDE WHAT SMALL SHARE OF OUR NATIONAL WEALTH SHOULD BE SPENT TO HELP THE FREE PEOPLES IN ASIA, AFRICA, AND LATIN AMERICA WHO LIVE IN THE SHADOW OF DESPAIR. IT IS NOT FOR AMERICANS TO DECIDE WHETHER CHANGE WILL OCCUR IN THESE LONG-SUFFERING LANDS; HISTORY HAS DECREED THAT THERE WILL BE CHANGE. BUT THE CONGRESS, BY ITS ACTION ON THE FOREIGN AID BILL, WILL DECIDE WHETHER THE UNITED STATES WILL CONTINUE TO OFFER THE CRITICAL MARGIN OF HOPE WHICH SO OFTEN SPELLS THE DIFFERENCE BETWEEN FORWARD PROGRESS AND THE LONG SAD SLIDE INTO CHAOS.

I DO NOT ASSERT THAT THIS IS AN EASY JUDGMENT. THE TEMPTATION IS GREAT TO THROW OFF THE BURDEN OF WORLD LEADERSHIP AND CONCENTRATE ALL OUR ENERGIES ON THE DEEP AND BITTER PROBLEMS WHICH BESET OUR OWN SOCIETY. I YIELD TO NO MAN IN MY CONCERN ABOUT THESE PROBLEMS NOR IN MY DETERMINATION TO SOLVE THEM.

BUT WE HAVE LEARNED IN THIS CENTURY THAT VIOLENCE ANYWHERE IS A THREAT TO PEACE EVERYWHERE. WE HAVE LEARNED THAT OUR VERY WEALTH IMPOSES DECISIONS WHICH CAN DETERMINE WHETHER OUR CHILDREN WILL INHERIT A COMMUNITY OF INDEPENDENT AND PROGRESSIVE NATIONS OR A PLANET STEEPED IN THE BLOODY GLOOM OF STAGNATION AND VIOLENCE. AND WE HAVE LEARNED THAT IN MATTERS OF SECURITY THERE IS NO REFUGE IN ISOLATION.

TRANSFERRED TO HANDWRITTEN FILE

TRANSFERRED TO HANDWRITTEN FILE

TOGETHER OVER THE PAST TWENTY YEARS WE HAVE SHAPED THESE LESSONS INTO A BIPARTISAN POLICY OF HOPE FOR NATIONS WITH THE WILL TO HELP THEMSELVES. WE HAVE SET CAREFUL LIMITS. OUR CAPITAL AID IS IN THE FORM OF LOANS, NOT GRANTS. WE INSIST ON ECONOMIC PERFORMANCE BY RECIPIENTS; WE DO NOT MAKE UNCONDITIONAL HANDOUTS. WE SUPPLY AMERICAN GOODS AND SERVICE; WE DO NOT DAMAGE THE U.S. BALANCE OF PAYMENTS. AND OUR MISTAKES -- THOUGH WE DO SOMETIMES MAKE MISTAKES -- ARE FAR OUTWEIGHED BY OUR SUCCESSES. LET THE MAN WHO DOUBTS THAT WALK THROUGH THE GOLDEN GRAIN FIELDS OF SOUTH ASIA, OR THROUGH THE THRIVING NEW FACTORIES OF KOREA, OR SEE -- AS I HAVE JUST SEEN -- THE ENERGY AND THE VISION AT WORK TO BUILD A NEW CENTRAL AMERICA OUR SKEPTICISM DIES HARD IN THIS JADE AGE, BUT IT CANNOT SURVIVE THAT EVIDENCE.

IN THE END, EACH CITIZEN AND EACH MEMBER OF CONGRESS MUST MAKE HIS OWN JUDGMENT OF OUR NATIONAL PRIORITIES. LET ME ONLY SAY THAT MY BUDGET RECOMMENDATIONS FOR FOREIGN AID TAKE INTO ACCOUNT OUR CRITICAL NEEDS AT HOME AS WELL AS THOSE ABROAD. THEY REPRESENT LESS THAN HALF OF ONE PERCENT OF OUR NATIONAL INCOME. IN MY JUDGMENT, THEY CONSTITUTE THE MINIMAL U.S. CONTRIBUTION TO OVERSEAS DEVELOPMENT CONSISTENT WITH OUR NATIONAL INTERESTS AND OUR NATIONAL CONSCIENCE.

THE FOREIGN AFFAIRS COMMITTEE HAS SEEN FIT TO REDUCE THIS REQUEST BY \$600 MILLION -- ABOUT 20 PERCENT. I REGRET THIS CUT, BUT, IN VIEW OF OUR JOINT CONCERN FOR OUR FISCAL PROBLEMS, I WILL NOT OPPOSE IT.

not be wise in our national interest.

FURTHER CUTS, HOWEVER, WOULD BE AN INVITATION TO DISASTER. MOMENTUM BUILT UP IN YEARS OF HARD WORK WOULD DISSOLVE IN FRUSTRATION AND DISILLUSION. THE VITALITY OF THE REGIONAL INITIATIVES WE HAVE STIMULATED IN ASIA, AFRICA AND LATIN AMERICA WOULD BE SEVERELY THREATENED. COUNTRIES AROUND THE WORLD WHICH HAVE TRUSTED OUR RESOLVE AND HEEDED OUR ADVICE WOULD LOSE THE CONFIDENCE IN PEACEFUL PROGRESS WHICH DISTINGUISHES THIS ERA FROM THE DARK CENTURIES OF HOPELESSNESS WHICH ARE THEIR COMMON HERITAGE. I CANNOT IMAGINE A MORE SERIOUS BLOW TO OUR INTERESTS AROUND THE WORLD.

NOR, IF I MAY ADD A PERSONAL NOTE, CAN I IMAGINE A GREATER DISSERVICE TO MY SUCCESSOR. BE HE DEMOCRAT OR REPUBLICAN, LIBERAL OR CONSERVATIVE, HE WILL BE CHARGED WITH EXECUTING THE FOREIGN POLICY OF THE UNITED STATES. IT IS OUR COMMON RESPONSIBILITY TO PASS ON TO HIM INTACT THE FULL RANGE OF INSTRUMENTS NECESSARY TO THE PERFORMANCE OF HIS DUTIES. I SPEAK FROM MY OWN EXPERIENCE -- AND THE EXPERIENCE OF MY THREE PREDECESSORS -- WHEN I SAY THAT NONE IS MORE VITAL THAN FOREIGN AID.

I URGE THE CONGRESS TO ENACT THE FOREIGN AID BILL AS REPORTED BY THE FOREIGN AFFAIRS COMMITTEE.

SINCERELY,

Walt Call me

END TEXT.

LETTER APPROVED FOR RELEASE THIS AFTERNOON.-----C

NO.-----

CALL ME.-----

*7/11/68 - Mr. Rostow
called President
passed on info to
Ed Hamilton.
re*

UNCLASSIFIED

DTG: 091554Z JUL 68

July 9, 1968

FOR THE PRESIDENT FROM WALT ROSTOW

There follows a proposed Presidential letter to Doc Morgan in support of his committee's version of the Foreign Aid Bill. Messrs. Katzenbach, Gaud, Sanders and I are persuaded that this may help to hold off the Republicans and that we need all the help we can get. Morgan will be delighted to receive it and would probably read it into the Record at the beginning of the debate.

The Aid Bill is scheduled come on the floor after housing, probably first thing tomorrow. If you approve the letter, you may want to have George release it from the Ranch this afternoon to catch tomorrow morning's papers. We should also let Morgan know it's coming before he reads it on the ticker.

BEGIN TEXT:

Dear Mr. Chairman:

Soon the Congress must decide what small share of our national wealth should be spent to help the free peoples in Asia, Africa, and Latin America who live in the shadow of despair. It is not for Americans to decide whether change will occur in these long-suffering lands; history has decreed that there will be change. But the Congress, by its action on the foreign aid bill, will decide whether the United States will continue to offer the critical margin of hope which so often spells the difference between forward progress and the long sad slide into chaos.

9a
sent Ranch
via wire
Casper
WH 81594

I do not assert that this is an easy judgment. The temptation is great to throw off the burden of world leadership and concentrate all our energies on the deep and bitter problems which beset our own society. I yield to no man in my concern about these problems nor in my determination to solve them.

But we have learned in this century that violence anywhere is a threat to peace everywhere. We have learned that our very wealth imposes decisions which can determine whether our children will inherit a community of independent and progressive nations or a planet steeped in the bloody gloom of stagnation and violence. And we have learned that in matters of security there is no refuge in isolation.

Together over the past twenty years we have shaped these lessons into a bipartisan policy of hope for nations with the will to help themselves. We have set careful limits. Our capital aid is in the form of loans, not grants. We insist on economic performance by recipients; we do not make unconditional handouts. We supply American goods and services; we do not damage the U.S. balance of payments. And our mistakes -- though we do sometimes make mistakes -- are far outweighed by our successes. Let the man who doubts that walk through the golden grain fields of South Asia, or through the thriving new factories of Korea, or see -- as I have just seen -- the energy and the vision at work to build a new Central America. Our skepticism dies hard in this jaded age, but it cannot survive that evidence.

In the end, each citizen and each member of Congress must make his own judgment of our national priorities. Let me only say that my budget recommendations for foreign aid take into account our critical needs at home as well as those abroad. They represent less than half of one percent of our national income. In my judgment, they constitute the minimal U.S. contribution to overseas development consistent with our national interests and our national conscience.

The Foreign Affairs Committee has seen fit to reduce this request by \$600 million -- about 20%. I regret this cut, but, in view of our joint concern for our fiscal problems, I will not oppose it.

Further cuts, however, would be an invitation to disaster. Momentum built up in years of hard work would dissolve in frustration and disillusion. The vitality of the regional initiatives we have stimulated in Asia, Africa and Latin America would be severely threatened. Countries around the world which have trusted our resolve and heeded our advice would lose the confidence in peaceful progress which distinguishes this era from the ~~long~~ dark centuries of hopelessness which are their common heritage. I cannot imagine a more serious blow to our interests around the world.

Nor, if I may add a personal note, can I imagine a greater disservice to my successor. Be he Democrat or Republican, liberal or conservative, he will be charged with executing the foreign policy of the United States. It is our common responsibility to pass on to

him intact the full range of instruments necessary to the performance of his duties. I speak from my own experience -- and the experience of my three predecessors -- when I say that none is more vital than foreign aid.

I urge the Congress to enact the foreign aid bill as reported by the Foreign Affairs Committee.

Sincerely,

END TEXT.

Letter approved for release this afternoon. _____

No. _____

Call me. _____

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Friday, June 7, 1968 -- 10:30 AM

WWR:

SUBJECT: Status Report on the Foreign Aid Bill

Things still have not jelled into any reliable pattern. They^{et} will clearly have to wait until after the tax bill has been passed. As of now:

1. You will recall that Doc Morgan had been instructed by the Foreign Affairs Committee to check out with the House Democratic Leadership a stop-gap approach which would produce a simple continuation of present programs at perhaps 90% of this year's expenditure rate. We decided not to oppose this because it would probably produce more aid money than the usual procedure.
2. Morgan apparently talked to Passman and to Carl Albert. We do not know the specifics of those conversations, but Morgan now seems to have dropped this idea -- although Carl Marcy is still pushing it hard in the Senate.
3. Morgan has decided to resume his mark-up of the authorization bill. He has tried to hold a meeting every day this week, but has repeatedly failed to get a quorum. It is not at all clear why he is pushing so hard when it is so evident that nobody wants to act on the aid bill until after the tax bill goes through.
4. Morgan's strategy is to try to get a "high" authorization bill (perhaps \$2.4 billion, compared with the \$2.9 billion request) through the Committee, take some cuts on the Floor, but leave some room for the Appropriations Committee to work its will.
5. However, Passman is pushing the appropriations bill through mark-up with a target reporting day of June 21. With the postponement of the tax bill, if Passman makes his target, the appropriation bill will be out of the Committee before the authorization bill gets on the Floor. This will probably eliminate any ~~delay~~^{daylight} between the authorization and appropriation numbers; the authorization bill will simply be ~~amended~~^{amended} on the Floor to bring it down to the appropriation recommendation. This is a blow to the Morgan strategy, but it may actually be useful in terms of getting as much money as possible.
6. We don't know what number Passman has in mind. We know that his staff is planning to recommend about \$1.8 billion. Gaud is going up to talk to him next week in the hope of ^{at least} persuading him to accept that number, which is higher than we thought he would go.

7. On the Senate side, AID has been told that Fulbright has left Washington and delegated his chairmanship for all practical purposes until next session. Sparkman is in the saddle. It is not clear whether Carl Marcy^{fy} has persuaded Sparkman of the virtues of the stop-gap approach, but the scuttlebutt is that the Foreign Relations Committee will not vote out a full Foreign Aid Bill this session.
8. However, the Senate Appropriations Committee appears willing to report out an appropriation bill as soon as one arrives from the House. There is no point of ^{order} procedure in the Senate, so such a bill could not be challenged on the basis that ~~it~~ had no previous authorization. The result would be that there would be no authorization bill this year, but simply an appropriation bill, which, as a matter of law, is its own authorization.

We could survive the appropriation ^{only} ~~only~~ approach reasonably intact except for the death of the military credit sales authority. The lawyers are working now to try to find a way to work that in.

A handwritten signature in dark ink, appearing to be 'Ed Hamilton', with a long horizontal stroke extending to the right.

Ed Hamilton

1817
11
LIMITED OFFICIAL USE

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

June 5, 1968

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR: The Honorable Walt Rostow
The White House

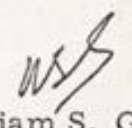
Yesterday I attended the East Room ceremony at which the President signed the bill authorizing the U.S. to contribute \$412 million of the \$1 billion increase in the capital of the Inter-American Development Bank.

There was a startling omission from the President's speech. After congratulating the Congress on enacting this legislation, he said there were two other bills which were essential if the Alliance was to prosper, i. e., the \$300 million appropriation bill for the IDB's soft-loan window and the IDA bill. He expressed the fervent hope that the Congress would pass them both.

The Foreign Assistance Act, each year, contributes more funds to the Alliance for Progress than both of the above bills combined. It, too, is still before the Congress. The President did not mention it.

This hurts. The Foreign Assistance Act needs the full support of the White House. The President's failure to mention it in his speech did not go unnoticed. Several people remarked on it to me.

It is too late to do anything about this particular occasion, but there may be other occasions in the future when the President can put in a good word for us.


William S. Gaud

LIMITED OFFICIAL USE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Monday, May 27, 1968 -- AM

~~SECRET~~
SENSITIVE

WWR:

SUBJECT: Status report on foreign aid legislation

12
DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-318
By ing, NARA, Date 5-12-95

I thought you might want to catch up on events since our situation room meeting. You will recall we concluded then that we should try to put together a foreign aid legislative package -- including all the relevant elements -- which the President could use if he felt it might stave off something worse. The following events have occurred since:

1. On May 18 I convened a group which worked out a package involving a cut of just over \$1 billion in appropriations below the President's budget request. The major item was a \$700 million cut in economic aid, but there were cuts also in all other elements except the IDA and the regional banks. These cuts and our negotiating priorities were agreed all around at the staff level.
2. That afternoon, after a report from the Treasury representative at the meeting, Fowler instructed his people to tell me that he wanted no part of any proposition which linked IDA and the regional banks with foreign aid. He said he understood and sympathized with the objectives of the exercise, but he felt the "foreign aid meatgrinder" would not do his programs any good regardless of how we approached it.
3. On May 21, I drafted and circulated a memorandum (copy at Tab A) which tried to set out all the complexities in as clear a form as possible. It did not assume that Treasury was irreversibly out of the package approach because I had hopes of demonstrating to Fowler that the first objective of the package approach would be to keep his wards -- the IDA and the regional banks -- untouched.
4. Meanwhile, growing Congressional sentiment in favor of a stop-gap approach to both foreign aid authorization and appropriation bills produced an instruction to Doc Morgan to discuss a stop-gap approach with the House Democratic Leadership. The proposal, as far as we understood it, is that the Committee would report and recommend a short-form authorization bill which simply extends the expiration date and authorizes appropriations at 90% of this year's appropriation level. This would be followed by a continuing resolution which would make appropriations available at this level through fiscal year 1969. The theoretical rationale would be that a new President should have a clear shot at re-shaping the program as he wishes and that it is not worth the Congress's

~~SECRET/SENSITIVE~~

time in this short session to get into the details. The practical rationale is that it will be much easier to get these bills through than the standard complicated Foreign Assistance Act and Appropriation Bill. As of May 21, Morgan planned to adjourn the mark-up of the Foreign Assistance Act while he (a) checked out this approach first with the Democratic leadership and then with the Senate Foreign Relations Committee and the House Appropriations Committee, and (b) wait to see how things look after the tax bill.

5. At the same time, apparently independently, there was a somewhat similar stop-gap approach aborning in the Senate. We are told it is the brainchild of Carl Marcy. It involves the same approach as Morgan's except that the authorization and appropriation would be only for nine or ten months, and at only 80% of this year's level. (This would cut about \$380 million from current economic aid levels.) We also understand that Marcy's scheme may be to merge the authorization and appropriation bills so as to get away with only one foreign aid vote in each House. Fulbright, though not anxious to have any aid bill this year, seems taken with this proposal.
6. The draft package memorandum was approved with minor amendments by AID, Defense and the Budget Bureau. State agreed with the substance but wondered whether so complicated a proposition could work. Treasury and Agriculture did not respond, though I think Freeman was sympathetic.
7. Gaud and I met with Katzenbach on May 23 to talk about the package. We found ourselves of one mind, that the package is^a/rather rickety collection of partially conflicting interests and objectives which has only a minor chance of success. But we also found ourselves barren of any better alternatives with the possible exception of the Morgan stop-gap approach. In any event, we agreed that we had been somewhat overtaken by events and that the immediate question was whether the Administration should oppose the Morgan approach. We concluded that it should not, provided the ~~version~~^{coverage} is a full 12 months and includes continuation of the authority to use the Revolving Fund for Military Credit Sales. (Defense is prepared to live with the latter.) We also concluded that it is worth trying to get Morgan to try to make some provision for IDA in his dealings, since IDA would not be covered at all in the stop-gap scheme. Meanwhile, we decided to leave the package-approach in abeyance rather than cross Morgan's wires by trying to introduce it now.

8. The plot thickened on May 24 when Gaud was informed that Morgan (a) had not done anything in the way of checking out the stop-gap approach, but (b) had decided to reconvene the Foreign Affairs mark-up session on the Foreign Aid Bill beginning tomorrow. We have yet to interpret these entrails.
9. Senator Fulbright has just called Tom Niblock to report the Foreign Relations Committee's conclusions after two days of executive session on the IDA and Asian Bank Bills. To put it bluntly, the Committee has decided to defer action on both bills indefinitely. Fulbright claims that there were only two votes this morning (of 12) to report out IDA favorably, and that a motion to report out the Asian Bank Bill failed on a 6-6 deadlock. He added that these bills could be brought up again any time, but that he doubted there would be any change in sentiment unless and until there is progress on Vietnam. In response to Niblock's question, he speculated that passage of the tax bill might help a little but not much. The net result is that the substantive committees -- in both Houses -- have taken conscious decisions to table both bills.

I know this is a convoluted story, but I thought that you would want to know what is going on. It is pretty clear to me that if we are forced to fall back on a package approach, it will take the President himself to get Fowler to sign up. More important, there is a real question whether any tactical scenario on the Hill can hold together the authorization and appropriation committees, let alone multiple interests on the Floor. Nick Katzenbach remains horror-struck by the number of bills, committees, personalities, etc. involved in the package-approach. But I think he would agree to some such line if the Morgan-type tack failed.

The weakest link in both the package and stop-gap approaches is the need for identical action by the substantive and money committees. You know the historical pattern; the authorizing committees cut \$500 million or so and then the appropriations committees do the same. But there is a strong movement in the substantive committees in both Houses this economy-minded year not to fight to the death for amounts which the appropriations committees slash further. On the other hand, Passman & Co. are certainly no less anxious for economy kudos than in previous years. Our more difficult problem is to find a way to let Morgan and Fulbright make full money cuts while Passman and Mahon get a good share of the credit. This is the problem we will be addressing as we move along.



Ed Hamilton

~~SECRET/SENSITIVE~~

12a
May 21, 1968

DRAFT MEMORANDUM FOR THE PRESIDENT

SUBJECT: Negotiating Package for Foreign Aid

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-321

By ing, NARA, Date 2-1-94

As you know, foreign aid and related bills are in deep trouble on the Hill. There is widespread talk of a one-year "moratorium". Mr. Passman has spoken privately of a \$1.7 billion foreign aid appropriation, a cut of \$1.2 billion below your request. Amendments have been introduced in the House which would decimate the program at the authorization stage, perhaps driving the appropriations committees to even deeper cuts. The vital IDA replenishment (Bob McNamara's soft-loan window) and regional bank bills are faring no better. Last Wednesday we were forced to ask the House Banking and Currency Committee to defer consideration of the IDA bill because a poll showed only 13 (out of 33) votes in favor of our share in the replenishment schedule painfully negotiated with other donors.

It now appears virtually certain that if events are allowed to take their natural course these bills will be left until the last frantic days of this short session. The pressures of time and fiscal concern may then be overwhelming and force deferral of some items and massive cuts in others. The odds will favor deferral of the IDA Bill and a Passman-type slash in the Foreign Aid Bill, both of which would have disastrous effects on our image and policy in the poor countries.

We continue to believe that the requests in the present budget represent the absolute minimum necessary to sound foreign development programs. But it is also clear that major cuts are going to be made. Our best tactic is to try to limit those cuts and influence their distribution among the foreign aid elements. It is terribly important, for example, that the Congress pass the full IDA authorization; a reduced amount would force us to reopen negotiations with the seventeen other donors -- delaying the flow of IDA funds to countries that desperately need it to maintain economic momentum.

We are persuaded, therefore, that the President ought to consider trying to strike a bargain on foreign aid -- after the tax bill is passed -- with the leadership and the chairmen of the relevant committees of the Congress. The Executive Branch would reluctantly accept major cuts on the understanding that there would be an all-out effort to keep them to agreed levels and that they would be applied in accord with agreed priorities. We are not at all sanguine that this approach will work. But we have concluded that, at least in terms of legislation on foreign affairs, there is less risk to a package approach than to inaction. We are all aware, of course, that you have a much broader sweep of legislation to consider.

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Below is a package which would commit us to accept a cut of about \$1 billion in appropriations from the full complex of aid legislation. We believe that a package offer must be in this range to be credible. Our priorities are clear: (1) to avoid any cuts in your requests for IDA and the Inter-American Bank; (2) to limit the cuts in foreign ^{aid} and (3) to get some authority and money for military credit sales.

There also follows a possible negotiating scenario for dealing with the important people on the Hill. It assumes prior passage of the tax bill, although we may have to think again if the tax bill drags into July. The most immediate problem is whether to ask Chairman Morgan to hold up final mark-up and floor action on the Foreign Aid Authorization Bill pending a package negotiation. Obviously, we would not want to urge him to fight for every dollar in the authorization request and then pull the rug out by agreeing to large appropriation cuts. We will need your guidance on this question soon.

The Bills

We have the following aid-related bills before the Congress:

1. Foreign Aid (authorization and appropriation)
2. IDA Replenishment (3-year ^{authorization} ~~appropriation~~, 1-year appropriation)
3. Inter-American Development Bank -- soft-loan window (appropriation only)
4. Asian Development Bank -- soft-loan window (4-year authorization, 1-year appropriation)
5. Military Credit Sales (authorization and appropriation)
6. PL 480 (2-year authorization, no direct appropriation required)

There is one further bill -- authorization of callable capital for the Inter-American Development Bank -- which is not in this list because it is not controversial. We hope to have it passed very soon.

The PL 480 extension has passed both Houses and is going into conference. Hearings have been held on all the other listed bills except the Military Credit Sales Bill and the appropriation bills for IDA and the Asian Bank. The Asian Bank authorization bill has been reported favorably by House Banking and Currency. None of the others is out of committee, although the House Foreign Affairs Committee is in mark-up on the Foreign Aid authorization bill.

Together these bills involve appropriations of about \$3.8 billion.

The Package Offer

We would propose to offer a package cutting appropriations by \$1.056 billion as follows:

(In Millions)

<u>Element</u>	<u>Cut</u>	<u>Final Appropriation</u>
Economic Aid	\$ 700	\$1,795
MAP	80	340
IDA	80 <u>1/</u>	160
IDB	-0	300
Military Credit Sales	96	200
PL 480, Title II (Donations)	50 <u>2/</u>	-
Total	<u>\$1,056</u>	<u>\$2,795</u>

1/ This is a paper cut and the weakest item in the package. Your budget showed a request for \$240 million for IDA because we were trying to negotiate the Europeans up to a substantially higher replenishment level than was actually achieved. The "cut" to \$160 million simply reflects our share of the bargain we were able to strike as opposed to our initial objective. We should not try to hide the fact that this cut is unreal in the sense that we could not use the full budget request if it were appropriated.

2/ This is actually a cut in expenditures, not appropriations. (It is above and beyond the \$300 million in PL 480 expenditure cuts we have already told the Congress we will absorb.) However, it would reduce CCC appropriations in future years.

These are extremely deep cuts. Economic aid would amount to more than \$100 million less than the current year, inflicting serious damage on development programs in critical countries. For example, we could not provide anything close to the level of aid to Latin America that you spoke of at Punta del Este; nor could we take full advantage of excellent economic opportunities in India and Pakistan. (The probable geographic distribution of the cut in economic and military aid is at Tab A.)

Negotiating Tactics:

A bargain of this kind in the present atmosphere will be difficult and dangerous. There is a serious risk that any new Administration proposal, however quietly proposed, will be rejected but will at the same time become a new ceiling from which the Congress will make its cuts. Moreover, it is hard to find anyone on the Hill today who can deliver on the Congressional end of the bargain. Still, we believe it is worth a try.

We believe the key man is Chairman Mahon. If he thinks the package approach is sensible and our concessions significant enough to be negotiable, it is worth trying to persuade the leadership, Chairmen Fulbright, Morgan and Patman and other key people. If Mahon rejects the proposal out of hand, we should probably drop it. We believe it is hopeless to try to bargain with Passman, but it is important to maintain protocol by talking with Passman at an early stage in the conversations with Mahon. The chances of success with all of these people are heavily dependent on very high level Executive Branch representation.

Our scenario would proceed as follows:

1. Chairman Morgan would be quietly asked to put off final mark-up and floor action on the Foreign Aid authorization bill until after passage of the tax bill and possible negotiation of a foreign aid package. (We should talk to Morgan this week if possible.)
2. The President might have a private conversation with Mahon to sound him out on the general notion of a package.
3. If Mahon sounded receptive, the President, accompanied by the Secretaries of State, Defense, and Treasury and the Budget Director, would receive Mahon and Passman and lay out the proposed package.
4. Assuming Mahon were still interested, the President might convene a larger meeting including the leadership, the chairmen of all relevant committees and subcommittees and perhaps the Republican leadership and ranking members.
5. The Foreign Aid authorization bill and the Military Credit Sales bill would be amended to the agreed amounts and put on the floor of both Houses. The IDA, IDB, and ADB authorizations would be passed in full.

6. The Foreign Aid and Related Agencies appropriations bill -- which includes money for all the elements except PL 480 and possibly military sales -- would be passed at the full authorized levels.

Clearly, the weakest link in this scenario is passage of the appropriations bill with no cuts from the authorization level. This is unprecedented and obviously risky to try, but it would be our hope to let Mahon and Passman handle the publicity in such a way as to get credit for the cuts reflected in the authorization bill and avoid the "obligation" to add to the misery in the appropriation process.

A Possible Alternative

There is another approach which seems to have some popularity in the Congress and which could possibly bring us out as well as the above package. Essentially, it involves ducking the problem by passing simple 9-month extensions of the present Foreign Aid authorization and appropriation bills. The authorization bill would extend expiration dates and authorize nine months' worth of appropriations (hopefully at 90% of this year's rate). The appropriation bill would do the same. A variant now being pushed by Carl Marcy would be a single continuing resolution to cover both authorization and appropriation through only one vote in each House. In all of these cases the justification would be to put off serious substantive action on the foreign aid program until the new Administration takes power.

The House Foreign Affairs Committee has instructed Doc Morgan to check out the continuing authorization idea with the House leadership. They will undoubtedly be asking our view soon.

We think this solution looks less attractive now than the package approach, but that it will look better and better as and if the session drags on with no action on foreign aid. The main problem is that it would not suffice for IDA and the regional banks. Still, it is at least worth mentioning to Mahon if the package idea does not appeal to him. If he prefers it -- and has some means of handling the Bank bills -- we should probably go along.

Recommendation:

We recommend that you:

- authorize Bill Gaud to tell Doc Morgan that we are thinking about a foreign aid package, and that we would suggest he hold off final mark-up and floor action on the Foreign aid authorization bill until after the tax bill is passed and we reach a definite decision on whether to proceed with the package.
- that you instruct us to prepare a case for the package to be made to Chairman Mahon when and if he seems receptive.

-- that you approach Mahon as soon as the tax bill is through and sound him out on the package approach.

(SIGNATURES:)

The Secretary of State
The Secretary of The Treasury
The Secretary of Defense
The Secretary of Agriculture
The AID Administrator
The Budget Director
Eugene R. Black

12
THE WHITE HOUSE
WASHINGTON

March 22, 1968

MR. ROSTOW:

Attached is the table you requested at Wednesday's staff meeting.



Mike Glitman

EF please
update to
1967 at
least

1
130

Military and Aid Expenditures
as a Percentage of GNP (1966)

<u>Country</u>	<u>Military</u>	<u>Aid</u>	<u>Total</u>
Belgium	3.3	.50	3.8
Canada	3.6	.45	4.05
Denmark	3.3	.27	3.57
France	6.3	.85	7.15
Germany	4.8	.47	5.27
Italy	3.9	.22	4.12
Netherlands	4.1	.35	4.45
Norway	4.0	.19	4.19
UK	6.8	.55	7.35
U. S.	9.3	.53	9.83
Japan	1.0 (approx.)	.31	1.31 (approx.)
Sweden	4.0 (approx.)	.30	4.30 (approx.)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Thursday, September 21, 1967 -- AM

WWR:

SUBJECT: Conferees Action on the Foreign Aid Bill -- 3rd & 4th Sessions

The Conferees met twice yesterday, with the following major results:

1. The House gave up on the Derwinski Amendment which would have banned MAP credit sales to Yugoslavia.
2. The Senate ~~proceeded~~ ^{receded} to allow the funding of NATO infrastructure to remain in the Foreign Aid Bill. (We had tried to move this \$65 million item into the Defense bill.)
3. The teeth were pulled from the totally unworkable Gross Amendment. As it stands now, the only changes it makes in present law are to:
 - prohibit aid to countries that trade with North Vietnam, as long as Hanoi continues to support hostilities in the South. (The present law applies only to countries who allow shipping to North Vietnam.)
 - extends this prohibition to all forms of aid, not just those authorized by the Foreign Aid Bill.

So far as we can tell, these changes are totally without effect.

The Conferees are meeting again this morning. They plan to take up the military credit sales problem which they began to discuss yesterday but failed to resolve. There will not be an afternoon session because Fulbright is having some kind of minor operation -- reportedly on his jaw. He will be in Arkansas all next week; the Conferees have not decided whether to hold sessions in his absence.

In summary, it now appears that we will not have a Conference report before the week after next.



Ed Hamilton

15
THE WHITE HOUSE
WASHINGTON

February 7, 1968

MEMO FOR Walt Rostow

FROM Joe Califano

May I please have your comments on
the attached message by 6:00 p.m.
this evening.

Attachment

Draft of Foreign Aid Message

FOREIGN AID MESSAGE

TO THE CONGRESS OF THE UNITED STATES:

Peace will never be secure so long as:

- Seven out of ten people on earth cannot read or write;
- Ten thousand people each day -- most of them children -- die of malnutrition.
- Diseases long conquered by science still ravage cities and cut down life in remote villages of the world.

If most men can look forward to nothing more than a lifetime of backbreaking toil which only preserves their misery, violence will always beckon, freedom will ever be under seige.

It is only when peace offers hope for a better life that it attracts the hundreds of millions around the world who live in the shadow of despair.

Twenty years ago America resolved to lead the world against the destructive power of man's oldest enemies. We declared war on the hunger, the ignorance, the disease, and the hopelessness which breeds violence in human affairs.

We knew then that the job would take many years. We knew then that many trials and many disappointments would test our will.

But we also knew that, in the long run, a single ray of hope -- a school, a road, a hybrid seed, a vaccination -- can do more to build the peace and guard America from harm than guns and bombs.

This is the great truth upon which all our foreign aid programs are founded. It was valid in 1948 when we helped Greece and Turkey maintain their independence. It was valid in the early fifties when the Marshall Plan helped rebuild a ruined Western Europe into a showcase of freedom. It was valid in the sixties when we helped Taiwan and Iran and Israel take their places in the ranks of free nations able to defend their own independence, to move toward prosperity on their own.

The programs I propose today are as important and as essential to the security of this nation as our military defenses. Victory on the battlefield must be matched by victory in the peaceful struggles which shape men's minds.

In these fateful years, we must not falter. In these decisive times, we dare not fail.

No Retreat, No Waste

The foreign aid program for fiscal 1969 is designed to foster our fundamental American purpose: To help root out the causes of conflict and thus ensure our own security in a peaceful community of nations.

For Fiscal 1969, I propose:

- An economic aid appropriation of \$2.5 billion.
- A military grant aid appropriation of \$420 million.
- New and separate legislation for all foreign military credit sales.
- A five-year program to develop and manufacture low-cost protein additives from fish, to help avoid the tragic brain damage now inflicted on millions of children because of malnutrition in their early years.
- That the United States join with other nations to expand the International Development Association, the development-lending affiliate of the World Bank. For every two dollars the United States contributes, other nations will contribute three dollars.
- That the Congress authorize a contribution to new Special Funds of the Asian Development Bank for agriculture.
- Prompt appropriation of the second annual contribution to the Fund for Special Operations of the Inter-American Development Bank.
- A further appropriation of callable funds for the Inter-American Development Bank to stand behind the Bank's borrowing in private money markets.

Common Effort for Common Good

I pledge to the Congress and to the people of America that these programs will be carried out with strict attention to the six basic principles of foreign aid administration we announced last year.

1. Self Help

Self-help is the fundamental condition for all American aid. We will continue to insist on several dollars of local investment for every dollar of American investment. We will help those -- and only those -- who help themselves. We will not tolerate waste and mismanagement.

2. Multilateralism

This year, 90% of our AID loans will be made as part of international arrangements in which donors and recipients alike carry their fair shares of the common burden.

America now ranks fifth among donor countries in terms of the share of its national product devoted to official foreign aid. Japan has doubled her aid to East Asia in the last year. Germany has increased her aid expenditures despite budgetary restraints which have curtailed domestic welfare programs. Great Britain is maintaining aid levels despite severe financial problems. With the signing of the International Grains Agreement, other wealthy nations will for the first time be obligated to contribute food and money to the world-wide war on hunger.

This year we must take another important step to sustain those international institutions which build the peace. The International Development Association, the World Bank's concessional lending affiliate -- its soft loan window -- is without funds. Discussions to provide the needed capital are now underway. We hope that these talks will soon result in agreements among the wealthy nations of the world to continue the critical work of the Administration in the developing countries. The Administration will transmit specific legislation promptly upon completion of these discussions. I urge the Congress to give it full support.

3. Regionalism

Last year I joined with the Latin American Presidents to renew, reaffirm and redirect the Alliance for Progress.

The nations of free Asia began a general survey of their joint transportation and education needs, while work proceeded on projects to bring power, water and the other tools of progress to all.

The African Development Bank, financed entirely by Africans, opened its doors and made its first loan.

The coming year will present three major opportunities for the United States to add new momentum to these regional efforts:

A. The Inter-American Development Bank.

This bank stands at the center of the Alliance for Progress.

Last year, the Congress authorized three annual contributions of \$300 million each to the Bank's fund for special operations. The second of these contributions should be appropriated this year.

The ordinary capital of the Bank, which comes from sales of its bonds in the private market, must now be expanded. Since 1960, we have appropriated \$612 million which is kept in the U.S. Treasury to guarantee these bonds. Not one dollar of this money has ever been spent, but this guarantee has enabled the bank to raise \$612 million from private sources for worthy projects. We must extend this proud record. I urge the Congress to authorize \$412 million in callable funds, of which \$206 million will be needed this year.

B. The Asian Development Bank.

This bank has asked the United States, Japan, and other donors to help establish a Special Fund for projects of regional significance -- in agriculture, education, transportation and other fields. Last October I requested that the Congress authorize a United States contribution of up to \$200 million. This would be paid over a four year period -- only if it were a minority

share of the total fund ⁵ and if it did not adversely affect our balance of payments. I urge that the Congress take prompt and favorable action on this request.

C. The African Development Bank.

This bank has also asked for our help to establish a small Special Fund for projects which cannot or should not be financed through the Bank's Ordinary Capital. We must stand ready to provide a fair share of their help, with full safeguards for our balance of payments.

4. Priority for Agriculture and Population Planning

Victory in the war on hunger is as important to every human being as any achievement in the history of mankind.

The report of 100 experts assembled last year by my Science Advisory Committee on the World Food Supply still rings with grim clarity. These experts said: unless the rich and the poor nations join in a long-range, innovative effort unprecedented in human affairs, the world faces a food-population crisis in the mid-1980's.

That Report also reminded us that more food production is not enough. People must have the money to buy food. They must have jobs and homes and schools and rising incomes. Agricultural developments can only go hand-in-hand with general economic growth.

AID programs are designed both to stimulate general economic growth and to give first priority to agriculture. In India, for instance, about half of all AID-financed imports this year will consist of fertilizer and other agricultural supplies.

We have made a good start:

- India is harvesting the largest grain crop in her history. Fertilizer use has doubled in the past two years. Last year five million acres were planted with new high yield wheat seeds. By 1970 this will increase to 32 million acres.

-- Brazil, with AID help, has developed a new grass which has already increased her annual output of beef by 20,000 metric tons.

-- The Philippines is expecting a record rice crop this year which will eliminate the need to import rice.

In the year ahead, AID will increase its investment in agriculture to about \$800 million -- 50% of its total development aid. In addition, I will shortly propose an extension of the Food for Freedom program to provide emergency food assistance to stave off disaster while hungry countries build their own food production.

We must also tap the vast storehouse of food in the oceans which cover three-fourths of the earth's surface. I have directed the Administrator of the Agency for International Development and the Secretary of the Interior to launch a 5-year program to:

- Perfect low-cost commercial processes for the production of Fish Protein Concentrate.
- Develop new products that contain this food supplement, which will fit in a variety of local diets.
- Encourage private investment in Fish Protein Concentrate production and marketing, as well as improved fishing methods.
- Use our Food for Freedom Programs in this effort by supplementing corn and other vegetable products with this concentrate, in order to fortify the diets of children and nursing mothers.

But food is only one side of the equation. If populations continue to grow at the present rate, we are only postponing disaster not preventing it.

In 1961 only two developing countries had programs to reduce birth rates. In 1967 there were 26.

As late as 1963, this government was spending less than \$2 million to help family planning efforts abroad. In 1969, \$35 million and additional amounts of local currency will be committed.

Family planning is a family matter. The United States will not undertake to tell any government or any parent how and to what extent population must be limited.

But neither we nor our friends in the developing world can ignore the stark fact that the success of development efforts depends upon the balance between population and food and other resources. No government can escape this truth. The United States stands ready to help those governments that recognize it and move to deal with it.

5. Balance of Payments Protection

Our ability to pursue our responsibilities at home and abroad rests on the strength of the dollar.

In 1963, the dollar outflow from foreign aid expenditures was nearly \$700 million. By 1967, we had reduced it to \$270 million. I have already directed that this figure be reduced by \$100 million -- in 1968 -- to less than \$170 million. At least 92% of all AID expenditures will be for U. S. goods and services.

That action -- coupled with the fact that over 90 percent of AID expenditures will be for U. S. goods and services and the repayments of AID loans -- will have a positive impact in our balance of payments accounts in 1968.

Moreover, our AID programs have a favorable long range impact on our balance of payments. For they help build overseas markets for our exports.

6. Efficient Administration

Over the past few years AID has reduced by _____ the number of its employees serving overseas in posts other than Vietnam. Last month I directed a ten percent reduction worldwide in the number of U. S. Employees overseas in all civilian agencies. In addition, AID is further improving and streamlining its over-all operations.

A Creative Partnership with Free Enterprise

Foreign aid must be much more than government aid. Private enterprise has a critical role. Last year:

- All 50 states exported American products financed by AID.
- The International Executive Service Corps operated 300 projects in which experienced American businessmen counseled local executives.
- Nearly 3,000 American scientists and engineers worked in developing countries under the auspices of Vita Corporation, a non-profit U. S. firm.
- More than 120 American colleges and universities contributed to AID technical assistance programs.
- Thirty-three American states supported development work in 14 Latin American countries under AID's Partners of the Alliance program.

All of these efforts will be sustained and expanded in the coming year. We are committed to maximum encouragement of private investment in and assistance to the developing countries. We shall remain so.

A Year of Opportunity, A Year of Risk

Latin America

I propose appropriations of \$625 million for the Alliance for Progress.

The American Presidents met at Punta del Este last spring to reaffirm a partnership which has already produced six years of accomplishment:

- The Nations of Latin America have invested more than \$115 billion, compared with \$7.7 billion in American aid.
- Their tax revenues have increased by 30 percent.
- Their gross national product has risen by 30 percent.

A new course was charted for that partnership in the years ahead.

At Punta del Este, the American nations agreed to move toward economic integration. They set new targets for improvements in agriculture, in health, and in education. They moved to bring the blessings of modern technology to all the citizens of our Hemisphere.

Now we must do our part. More than three fourths of our aid will be concentrated in Brazil, Chile, Colombia and Central America. Each has done much to deserve our help:

- Brazil increased food production by 10% in 1967 and achieved an overall real economic growth of 5%. Inflation was cut from 40% in 1966 to 25% in 1967.
- Chile, under President Frei's Revolution in Freedom, has launched a strong program of agricultural and land reforms, while maintaining an overall growth rate of about 5%.
- Colombia has also averaged 5% growth while undertaking difficult financial and social reforms.
- Central America leads the way toward the economic integration so important to the future of Latin America. Trade among these countries has grown by 450% in the six years of the Alliance -- from \$30 million in 1961 to \$172 million in 1967.

This peaceful Alliance holds the hopes of a Hemisphere. We have a clear responsibility to do our share. Our partners have an equally clear responsibility to do theirs. We must press forward together towards mutual security and economic development for all our people.

Near East and South Asia

I recommend \$706 million for the Near East and South Asia programs for fiscal year 1969.

Half the people we seek to help live in India, Pakistan and Turkey. The fate of freedom in the world rests heavily on the fortunes of these three countries.

Each is engaged in a powerful effort to fight poverty, to grow more and better food, and to control population. If they succeed, and in so doing prove the effectiveness of free institutions, the lesson will be heard and felt and heeded around the world.

This is a year of special importance for all three countries.

India

India has survived two successive years of the worst drought of this century. Even as she fought to save her people from starvation, she prepared for the day when the monsoon rains would return to normal. That day has come. India is now harvesting the greatest grain crop in her history. With this crop, India can begin a dramatic recovery which could lay the groundwork for sustained growth.

India must have the foreign exchange to take advantage of this year of opportunity. A farmer cannot use the miracle seed which would double or triple his yield unless he can get twice as much fertilizer as he used for the old seeds. A fertilizer distributor cannot sell that much more fertilizer unless it can be imported. An importer cannot buy it unless he can get foreign exchange from the Government. India will not have that foreign exchange unless the wealthy countries of the world are willing to lend it in sufficient quantities at reasonable terms.

This is the crux of the matter. If we and other wealthy countries can provide the loans, we have much to look forward to. If we cannot, history will rightly label us penny-wise and pound foolish.

Pakistan

Pakistan, though also plagued by drought, has continued its excellent progress of the past few years. Her development budget has been increased. Her military budget has been reduced. Agricultural production is growing faster than population. Private investment has exceeded expectations.

Now the Government of Pakistan has undertaken further steps to reform its economic policies -- to free up its economy and give more play to the market. These reforms are acts of wisdom and courage, but they require foreign exchange to back them up. Pakistan deserves our help.

Turkey

Turkey's economic record is outstanding. Her gross national product has grown an average of six percent annually since 1962. Industrial output has grown nine percent per year. Food production is growing much faster than population growth.

Turkey's own savings now finance some 92% of her gross investment. Difficult problems remain, but we may now realistically look forward to the day -- in the early 1970's -- when Turkey will no longer require AID's help.

Africa

I recommend \$179 million for Africa.

Just one year ago, I informed the Congress of a shift in emphasis in our aid policy for Africa. We moved promptly to put it into effect:

- There will be 21 U.S. bilateral programs in Africa in fiscal 1969, compared to 35 last year.
- Most of our bilateral programs will be phased out in eleven more countries in the following year.
- Expanded regional and international projects will meet the development needs of the countries where bilateral aid is ended.

The past year has provided further evidence that this support for regional economic institutions and projects is a sensible approach to Africa's problems. It expands markets. It encourages economies of scale. It gives meaningful evidence of our concern and interest in African development.

This is not a policy of withdrawal from Africa. It is a policy of concentration and of maximum encouragement of regional cooperation. A continent of 250 million people has set out with determination on the long road to development. We intend to help them.

Vietnam

I recommend a program of \$480 million to carry forward our economic assistance effort in Vietnam - *an effort which will be intensified by the need to restore and reconstruct the cities and towns attacked in recent days*

Defense of Vietnam requires more than success on the battlefield. The people of Vietnam are building the economic and social base to preserve the independence we are helping them to defend.

Since 1965, when galloping inflation loomed and continuity of government was repeatedly destroyed, the people of Vietnam have achieved two major civil victories which rank with any gallantry in combat:

- They have written a Constitution and established representative local and national governments through free elections, despite a concerted campaign of terror, assassination and intimidation.
- Runaway inflation has been averted, and the foundation laid for a thriving economy, despite the enormous stresses of war.

But still the innocent victims of war and terrorism must be cared for; persistent inflationary pressures must continue to be controlled; and the many problems faced by a new government under wartime conditions must be overcome. The framework for economic and social progress has been established. We must help the Vietnamese people to build the institutions needed to make it work.

In the coming year, we will:

- Intensify agricultural programs aimed at increasing rice production by 50% in the next four years.
- Concentrate our educational effort toward the Government's goal of virtually universal elementary education by 1971.

- Stress, in our import programs, the key commodities needed for agricultural and industrial growth.
- Improve our assistance to refugees and the civilian casualties.

The rapid program expansion of the past two years -- in dollars, people and diversity of activities -- is ended. The emphasis in the coming year will be on concentration of resources on the most important current programs.

We will pursue these constructive programs in Vietnam with the same energy and determination with which we resist aggression. They are just as vital to our ultimate success.

East Asia

I recommend \$277 million for East Asia.

For twenty years resistance to attack and subversion has been current and urgent business for the nations of East Asia. The United States has helped to make this resistance effective. We must continue to do so, particularly in Laos and Thailand.

But this year the larger portion of our aid to East Asian countries will be focused directly on the work of development. Asians know -- as we do -- that in the long run, economic, social and political development offer the best protection against subversion and attack. Despite communist pressure, they are getting on with the job. For example:

- For the last three years, the Korean economy has grown by a phenomenal 10 percent per year; domestic revenues have doubled since 1965; exports have grown tenfold in the last seven years. Population growth has fallen from 2.9 percent in 1962 to 2.5 percent today, and a strong national population program is contributing to further reductions. We are now able to plan for orderly reduction of U.S. economic aid as the capacity for self-support grows. *Despite recent North Korean pressure on South Korea, the momentum and self-confidence of this gallant nation will be - and must be - maintained.*

-- Indonesia has stepped away from the brink of communist domination and economic chaos. She has undertaken the hard course of stabilization and rehabilitation and is moving toward development. She needs help from the U. S. and other donors, who are working together with the International Monetary Fund and the World Bank. It is overwhelmingly in our interest to provide it.

Military Assistance Programs

I recommend \$420 million for grant Military Assistance Programs under the Foreign Assistance Act.

More than three-quarters of our grant military assistance will support the military efforts of nations on the perimeter of the communist world and countries where the U. S. maintains defense installations important to our own national security. These programs are a vital link in our own defense effort and an integral part of Free World collective security.

Elsewhere our programs focus on building the internal security necessary for lasting development progress.

Our aid -- economic as well as military -- must not reward nations which divert scarce resources to unnecessary military expenditures. Most less-developed countries have resisted large expansion of military expenditures. Their military budgets have remained a small portion of national income. Their leaders have made politically difficult decisions to resist pressure to acquire large amounts of new and expensive weapons.

We must help them maintain this record and improve it. We will give great weight to efforts to keep military expenditures at minimum essential levels when considering a country's requests for economic aid.

In the coming year, we will work directly with the less-developed nations and examine our own programs, country-by-country, to deal more effectively with this problem. In addition, we will explore other approaches toward reducing the danger of arms races among less-developed countries.

Our military assistance programs will provide only what is needed for legitimate defense and internal security needs. We will do no more.

We can afford to do no less.

Special Assistance to the Republic of Korea

The internal peace and order of this steadfast ally is once again threatened from the North.

These threats summon the Koreans to strengthen further her defenses and her capacity to deter aggression.

We must help.

I propose that Congress appropriate an additional \$100 million for military assistance to the Republic of Korea.

This can be accomplished within the authorizing legislation already enacted.

With this additional help, the Armed Forces of the Republic of Korea can gain new strength through the acquisition of aircraft and anti-aircraft equipment, naval radar, patrol craft, ammunition and other supplies.

America's Choice

Foreign aid serves our national interest. It expresses our basic humanity. It may not always be popular, but it is right.

The peoples we seek to help are committed to change. This is an immutable fact of our time. The only questions are whether change will be peaceful or violent, whether it will liberate or enslave, whether it will build a community of free and prosperous nations or sentence the world to endless strife between rich and poor.

Foreign aid is the American answer to this question. It is a commitment to conscience as well as to country. It is a matter of national tradition as well as national security.

Last year some Americans forgot that tradition. My foreign aid request, already the smallest in history, was reduced by almost one-third.

The effects of that cut go much deeper than the fields which lie fallow, the factories not built, or the hospitals without modern equipment.

Our Ambassadors all over the developing world report the deep and searching questions they are being asked. Has America resigned her leadership of the cause of freedom? Has she abandoned to fate the weak and the striving who are depending on her help?

This Congress can give a resounding answer to these questions by enacting the full amount I have requested. I do not propose this as a partisan measure. I propose it as an extension of the humane statesmanship of both parties for more than twenty years.

I said in my State of the Union address that it is not America's resources that are being tested, but her will. This is nowhere more true than in the developing countries where our help is a crucial margin between peaceful change and violent disaster.

I urge the Congress to meet this test.

THE WHITE HOUSE,

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For Aid
16
INFORMATION

Monday, February 5, 1968 -- 1:00 p.m.

Mr. President:

George Woods called me from Rome this morning. He asked if it would be possible for you to say a few words to Prime Minister Wilson in support of an idea he has been supporting; namely, that a group of independent, well-known citizens of various countries, preferably chaired by Lord Oliver Franks, undertake this year a study of how foreign aid has evolved in the past 20 years and where it should go in the future. This idea was supported by our representative at a recent meeting of the OECD. It would be completed by the end of the year.

The idea has the advantage of looking at foreign aid on an international basis and implying for our people and the Congress that any moves forward in the future would be on the basis of multilateral commitments.

If you would have a few words with Wilson about this, he believes Pearson will also talk to Wilson in support of his proposition. He has talked to officials of the UK Treasury who are favorable. But they believe that Britain, with its weak economy at the present time, should not be too far out in front. George Woods is personally taking on the Germans.

He plans to make a further statement in support of the proposition on Friday in New Delhi at the UNCTAD meeting.

Woods also reported that the IDA replenishment, at \$400 million, is "now buttoned up." He assured me that the terms are acceptable to our Treasury balance of payments position. Only the Australians and South Africans now have to be brought aboard.

W. W. Rostow

cc: Mr. E. Fried
Mr. E. Hamilton
WWR/S:rlh

THE WHITE HOUSE
WASHINGTON

February 1, 1968

FOR WALT ROSTOW

FROM Joe Califano

Attached is a draft of the Foreign Aid Message.

Would you please review this message and write your comments on the draft?

I would appreciate it if you would return the draft, with your comments, to my office no later than 6:00 p.m., this evening.

Attachment

~~2/1/68~~
Ed - Mr Rostow said look at this. He will go along with anything you have to say.
LN

Ed Hamilton helped write this

FOREIGN AID MESSAGE

17a

TO THE CONGRESS OF THE UNITED STATES:

Peace will never be secure as long as:

- seven out of ten people on earth cannot read or write;
- 10,000 people a day -- most of them children -- die of malnutrition;
- diseases long conquered by science kill millions of people in remote villages.

If men can look forward to nothing more than a lifetime of back-breaking toil which only preserves their misery, violence will always beckon, freedom will ever be under seige.

It is only when peace offers hope for better things that it attracts the hundreds of millions around the world who live in the shadow of despair.

Twenty years ago America resolved to lead the free world against the destructive power of man's oldest enemies. We declared war on the hunger, the ignorance, the disease, and the hopelessness which breeds violence in human affairs.

We knew then that the job would take many years. We knew then that many trials and many disappointments would test our will.

But we also knew that a single ray of hope -- a school, a road, a hybrid seed, a vaccination -- does more to build the peace and guard America from harm than all the guns and bombs.

This is the great truth upon which all our foreign aid programs are founded. It was valid in 1943 when we helped to put Greece and Turkey

on the road to freedom. It was valid in the early fifties when the Marshall Plan helped rebuild war ruined Western Europe into a showcase of freedom. It was valid in the sixties when we helped Taiwan and Iran and Israel to take their places in the ranks of free nations able to defend their own independence, moving toward prosperity without aid.

More than ever, it is valid today when 500,000 American men resist aggression in Vietnam, proof that violence and terror in Asia can affect every home and every family in America.

The programs I propose today are as important and as essential to the security of this nation as our military defenses. Victory on the battlefield must be matched by victory in the peaceful struggles which shape men's minds.

In these fateful years, we must not falter. In these decisive times, we dare not fail.

No Retreat, No Waste

For Fiscal 1969, in foreign aid, as in all other government programs, we cannot do everything we would like to do.

I have asked the Secretary of State, the Administrator of the Agency for International Development and the Director of the Bureau of the Budget to reduce our FY 1969 aid request to the minimum consistent with the national interest.

I now recommend an AID program for FY 1969 designed to foster our fundamental American purpose: To help root out the causes of conflict and thus ensure our own security in a peaceful community of nations.

I propose:

- an economic aid appropriation of \$2.5 billion, the same amount I requested last year.
- a military aid appropriation of \$ _____ million. This amount reflects a further proposal that all military assistance funds for Korea should be provided through the Department of Defense budget.
- a five year program for the research and manufacture of protein additives from fish, which can reverse the tragic brain damage now inflicted on millions of children because of malnutrition in the early years.
- that the United States join with other nations to expand the International Development Association, the development-lending branch of the World Bank.
- that the Congress authorize a United States contribution to new Special Funds of the Asian Development Bank for agriculture, transportation, and other vital projects. The necessary legislation is already before the Congress.
- prompt appropriation of the second annual contribution to the Fund for Special Operations of the Inter-American Development Bank, which the Congress authorized last year.

- a further appropriation of callable funds for the Inter-American Development Bank to stand behind the Bank's borrowing in private money markets. No expenditure of these funds is foreseen; they will remain in callable status in the U.S. Treasury.
- that the Congress stand ready to give favorable consideration to a modest U.S. contribution to a new Special Fund of the African Development Bank.

Common Effort for Common Good

I pledge to the Congress and to the people of America that these programs will be carried out with strict attention to the six basic principles of foreign aid administration I announced last year.

1. Self-Help:

This is the fundamental condition for all American aid. We will not tolerate waste and mismanagement. We will continue to insist on several dollars of local investment for every dollar of American investment. We will help those -- and only those -- who help themselves.

2. Multilateralism

In 1968, 80% of our AID loans were made as part of international arrangements through which donors and recipients alike carried their fair shares of the common burden.

America now ranks _____ among donor countries in terms of the share of its national product devoted to foreign aid. Japan has doubled her aid to East Asia in the last year. Germany has maintained her aid

expenditures despite budgetary restraints which have curtailed domestic welfare programs. Great Britain has a similar record despite severe financial problems.

This year we must take another important step to sustain those international institutions which build the peace. The International Development Association, the World Bank's concessional lending affiliate, is without funds. Discussions to provide the needed capital are now underway. I am very hopeful that these talks will soon result in agreements among the wealthy nations of the world to continue the IDA's critical work in the developing countries. I shall transmit specific legislation at the appropriate time. I urge the Congress to give it full support.

3. Regionalism

Last year I joined with the Latin American Presidents to renew, reaffirm, and redirect the Alliance for Progress.

The nations of free Asia began a general survey of transportation and education needs, while work proceeded on projects to bring power and water and the other tools of progress to all.

The African Development Bank, financed entirely by Africans, opened its doors and made its first loan.

The coming year will present three major opportunities for the United States to add new momentum to their efforts:

- The Inter-American Development Bank stands at the center of the Alliance for Progress. Last year, the Congress authorized three annual contributions of \$300 million each

to the Bank's fund for special operations. The second of these contributions must be appropriated this year. But we must also expand the ordinary capital of the Bank which comes from sales of its bonds in the private market. Since 1960, we have appropriated \$612 million which is kept in callable status in the U.S. Treasury as a guarantee against these bonds. Not one dollar of this money has ever been spent, but \$612 million has been raised from private sources to finance worthy projects. We must extend this proud record. I urge the Congress to appropriate \$206 million in callable funds needed this year.

- The Asian Development Bank has requested the help of the United States, of Japan, and of other donors to establish a Special Fund for projects of regional significance -- in education, transportation, electric power. Last October I asked the Congress to authorize a U.S. contribution of \$200 million, to be paid over four years, on the condition that it be a minority share of the total fund and that it not adversely affect our U.S. balance of payments. I urge that the Congress take prompt and favorable action on this request.
- The African Development Bank has also asked for our help to establish a small Special Fund for projects which cannot or should not be financed through the Bank's Ordinary Capital. We must stand ready to provide this help, with proper safeguards for our balance of payments, when the African Bank is able to secure pledges from other contributors.

4. Priority for Agriculture, Health and Education

Victory in the war on hunger is as important to every human being on this planet as any achievement in the history of mankind.

The report of my Science Advisory Committee on the World Food Problem rang with the grim clarity. The experts told us, in substance, that unless the rich and the poor nations join in a long-range, innovative effort unprecedented in human affairs, we faced a food-population crisis in the mid-1980's which will make a mockery of all we have done and all we aspire to do.

That Committee also reminded us that more food production is not enough. People must have the money to buy food. They must have jobs and homes and rising incomes. Agricultural development can only go hand-in-hand with general economic growth.

AID programs are designed both to stimulate general economic growth and to give first priority to agriculture. In India, for instance, _____% of AID-financed imports consist of fertilizer and other agricultural needs. It is this comprehensive approach which will ultimately produce self-sufficiency in food.

We have made a good start:

-- India is harvesting her largest grain crop in history.

Fertilizer use has doubled in the past two years. Five million acres were planted in the new high yield wheat seeds in 1967. By 1970 this will increase to 32 million acres.

- Brazil, with AID help, has developed a new grass which has already increased her annual output of beef by 20,000 metric tons.
- The Philippines is expecting a record rice crop this year which will make her self-sufficient in rice for the first time since _____. This historic achievement owes much to new seeds developed with the cooperation of the Ford and Rockefeller Foundations.

I have directed that in the year ahead AID increase its investment in agriculture to _____% of total commitments. I will also propose a three-year extension of the Food for Freedom program which provides interim food shipments to stave off disaster while hungry countries build their own food production.

[AID to insert fish protein additive paragraph here.]

But food is only one side of the equation. If populations continue to grow at the present rate, we are only postponing disaster not preventing it.

In 1961 only two developing countries had any population programs at all. In 1967 there were 26.

As late as 1963, this government was spending less than \$2 million to help family planning efforts abroad. In 1968 we will commit \$35 million. In 1969 we will do even more.

Family planning is a family matter. The United States will not undertake to tell any government or any parent how and to what extent population must be limited.

But neither we nor our friends in the developing world can ignore the stark fact that no development effort can succeed unless population is brought into balance with food and other resources. No government can escape this truth. The United States stands ready to help those governments which accept it and move to deal with it.

5. Balance of Payments Protection

Our ability to pursue our responsibilities at home and abroad rests on the strength of the dollar. The net effect of all AID operations is now a positive contribution, not a negative cost to the balance of payments.

We have reduced the dollar outflow resulting from foreign aid expenditures from _____ in 1963 to \$270 million in 1967. I have already directed that even this figure be reduced by one-third -- another \$100 million -- in 1968. Virtually no outflow now results from AID expenditures outside Southeast Asia where our national security is directly at stake. We anticipate that repayments of AID loans will more than offset the 1968 outflow caused by AID expenditures.

I pledge our best efforts to make further savings in 1969.

6. Efficient Administration

[AID to supply examples.]

A Year of Opportunity, A Year of Risk

Latin America

I propose appropriations of \$625 million for the Alliance for Progress.

Much was achieved when the American Presidents met at Punta del Este last Spring. We met to reaffirm a partnership which has already produced six years of accomplishment:

- A total of \$130 billion in Latin American investment, compared with \$7.7 billion in American aid.
- A 30% increase in tax revenues.
- A ____% rise in average income.

We met to chart a new course for that partnership in the years ahead. We agreed to move toward economic integration. We set new targets for improvements in agriculture, in health, and in education. And we moved to bring the blessings of modern technology to all the citizens of our Hemisphere.

Now we must do our part. More than three-fourths of our aid will be concentrated in Brazil, Chile, Columbia and Central America. Each has done much to deserve our help:

- Brazil increased food production by 10% in 1967 and achieved an overall real economic growth of 5%. Inflation was cut from 40% in 1966 to 25% in 1967.
- Chile [numbers to be supplied]
- Columbia [numbers to be supplied]
- Central America leads the way toward the economic integration so important to the future of Latin America. [Example --]

This peaceful Alliance holds the hopes of a Hemisphere. We have a clear responsibility to do our share. Our partners have an equally clear responsibility to do theirs. We must press forward together toward mutual security and development.

Near East and South Asia

I recommend \$706 million in appropriations for the Near East and South Asia.

More than half the people we seek to help live in India, Pakistan and Turkey. The fate of freedom in the world rests heavily on the fortunes of these three countries.

Each is engaged in a powerful effort to fight poverty, to grow more and better food, and to control population. If they succeed, and in so doing prove the effectiveness of free institutions, the lesson will be heard and felt and heeded around the world.

If they fail, the principles for which our sons spill their blood in Vietnam will be sorely threatened.

This is a year of special importance for all three countries.

India has survived two successive years of the worst drought of this century. Even as she fought to save her people from starvation, she prepared for the day when the monsoon rains would return to normal. That day has come. India is now harvesting the greatest grain crop in her history. With this crop India can begin a dramatic recovery which could lay the groundwork for sustained growth.

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Pakistan, though also plagued by drought, has continued its excellent progress of the past few years. Her development budget has been increased. Her military budget has been reduced. Over-all economic growth has averaged ____ percent. Agricultural production is growing ____ percent faster than population. Private investment has exceeded expectations.

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Just one year ago, I informed you of a shift in emphasis in our aid policy for Africa. We have moved promptly to put it into effect:

-- There will be 21 U.S. bilateral programs in Africa in FY 1969, compared to 35 last year.

- Most of our bilateral activity will be phased-out in eleven more countries in the following year.
- Expanded regional and international projects will respond to the development needs of the countries where bilateral aid is ended.

The past year has provided further evidence that this support for regional economic institutions and projects is a sensible approach to Africa's problems. It expands markets. It encourages economies of scale. It gives meaningful evidence of our concern and interest in African development.

This is not a policy of withdrawal from Africa. It is a policy of concentration and of maximum encouragement of regional cooperation. A continent of 250 million people has set out with determination on the long road to development. We intend to help them.

Vietnam

I recommend a program of \$480 million to carry forward our economic assistance effort in Vietnam.

In 1965 we were faced with three imperatives in South Vietnam: to prevent military collapse, to stem the tide of inflation, and to help the Vietnamese people establish a representative government.

Today:

- Military defeat is no longer a threat.
- Runaway inflation has been largely prevented.

- The people of Vietnam have written a constitution and established representative local and national governments through free elections.

But still the innocent victims of war and terrorism must be cared for; the persistent inflationary pressures must continue to be controlled; and the many problems faced by a new government under wartime conditions must be overcome. The framework has now been established. We must help the Vietnamese people to build the institutions needed to make it work.

In the coming year, we will:

- mount agricultural programs aimed at increasing rice and protein production.
- concentrate our educational effort toward the Government's goal of universal elementary education by 1971.
- stress, in our import programs, the key commodities needed for agricultural and industrial growth.
- improve our assistance to refugees and the civilian casualties.

The rapid program expansion of the past two years -- in dollars, people and diversity of activities -- is ended. The emphasis in the coming year will be on concentration of resources on the most important current programs.

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- Last year the Korean economy grew by 10 percent; domestic revenues have doubled since 1965; exports have grown tenfold in the last seven years. Population growth has fallen from 2.9 percent in 1962 to 2.5 percent today, and a strong national population program is contributing to further reductions. We are now able to plan for orderly reduction of U.S. aid as the capacity for self-support grows.
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We must maintain this record and improve it. We will consider efforts to keep military expenditures at minimum essential levels an important indicator of self-help progress. In the coming year, we will work directly with the less-developed nations and examine our own programs, country-by-country, to deal more effectively with this problem. In addition, we will consider other approaches toward reducing the danger of arms races among less-developed countries.

Our military assistance programs will provide only what is needed for legitimate defense and internal security needs. We will do no more. We can afford to do no less.

America's Choice

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I said in my State of the Union address that it is not America's resources that are being tested, but her will. This is nowhere more true than in the developing countries where our help is a crucial margin between peaceful change and violent disaster.

I urge the Congress to meet this test.

THE WHITE HOUSE,

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

Thursday, January 18, 1968 -- PM

WWR:

SUBJECT: Taking MAP out of the Foreign Aid Bill

As you know, McNamara has long favored separating MAP legislation from economic aid. He has a long list of reasons, ranging from the severe and repeated cuts in MAP appropriation requests to DOD annoyance that State/AID now has a final (albeit little used) say on MAP policy and operations. He has made several attempts in past years to get the Congress to go along with a split, but he has always been undone by Doc Morgan who (1) hasn't wanted to give up jurisdiction over MAP to the Armed Services Committee and (2) has shared the old Rayburn position that military aid in the same bill is what gets economic aid through the House.

As MAP has declined and become more concentrated in countries less central to AID concerns, the merits of McNamara's case have become more and more accepted. Only the Budget Bureau now debates the substance. Katzenbach and Gaud would go along with the separation if it made tactical sense on the Hill.

This year's DOD proposal is more violent than usual. It proposes not only that military and economic aid be separated, but that military aid be abolished as a separate appropriation and buried in the service requests in the defense budget. MAP funds would be dispersed among nine separate appropriations, except those for credit sales -- which would be provided for in a new bill -- and those for grant aid to Latin America and Africa not related to base rights (\$26 million), which would stay in the Foreign Aid Bill.

Warnke made this proposal in the Katzenbach Task Force. Katzenbach and Gaud did not differ on the merits, but suggested that it is a bad year to pick a fight with Morgan on this old chestnut. It was agreed that Warnke and Gaud would talk to Morgan to test the water.

McNamara showed up for the meeting with Morgan. Morgan did not give a direct answer, but agreed to give McNamara an informal hearing before the full Committee. (He said he was less hostile to the proposal than in previous years, but that not everybody on the Committee would agree.) McNamara said he would think about this procedure. Katzenbach's Task Force Report told the President that this issue would be held in abeyance until these consultations were over and that we would then return to the President for a decision. Meanwhile, the budget was locked up on the old basis.

DECLASSIFIED

Authority DSO letter 5/19/78

By grip, NARA, Date 1/12/93

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- 2 -

We now hear that the Committee wants McNamara on Tuesday or Thursday of next week. He hasn't yet decided definitely whether he will go. His staff prepared a memorandum to the President proposing that he make a strong Administration pitch for the split. But yesterday, he told his staff that there was no need to go back to the President and instructed them to put together the figures necessary to back up the proposal. They are now doing that.

Charlie Schultze will try today to head off McNamara. He will argue that this would subject us to the charge of scurrying to hide MAP in the face of last session's criticism; that our "low profile" approach to aid would not benefit from a jurisdictional struggle on the Hill; that we have an understanding with Morgan that we will let him know before we make a decision; that the \$26 million which would be left to AID would be the most unpopular part of MAP and a real drag on the Foreign Aid Bill; that McNamara specifically promised the Committee last year that he would not make such transfers; and that this action would hurt the chances of passing the new separate credit sales bill. Charlie will suggest McNamara go ahead with his soundings now, but with a view to making the change next session.

I drag you through all this because (1) I think this decision should be made by the President, and (2) I think Schultze's tactical arguments are sound. What we don't need in this year's debate on the aid bill, in the wake of last year's arms sales uproar, is a plausible argument that the Administration is trying to get MAP out from under the scrutiny of the foreign affairs committees. I judge this cost much greater than the principal benefit -- a lower foreign aid figure (\$2.5 billion rather than \$3.1 billion).

I recommend you call McNamara and suggest that this decision needs clearance with the President before an Administration position is announced. (I can't be sure, of course, that he hasn't already checked with the President privately. If so, so be it.)



Ed Hamilton

~~SECRET~~

NOVEMBER 15, 1967

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed the Foreign Assistance Act of 1967.

This Act reaffirms the basic principles which have guided America's foreign economic policy for two decades. It proclaims our readiness to help those who help themselves in mankind's unrelenting struggle against poverty, ignorance and disease.

Foreign assistance represents our hopes for the world our children will inherit. It gives meaning to the pledges of four Presidents and ten Congresses that the United States will help to provide the margin of hope that nourishes the poverty-stricken millions around the world for whom change is not a matter of choice but of necessity.

I regret to say that the Foreign Assistance Act of 1967 reduces the margin of hope to the danger point.

The legislation I proposed in February was austere, yet consistent with responsible pursuit of our interests abroad. It represented the combined judgment of the President, the Secretary of State and other senior officers of the Government. It was below the request of any previous year.

The Congress has now lowered even this request by almost \$400 million, and further substantial appropriation reductions have been proposed which threaten to reduce the program by a third.

I know that this results from consideration by many thoughtful men. I know too that there are many other pressing claims on our resources. There is no absolute in these matters. Each man must make his own assessment of the consequences.

I respect the judgment of the Congress. But I would be remiss in my duty if I failed to state my own conviction. I believe the money cuts and other restrictions in this Act will seriously inhibit this Government's effort to assure and enlarge the security of the free world. For twenty years we have recognized the link between that security and our own. We should not lose sight of it now.

Nor do I accept the argument that we can afford no more. If we must distribute thousands of rifles to our armed forces abroad, we can afford to distribute fifteen million textbooks, as the AID program did last year. If we can build thousands of barracks, we can build 25,000 classrooms, as the AID program did last year. If we can train thousands of soldiers, we can train 120,000 teachers as the AID program did last year. If we can protect almost a billion people in free Asia from the ravages of aggression, we can vaccinate 100 million people against the ravages of smallpox, as the AID program did last year.

MORE

These programs are not luxuries to be dispensed with when the going gets tough. They are the lifeblood of freedom in the world -- the constructive steps which give meaning to the hope of all free men that hard work can transform struggle and privation into peace and plenty.

The lesson of history is that a community of independent and prosperous nations is the best long-term guaranty of a secure America in a peaceful world.

This is the goal of the foreign aid program. Its victories are quiet -- a school opened, a hospital equipped, a farm made productive, and, ultimately, a nation built.

This is not the stuff of headlines, but it is the way to peace. These are the returns the taxpayer receives on his investment in foreign aid. It is a long-term business. It is often frustrating. The reward of success is enormous -- and the penalty of failure is disaster.

I urge each Member of Congress to search his own mind and his own heart before he joins in any effort to erode these vital programs still further.

#

But mere words alone will not adequately shield the Nation.

Hard work and hardware are required to deal with weapons of mass destruction in space.

EVALUATION OF U.S. FOREIGN AID POLICY

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New York [Mr. HALPERN] is recognized for 10 minutes.

Mr. HALPERN. Mr. Speaker, before we begin debate on the foreign assistance and related agencies appropriations bill of 1968, I should like to offer for the consideration of our colleagues an evaluation of our overall approach to foreign assistance as embodied in the Foreign Aid Authorization Act, accepted last week by this body.

U.S. foreign aid policy has, of late, been subject to much criticism. But criticism is easy. The harder task is developing a realistic approach to U.S. foreign aid and defining the reasons for U.S. expenditures. My examination of our recently passed foreign aid conference report, excluding provisions for military and supportive assistance, convinced me that our approach to foreign aid is basically sound.

The United States has a crucial interest in the direction of development of the rest of the world. She cannot expect countries to follow similar paths of modernization. But she can affect the directions and rate of change. To keep peace during this time of turmoil and to help make other nations' interests compatible with her own are reason enough to continue foreign aid.

The foreign aid bill of 1968 recognizes that the problems developing nations face today are qualitatively different from those of both this Nation at inception and post-World War II Europe. Many countries have yet to achieve a sense of their own nationhood. The developing nations' insistence on immediate modernization, on a total changing of society without first developing the necessary technology, education, funds, and other equipment have led to bottlenecks and violence.

How do these conditions affect U.S. aid policies? No Marshall plan can solve the problems of underdeveloped nations. Modernization can only be achieved by a long-term process and the foreign aid bill of 1968 recognizes this. The U.S. approach must be a pragmatic and flexible one. She must constantly reexamine her policies and results of these policies and change them to fit the needs of individual countries now receiving aid. She must realize that she can expect no assurance that economic growth will lead to social and political changes desirable to herself and yet that she cannot stop her efforts. Finally, she must be willing to experiment and make mistakes.

S. 1872 is a step in the right direction. In his foreign aid message of 1967, President Johnson called self-help "the lifeblood of economic development." This bill recognizes that this country and other donors can supply only a small fraction of the resources needed for

modernization; the initiative and much of the human and physical resources must be provided by the recipient country. Sections of the bill place further emphasis on the principle of self-help. It combines 20 years of experience by setting the criteria to judge the efforts of recipient countries to improve themselves.

This bill further recognizes the limitations of U.S. aid attempts. The United States cannot support the world. Thus, this Nation has selected 16 key target nations for her major aid ventures.

This bill further recognizes the limitations of U.S. efforts by selecting areas of priority. Although much of the underdeveloped world is still agrarian, many nations are still incapable of feeding their own populations. Thus, the bill continues the 1961 provisions to increase the technology, marketing techniques, and to make recommendations of the most advisable crops a country should produce. While efforts are being made in the field of long-term improvements in agriculture, Public Law 480 provides unforeseen emergency famine relief. Recognizing that the world population cannot be fed in the future if current growth rates continue, the United States has increased her program urging voluntary family planning. Modernization is impossible unless a country's population is healthy and skilled; thus, S. 1872 continues U.S. priorities in these two areas also.

S. 1872 is a sound law because it allows the necessary flexibility of policies for development of countries. It provides the guidelines for project-tied and developmental aid, aid with and without strings, and both grants and loans of funds.

Project aid enables the United States to direct a country's development. By allocating funds and technology for specific projects, the United States can provide the necessary impetus for projects such as the Indus Basin project which a country without aid might never attempt. The United States also has other means of directing a nation's development besides specific project aid. She can attach strings, as demands for monetary or political reform to her contributions. But no nation can delegate upon herself the responsibility of determining the course of another country's development, and this H.R. 12048 recognizes. Thus, the 1968 bill has supplemented project aid and aid with strings with development aid and "soft aid," allocations for which the recipient country can determine her own uses, free from strings. A combination of these types of aid gives the recipient freedom to plan her own development.

Current U.S. aid places further emphasis on loans rather than grants. Thus, a "pipeline" or revolving fund for future aid ventures is created. The merits of this policy are apparent. But, I believe that future efforts in this direction should be tempered because of the fear of fiscal difficulties it creates in the recipient countries. U.S. accumulation of foreign currency lowers the circulating currency in developing nations and creates the fear that some day U.S. stockpiles of foreign currency will be released, flooding the market and leading to economic upheaval in the country receiving aid.

I must repeat that the United States can expect no mirror image of her own paths of development in the developing nations today. Private enterprise and nonprofit organizations do have an important role in our foreign aid which part II of the current bill recognizes. But we should neither demand that a nation buy our own products nor demand free enterprise as the only principle upon which an economy can be built.

Rapid change often demands regulation by the government and more regulated ownership than free enterprise. The United States should continue to support the free enterprise system and her own corporations, but be willing to make sacrifices. More orderly control by the government is often more of an assurance for the conditions in which democracy can flourish than a disorderly, bottlenecked, free enterprise system in which frustration and violence can become more rampant.

These efforts mentioned are limited to about 16 countries. But technological aid under title II of the development assistance program benefits a total of 40 countries. The United States is thus helping to train people in the necessary skills needed for modernization, and makes her foreign aid program a broader one.

Foreign aid is not simply a bilateral venture by this Nation. Some of the more promising features of this bill are contained in the provisions for U.S. support of international organizations such as the World Bank and Inter-American Development Bank, groups of nations acting in consortia, and the agencies of the United Nations. These groups have the potential of providing more funds and aid free from the pressure of the demands of any one government. My recent trips to Latin America and Africa have convinced me that, although these groups are now limited in scope and effectiveness, they have the potential to play a large part in the efforts of developing nations.

Just as the donor is not always one country, the recipient of aid may be an entire region. Countries are political boundaries and are not economically viable. Many projects like the Indus Basin project and plans like the Colombo plan must deal with an entire region to be effective. They can benefit a great area as well.

Through its Foreign Assistance Authorization Act, Congress has played an important role in creating U.S. foreign policy. Congress has provided the broad outlines and necessary flexibility for our foreign aid. The effectiveness of this improved foreign aid bill now depends upon efficient administration and implementation of its provisions.

I support this bill as a good definition of the needs of developing countries and hope that Congress will continue to play a role in this field by examining the implementation of policies throughout the duration of S. 1872.

IS THE SECRETARY OF LABOR ABOVE THE LAW?

The SPEAKER pro tempore. Under previous order of the House, the gentle-

11/13/67
6:30 PM

File Cleared by Hand
Katzenbach
W W Rostow
Foreign Assistance
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Tennison informed

I have signed the Foreign Assistance Act of 1967.

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I regret to say that the Foreign Assistance Act of 1967 reduces this margin to the danger point.

The legislation I proposed in February was as austere as possible, consistent with responsible pursuit of our interests abroad. It represented the combined judgment of the President, the Secretary of the State and other senior officers of the Government. It was ~~\$300 million~~ below the request ^{any} of the previous year.

The Congress has now reduced even this request by almost \$400 million, and the Appropriations Committees are considering further substantial reductions.

~~FY 67 3.386~~
~~65 3.391~~

~~FY 55 3.438~~

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I know that this is the result of profound consideration by thoughtful men who seek only to serve their country. I know too that there are many other pressing claims on our resources. There is no absolute in these matters. Each man must make his own assessment of the consequences.

I respect the ~~judgment~~ of the Congress. But I would be remiss in my ~~own judgment~~ ^{duty} if I failed to state my own conviction. I believe the money cuts and other restrictions in this Act will seriously inhibit this Government's effort to assure and enlarge the security of the free world. For twenty years we have recognized the link between that security and our own. We should not lose sight of it now.

Nor do I accept the argument that we can afford no more. If we must distribute thousands of rifles to our armed forces abroad, we can afford to distribute fifteen million textbooks, as the foreign aid program did last year. If we can build thousands of barracks, we can build 25,000 classrooms, as the ^{aid} program did last year. If we can train thousands of soldiers, we can train 120,000 teachers. If we can protect almost a billion people in free Asia from the ravages of aggression, we can vaccinate 100 million people against the ravages of smallpox, as the aid program did last year.

These programs are not luxuries to be dispensed with when the going gets tough. They are the lifeblood of freedom in the world -- the constructive steps which give meaning to the hope of all free men that hard work can transform struggle and privation into peace and plenty.

The lesson of history is that a community of independent and prosperous nations is the best long-term guarantee of a secure America in a peaceful world. This is the goal of the foreign aid program. Its victories are quiet -- a school opened, a hospital equipped, a farm made productive, and, ultimately, a nation built. This is not the stuff of headlines, but it is the way to peace. These are the returns the taxpayer receives on his investment in foreign aid. It is a long business; it is often frustrating. The rewards of success are enormous -- and the penalty of failure is disaster.

I strongly urge each Member of Congress to search his own mind and his own heart before he joins in any effort to erode these vital programs still further.

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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

November 8, 1967

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Foreign Aid Authorization Bill

This afternoon the conference report on the foreign aid authorization bill passed the House (by 205 - 187) and the Senate (by voice vote).

The threat of some 20 liberal Democrats, led by Henry Reuss, to vote against the conference report because of possible F-5 sales to Latin America was not carried out. Reuss withdrew his opposition on the basis of a letter from Secretary Rusk to Doc Morgan which stressed the importance we attach to the Symington Amendment to the foreign aid bill (which requires termination of assistance to countries making unnecessary military expenditures, but allows a good deal of flexibility in application). It was made clear in floor debate that the Symington amendment does not of itself bar F-5 sales to Latin countries.

A motion by Gross to recommit the conference report failed by 196-201. The motion would have instructed the House conferees to insist on

- The Gross Amendment to prohibit military sales to, or purchases from, countries which trade with or ship to North Vietnam (including the U.K.) and
- The Findley Amendment to suspend most-favored-nation treatment for Poland.

Doc Morgan did a particularly good job of defending the report on the floor.

As of late this afternoon I could not get any word on when the appropriation bill will come up on the floor of the House. There is no rule yet.

The Senate Appropriations Committee still plans to hold hearings (they will be brief) as soon as the House acts.


William S. Gaud

LIMITED OFFICIAL USE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Tuesday, September 19, 1967 -- 6:45 PM

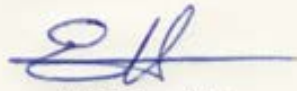
WWR:

SUBJECT: Conference Committee on the Foreign Aid Bill -- Second Session

The Conference Committee had their second meeting this afternoon. Most of the time was spent wading through innumerable minor items. The only interesting results were as follows:

1. The House and Senate split the difference on the Supporting Assistance authorization, agreeing upon \$660 million -- half-way between the House's \$720 million and the Senate's \$600 million.
2. They agreed on a number-of-countries limitation of 12 for Supporting Assistance. (This will give us lee way for two or three more programs than we now plan, should an emergency arise.)

There will be two sessions tomorrow. They will address the tough problem of MAP sales and, if they have time, the various amendments on countries carrying on trade with Vietnam.


Ed Hamilton

Beryl,

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Hold for
Ed. R.

J. H.

Mr. Hamilton, F+I
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THE WHITE HOUSE
WASHINGTON

August 23, 1967

Honorable Thomas E. Morgan
House of Representatives
Washington, D.C. 20510

Dear Tom:

The foreign aid bill reported out from the Foreign Affairs Committee reminds me once again how greatly the nation is in the Committee's debt.

We both know how hard it is to sustain these foreign aid programs. The Members of Congress are under strong and understandable pressure to allocate tax resources for domestic purposes. The results of our foreign aid programs in advancing the nation's interests and helping create an environment of order and progress in the developing world take time; and they are difficult to dramatize in a world where crisis and conflict dominate the daily news.

But each of the four postwar Presidents has known that the most precious dollars voted by the Congress on behalf of the nation's security have been -- and continue to be -- foreign aid dollars. Historians will conclude, I am sure, that our decisions to begin and continue foreign aid programs will rank high among the important policies adopted by this country.

Military aid has permitted nations to mobilize their own deterrent strength and to face the future with greater confidence than they would otherwise have, in a world where arms control agreements have not yet been achieved. They have diminished at many points the risk that the U.S. itself might be drawn into military conflict.

Economic aid -- where we have had the opportunity to work steadily with adequate resources -- has yielded a series of proud success stories: for example, in Asia, South Korea, Taiwan, Pakistan, and Thailand -- as well, of course, as Japan; in the Middle East, Iran, Turkey, and Tunisia. In Latin America, 1967 is the fourth year in which, by and large, the Punta del Este targets of progress will be achieved in most of the nations of the region.

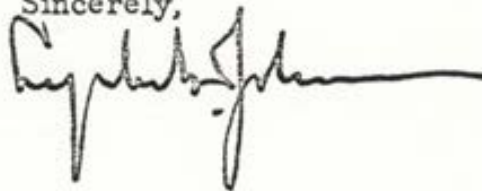
PRESERVATION COPY

Over the years we have learned a good deal about the development process, and our programs are now tighter and more effective. As you know, we have stricter standards of self-help and insist on fair sharing of the burdens of foreign aid among the more fortunate nations. And, perhaps most important, we are focussing our attention on the critical importance of progress in agriculture and voluntary family planning.

We have every reason for pride and confidence in what we have learned and achieved in this field working with other nations. We live in a world where it would be literally dangerous to our interests for us to break stride in our effort to help countries build a better life for their peoples.

That is why I am so grateful for the continued steady leadership provided by you and the other members of the Foreign Affairs Committee.

Sincerely,

A handwritten signature in dark ink, appearing to be "Lyndon B. Johnson", with a long horizontal flourish extending to the right.

PRESERVATION COPY

Foreign Aid

25

August 5, 1967

MEMORANDUM FOR MR. BENJAMIN READ

Attached are two copies of the letter which the President sent to Congressman Thomas E. Morgan re his work on the foreign aid bill.

Please see that AID is given one copy.

W. W. Rostow

250

THE WHITE HOUSE
WASHINGTON

August 4, 1967

Dear Tom:

The foreign aid bill you have just reported out from the Foreign Affairs Committee reminds me once again how greatly the nation is in your debt.

We both know how hard it is to sustain these foreign aid programs. The Members of Congress are under strong and understandable pressure to allocate tax resources for domestic purposes. The results of our foreign aid programs in advancing the nation's interests and helping create an environment of order and progress in the developing world take time; and they are difficult to dramatize in a world where crisis and conflict dominate the daily news.

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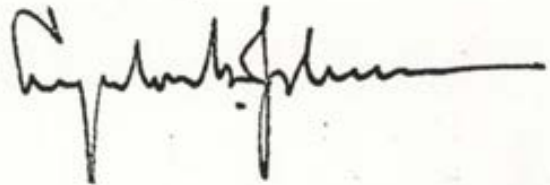
As President, I know how important it is for this nation's interests that we continue this work steadily. As you know,

we have moved rapidly in recent years to tighten our standards of self-help; to insist on a fair sharing of the burdens of foreign aid among the more fortunate nations; to build and strengthen multilateral institutions for economic assistance; and to focus the attention of all on the critical importance of progress in agriculture.

We have every reason for pride and confidence in what we have learned and achieved in this field working with other nations. We live in a world where it would be literally dangerous to our interests for us to break stride in what historians will judge, I am sure, to be one of the wisest and most effective policies our country has ever undertaken.

That is why I am so grateful for your continued steady leadership; and I wish you well in the further tasks of persuasion which lie ahead in ensuring continuity in these critical programs.

Sincerely,

A handwritten signature in dark ink, appearing to be "Dwight D. Eisenhower", with a long horizontal flourish extending to the right.

Honorable Thomas E. Morgan
House of Representatives
Washington, D. C.

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*Mr. Roatan
(Walt M.)*

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copies 4 of 4cc.

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CC: HS RG
WJ

*What is your
view?*

*WJ
sent copies
to above
8/8/67*

APPENDIX I

SOME REFLECTIONS ON THE NATURE
AND FUTURE OF MILITARY ASSISTANCE

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-358
By ing, NARA, Date 8-19-94

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Appendix I

SOME REFLECTIONS ON THE NATURE AND FUTURE OF MILITARY ASSISTANCE

The authors of this note have had occasion in recent months to renew an acquaintanceship with the Military Assistance Program after a long separation. One knew it as an Assistant Secretary of the Navy in the late Fifties. The other knew it as Chief of the American Aid Mission to Greece in 1949-50 and as Deputy U. S. Special Representative in Europe, 1952-53, concerned with the economic underpinning of NATO, then coming into being.

Our recent observations have led us to fear that the Military Assistance Program is falling ^{into} serious trouble because of growing confusion as to its purpose.

Uncertainty of purpose is indicated, for example, by the many conflicting views about the program which one encounters among officials in Defense, State and AID who have a direct or collateral interest in its administration. The differences of opinion are not so much between agencies as within them. Because the program must be related to other policy objectives, a broad range of concurrence is required

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in decision making. It seemed to us that some involved in decision making on important aspects of the program have had infrequent occasion to consider the program as a whole or to think of its future beyond a few years. This situation may reflect an inadequate presentation to them of program objectives and history.

The purpose of military assistance is to promote the national security of the United States by developing and maintaining the mutuality of security interests of ourselves and certain other nations occupying forward geographic areas. On this the legislative history is clear.

The purpose is being progressively blurred. Conceptual or strategic thinking concerning aid - military or economic - has not been notably evident for some time. The program is thus increasingly shaped by tactical considerations of funding. In the absence of conceptual refinement and adaptation to meet new circumstances, the program lends some truth to the McLuhan doctrine that the medium is the message, the medium in this instance being the Congressional Presentation. In response to heavy pressures to curtail cost, the emphasis seems to be more and more on how to end aid rather than on why it is needed.

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The legitimate, indeed, essential objective that the aided nations should progressively bear more of the costs of their defense establishments has come to be expressed in a formula - almost a slogan - of "more self help; less grant aid." However, in some circumstances more of both may be needed. It may also be that there is some bed rock level at which grant aid to the less developed countries in the forward defense areas will need to be continued indefinitely until major changes in world politics occur.

A frequent view of the future of military assistance reflects an analogy with economic aid. Marshall Plan aid served its purpose and was ended. Some nine years later it was practical to end most grant military aid to Western Europe. Since then economic aid to Greece and Taiwan has justifiably been ended. Ergo, military aid to them should also be phased out. More tardily will come Turkey and Korea. Phased down, yes. Phased out, we are not so sure. In any event the decision should be made not by analogy but by an examination of the purpose to be served.

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In the course of our examination of self help in defense as shown by Greece, Turkey, Iran and Taiwan, it seemed to us that what they have already achieved is not well known in interested agencies and that the problems, means and pace of further self help are not widely understood. The practical potential of the particular means of self help which we were asked to explore - local production of materiel - turns out to be disappointingly low but the initiative for its exploration seems to be almost unique in approaching the problem imaginatively and in a long term perspective.

The U. S. percentage share of the total cost of the defense establishments of Greece, Turkey, Iran, Taiwan and Korea as represented by budget support and arms supply declined as follows in ten years.

	1956 %	1966 %
Iran	72	17
Turkey	77	20
Greece	53	25
Taiwan	83	29
Korea	91	82

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The percentages are only approximate. Total costs were computed by equating dollars and local currencies at official exchange rates; also a single year is not an adequate base for measuring the level of grant aid. Nonetheless the above figures tell the story well if not precisely. Korea, of course, with troops in Vietnam represents a special situation.

In attempting to compare costs of defense establishments at the beginning and end of the same decade we found about a 20% decline in Korea, a one-third increase in Iran, while costs in Turkey, Greece and Taiwan were slightly upward, when measured in constant prices. (The margin for error in these calculations is greater, since in addition to the unreliability of official exchange rates there is imprecision in price indices used to discount the effect of inflation).

We estimate that during the third decade of U. S. military assistance to these countries all but Korea will become able to absorb in their defense budgets all costs of their military establishments at present levels without

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increasing the share of GNP devoted to defense. In Taiwan, for example, a 4% yearly increase in the present self financed portion of the defense budget would eliminate in 10 years the U. S. financed deficit in the cost of the defense establishment. A faster pace is within the country's capability.

Balance of payments, however, will almost surely present a serious obstacle for all but Iran. We have calculated that at best no more than 10% of the arms and defense supplies which the U. S. currently finances can be supplied from local production on a sound economic basis. Thus if grant aid is terminated at least 90% of new self help will need to be financed with foreign exchange. We do not find that the implications of this prospect have been assessed.

In our study we have relied heavily on mathematical analysis. At some point, however, arithmetic projections lose validity. Military assistance to the less developed nations in the forward defense areas - in the arc from Greece to Korea (with gaps) - is not merely a

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form of aid that is tardy in termination. For accounting convenience, all military assistance is priced as the cost of arms and support equipment which the U. S. supplies to aided nations. But there are also important tangibles in the form of installations and equally important intangibles in a mutual security relationship which are not invoiced. At present aid levels they need not be. But if all aid is ended the non-invoiced considerations may be endangered. The ultimate level of grant aid to mutual security partners in the forward defense areas, in our view, must be determined by political-military considerations of a strategic character independently of GNP and trade balances.

We surmise that the foreseeable character of world politics will require us to have a special relationship for perhaps some decades to come with Greece, Turkey, Taiwan, Korea and some other forward defense nations in Asia. It would be a special relationship of a kind for which we find no precedent in our history, except within the past two decades, and for which we have not yet conceived clearly a pattern for the future. One element in such pattern as emerges may be an indefinite sharing of the costs of their defense establishments.

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However, the continuance of dollar financed arms, to the extent required, need not go uncompensated. As the forward defense nations progress, they can and should help support a part of the U. S. international burden, which they could do in their own currency. The technical assistance in rice cultivation which Taiwan already gives to other nations as far distant as Africa could be the beginning of a practice that could be much more extensively developed as a counterpart of mutual security support.

Military assistance (leaving aside Lend Lease and other aid to allies in World War II) began just two decades ago with aid to Greece and Turkey. Officially, the program is dated from 1950. In the 17-year period, FY 1950-66, total military grant aid was \$31,682 million. Of this \$2,673 million is accounted as world wide and regional. The remainder, \$29,009 million, was given to 77 countries. A useful differentiation among the recipients is:

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	\$ million	
Europe, 14 countries, excl. Greece & Turkey	14,100	49%
Greece, Turkey, Iran, Taiwan, Korea	8,666	30%
Other forward defense nations: South Vietnam, Thailand, Laos, The Philippines, plus, now inactive, Pakistan, India, Cambodia, Japan	3,321	11%
50 other nations	2,912	10%

Grant aid to Europe, it should be noted, was largely completed in one decade.

Largely because of peripheral issues, the Military Assistance Program is on the defensive. In this climate of opinion, major questions concerning mutual security relationships with the forward defense nations are coming to the fore and could become acute. Will it be practical or desirable to eliminate all grant aid? What should be the nature of the long term relationship between these nations and the United States?

We suggest that a major new assessment would be timely and that it might be made with the assistance of a public committee. The only major review of the Military Assistance Program has been that of the Draper Committee in

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1958-59. It performed two great services. One was to establish an orderly administration of programs that had been created on an emergency basis. The second was public education, accomplished through a series of well timed interim reports. An examination of basic concepts was not required then. We believe such is needed now. The administrative pattern proposed by the Draper Committee has survived well. But public education again is needed.

A new Draper Committee, if created, should include at least some men who know the program historically. (At times the aid program, economic as well as military, seems to be organized as an enemy of memory). Among men who helped shape the program or participated in the Draper Committee (some like General Draper did both) and who would command public confidence, are General Draper himself, W. Averell Harriman, General Alfred Grunther, Livingston Merchant, W. John Kenney, General Frederick L. Anderson, C. Tyler Wood, Russell Dorr, Luke W. Finlay, Joseph Slater and General Charles H. Bonesteel III.

Cecil P. Milne

Paul R. Porter

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26a
PORTER INTERNATIONAL COMPANY
800 Seventeenth Street, N.W.
Washington, D. C. 20006

RECEIPT FOR CLASSIFIED MATERIALS

Date: August 3, 1967

TO:

Mr. Walt M. Rostow
Special Assistant to the President
The White House
Washington, D. C.

I hereby certify that I have received the following
classified documents from Porter International Company in connection
with research on a classified contract between said company and the
Department of Defense.

NOTE TO ADDRESSEE: Please sign original and return to Porter
International Company at address given above,
the duplicate is for your records. We have
retained a "stayback copy" to hold pending
receipt of original from your office.

CLASSIFICATION	DESCRIPTION OF DOCUMENT	OUR CONTROL NO.
SECRET	copy 4 of 4 cc - Appendix I (revised as of 8/3/67) to Final Report for Department of Defense dated July 31, 1967	S-84

Signature

Title

August 3, 1967

Date Received

PORTER INTERNATIONAL COMPANY

266

800 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20006
TELEPHONE 298-7890

August 3, 1967

Mr. Walt M. Rostow
Special Assistant to the President
The White House
Washington, D. C.

Dear Walt:

I have recently completed a study for the Department of Defense on the potential in Greece, Turkey, Iran, Taiwan and South Korea for local **production of** defense goods now supplied as grant military assistance. The enclosed is a by-product observation which I think may interest you.

Thanks for your prompt comment on Gunnar's statement. I am reassured that your memory corresponds with mine. You are right that Gunnar's statements these days are sad. I spent an evening with him in Stockholm about 18 months ago and was depressed.

Best regards,

Sincerely yours,



Paul R. Porter

PRP/mp

(Enclosed but detached
SECRET Appendix I to
DOD report 7/31/67)

8/1/56 ²²

fg

Ed

Mr Rostow said
file where easily
accessible

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MEMORANDUM

(4)
THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 93-318

By ig, NARA, Date 5-12-95

Monday, July 31, 1967, 1:00 p.m.

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Mr. President:

At Tab A is the paper you requested outlining the effects of a \$2.5 billion foreign aid appropriation (compared with a \$3.3 billion request). Gaud has tried to hold the argument to a minimum; the facts speak quite eloquently for themselves. The paper has been approved by Secretaries Rusk and McNamara.

We don't know precisely how the Congress would get down to \$2.5 billion. The memorandum reflects Gaud's best guess of how they would distribute the misery -- not how he would like to see it distributed. The major effects of an \$800 million cut, each of which is discussed briefly in the memorandum, are as follows:

1. Even if Latin America does better than the rest -- which is likely -- we could not provide the \$100 million increase you discussed at Punta del Este.
2. Even a small cut in Supporting Assistance would rule out any increase in AID programs in Vietnam.
3. The bulk of the cut would have to come in Development Loans. (We would estimate a 44% cut in our D.L. request.) This would mean:
 - a 40% cutback in India. Much of this would come out of program loans for fertilizer. At a time when new IDA money is not in sight and the Europeans are ~~are~~ in a stingy mood, the cut in our contribution could well shake the whole consortium framework.
 - a 30% cut in Pakistan.
 - a 40% cut in planned aid to Turkey, probably forcing a delay in Turkey's "graduation" from AID loans, now scheduled for 1973.
 - a 30% cut in loans for Korea.
 - a cutback of over 50% in loans to Africa, reinforcing charges that the Korry Report was a smokescreen for American withdrawal.

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-- no more than \$20 million for Indonesia.

4. Military Assistance would also be sharply cut back -- probably on the order of 35% of our request. This would end credit sales altogether and require cuts of up to 30% in such countries as Greece, Turkey, Taiwan, and Iran.
5. Technical Assistance would probably be cut about 20%, eliminating the planned expansion of programs in health, agriculture, education and family planning.

These estimates reflect a careful judgment as to what we would have to do to live with cuts of this size. I think your priorities have been faithfully observed. The simple fact is a \$2.5 billion appropriation would, for the first time in AID history, make it literally impossible for us to move forward with planned programs in our major client countries. In other years, greater concentration and windfalls created by world events (e.g., the Indo-Pak war) have allowed us to squeeze out enough for the critical programs even though appropriations had been cut. This year is different.

I don't mean to say the world would end if we got \$2.5 billion. As realists, Gaud and the rest of us are aware that a cut of \$800 million is not unlikely. If the axe falls, we will push on as best we can. But it is certainly worth every effort we can manage to minimize the cut.

Walt
W. W. Rostow

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

27-c

July 29, 1967

OFFICE OF
THE ADMINISTRATOR

EYES ONLY

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-3/6
By 158, NARA, Date 8-20-93

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The Consequences of a \$2.5 Billion Foreign Aid Appropriation

This memorandum is submitted in response to your request for information on the consequences of a \$2.5 billion foreign aid appropriation (covering both economic and military aid) for FY 1968.

The President's budget request was originally \$3.126 billion. After Punta del Este it was increased \$100 million to \$3.226 billion. Recently, both the Senate Foreign Relations Committee and the House Foreign Affairs Committee imposed on the Foreign Assistance Act the burden of financing the \$84 million U.S. share of NATO infrastructure and certain international military headquarters - items which the President had included in the DOD budget. The effect of this is to increase the over-all requirement to \$3.310 billion.

To reduce this to \$2.5 billion means a cut of \$810 million - just under 25%. Last year's budget request of \$3.386 billion was cut by \$451 million to \$2.935 billion, a 13% cut.

Roughly \$250 million of the total budget request represents relatively small items which will remain about the same regardless of the size of the total appropriation. Cuts will come in six fund categories. Our present rough guess as to how the Congress would apportion a cut of \$810 million among those fund categories in order to arrive at an over-all figure of \$2.5 billion is as follows:

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- 2 -

	Budget Request	(in millions of dollars) 'Estimated' Cut	Resulting Appropriations
Alliance for Progress	643	-103	540
Development Loans	774	-344	430
Supporting Assistance - Vietnam	550	- 60	490
Supporting Assistance- Other	170	- 40	130
Technical Assistance	243	- 43	200
Military Assistance	680	-220	460

The \$540 million figure for the Alliance for Progress would constitute a 16% cut from the post-Punta del Este budget request of \$643 million. While it is \$32 million above the FY 1967 appropriation, it does not provide the extra Punta del Este \$100 million. Even so, this is a much lighter cut than the much more severe Development Loan cuts contemplated for Asia and Africa.

The \$430 million Development Loan figure represents a severe cut of 44% from our budget request of \$774 million. The appropriation for FY 1967 was \$500 million. But it is misleading to compare that figure with the \$430 million figure. Due to the suspension of aid to India and Pakistan following the outbreak of war in the fall of 1965, \$320 million of FY 1966 Development Loan funds were obligated for loans to India and Pakistan late that fiscal year to meet FY 1967 requirements. So that the \$430 million for FY 1968 is actually more comparable to \$820 million for FY 1967.

We carried over no Development Loan funds from FY 1967. But we estimate loan repayments, refunds and deobligations during FY 1968 at \$88 million. This plus \$430 million would give us a total of \$518 million of Development Loan funds for FY 1968. The following table shows our present plans and the levels we would have to go to at \$518 million:

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- 3 -

	(in millions of dollars)		
	<u>Presently Planned Program</u>	<u>Cuts</u>	<u>Reduced Program</u>
India	400	- 152	248
Pakistan	165	- 50	115
Turkey	100	- 40	60
Africa	90	- 50	40
Korea	50	- 15	35
Indonesia	20	0	20
Philippines	16	- 16	0
Others	<u>21</u>	<u>- 21</u>	<u>0</u>
TOTALS	862	-344	518

The World Bank has estimated India's requirements at \$900 million of non-project aid and \$300 million of project aid. These requirements have been accepted by the consortium. The U.S. has regularly supplied 40% of India's requirements for non-project aid and has financed some projects. A level of \$248 million would eliminate all project aid and would come nowhere near enabling us to supply 40% (\$360 million) of the non-project aid. Such a drastic reduction in our support is likely to lead to cuts by others - this in a year in which India will get nothing from IDA because of the delay in IDA replenishment. As your PSAC Report pointed out, India is the most critical battleground for the War on Hunger. India is introducing miracle seeds and with a return to average monsoons is in a position to make a real agricultural breakthrough if she gets the fertilizer our program loans would provide.

A \$115 million aid level for Pakistan is less than our normal share of the consortium non-project loan requirement. It allows nothing for project lending. If aid continues at its present levels Pakistan has a good chance to be self-sufficient in food grains by 1970. Our failure to help Pakistan which has been following good self-help policies with

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- 4 -

good results would deprive us of a stunning example of a U.S. aid success story within the next decade.

A \$60 million program for Turkey compares with \$135 million in aid provided during FY 1967. Such a deep cut would undermine the consortium and reduce contributions from other countries. This would have to mean abandoning the economic reform package on which Turkey had been making outstanding progress and delaying Turkey's "graduation" from aid, now anticipated in 1973.

A cut in development loans for Korea coupled with a cut in supporting assistance would come at a time when we are committed to continuing economic assistance as part of the bargain for obtaining Korean troops in Vietnam. It would cast a pall over the international consultative group on which we are counting for contributions from other countries to Korea's remarkable economic development.

The program for Indonesia had already been recognized as too small to meet our share of the stabilization support in 1968. A \$20 million A.I.D. loan level compares with an expected foreign aid requirement of about \$250 - \$300 million in 1968.

Inasmuch as our development loans for Africa aggregated \$98 million in FY 1967, a \$40 million program for FY 1968 would give the Africans real reason to wonder whether our new Korry Report-based aid policy for Africa calling for emphasis on regionalism and multilateralism isn't just a fancy word for pull-out.

The \$100 million cut in Supporting Assistance consists of \$60 million from Vietnam and \$40 million from other programs. For Vietnam this means holding the line on major expansions of pacification/revolutionary development programs that the new U.S. team may propose, and postponing some development projects that could mean a great deal to the new Vietnamese Government. The \$40 million cut in other programs would have to come from Korea, Jordan, the Dominican Republic, Panama and the Congo - programs which are already very closely budgeted. Furthermore, these cuts would leave us with even less flexibility than we now have to meet new political and security problems in Southeast Asia and elsewhere. This is particularly true in view of the fact that we are requesting an appropriation of only \$31 million for the Contingency Fund.

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Technical Assistance already badly cut last year is heavily mortgaged to on-going activities. A reduction from \$243 million to \$200 million in these funds will prevent us from carrying on increased programs in agricultural development, education, health and family planning. These are the highest priority items in our economic aid program.

On Military Assistance, a cut of approximately \$220 million - 35% of our original request and about the same as the \$205 million cut of the Senate Foreign Relations Committee last week - would, as explained in my memorandum on the SFRC actions, hit very hard both the grant and sales programs. In sum, \$60 million for sales would be out. Grant programs for such forward defense countries as Taiwan, Greece, Turkey and Iran would have to absorb cuts of up to 30%. Modernization of the equipment of these countries would be virtually wiped out. And there would be serious political problems created by cuts in such smaller programs as the Philippines and Latin America.

Conclusion:

This analysis shows that

- an appropriation of \$2.5 billion is clearly not enough to do the job;
- it would have severe political and economic consequences and substantially weaken U.S. influence in the less developed world;
- it would cause others to do less as well and thus have a cumulative effect on the development business;
- it would make it impossible for us to reward good self-help performance and to sustain the momentum generated by past investment in foreign assistance;
- it would gut our War on Hunger effort.

We must do all we can to keep the appropriation at a level as close as possible to our budget request.



William S. Gaud

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THE WHITE HOUSE

WASHINGTON **DECLASSIFIED**

E.O. 12356, Sec. 3.4(b)

~~CONFIDENTIAL~~ White House Guidelines, Feb. 24, 1983

By 01/1/94, NARA, Date 1/11/93

Saturday, July 29, 1967
3:25 p.m.

Mr. President:

Herewith Bill Gaud reports on
where he is on foreign aid with Senate
and House Committees.

WJ *ack* Rostow

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25, D. C.

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OFFICE OF
THE ADMINISTRATOR

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-316
By ing, NARA, Date 8-20-93

JUL 28 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Foreign Relations Committee Action on the Foreign Aid
Authorizing Bill

Yesterday the Foreign Relations Committee, by a vote of 10-2, agreed to report favorably the Foreign Assistance Act of 1967. Church's amendment to report the bill without recommendation failed by a vote of 7-7, with Church receiving support from Morse, Symington, Aiken, Mundt, Williams and Fulbright. Fulbright announced he probably will vote against the bill and that Sparkman will manage it. However, Sparkman told us this afternoon that Fulbright came to see him to say that he had changed his mind and that he will manage the bill. We do not know when the bill will go to the floor.

The press reports -- which indicate the bill was gutted -- are somewhat misleading. Economic assistance fared better in some respects than last year, and, depending on what happens on the floor, the damage after conference may not be too severe. The most serious problem is number of country restrictions. Military assistance, however, was hurt very badly -- primarily by a sharp reduction in funds, by elimination of DOD authority to make credit sales of items furnished from new procurement and to guarantee credit extended by private parties or the Ex-Im Bank, and by abolition of the credit sales revolving fund.

We are doing well in the House Foreign Affairs Committee. It should finish its mark-up in a week or two. In the following summary of Senate actions, I will indicate comparable House Committee actions to date.

The Senate bill, in effect, authorizes \$2.9 billion for economic and military assistance -- about \$400 million below our adjusted appropriations request of \$3.3 billion. (The table on Attachment A sets forth the Senate Committee actions and the House Committee actions to date, compares them with our appropriations requests and shows the result of an assumed 50-50 conference compromise.) \$2.4 billion of

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the \$2.9 billion Senate Committee figure is for economic assistance (\$222 million below our appropriations request). The House Committee will come close to our full request. \$475 million is for military assistance. However, \$84 million of this is for NATO Infrastructure and International Military Headquarters costs -- items which we sought to transfer to the DOD budget but which both Committees insist be funded from military assistance. This leaves \$391 million against our request of \$596 million. The House Committee is authorizing \$566 million of the \$596 million.

The Senate Committee's military assistance cut hurts. \$60 million of the proposed program is for credit sales. The reduction leaves us without money for these sales and leaves the balance of the program about \$145 million short. Aside from five countries on the perimeter of the USSR and Communist China (Korea, Republic of China, Greece, Turkey and Iran), only \$148 million is allocated to all other proposed MAP programs. These other programs (including the Philippines, Indonesia, Latin America, Africa and administrative costs) cannot be wiped out completely. Thus heavy cuts -- about \$100 million, or about 20% -- would have to be absorbed by the 5 major programs.

Other Actions on Military Assistance

Church Amendment. The Committee adopted the Church Amendment by a vote of 12-6 (Sparkman, Mansfield, Lausche, McCarthy, Hickenlooper, Carlson). The amendment --

1. Repeals all authority to make credit sales of items furnished from new procurement.
2. Repeals the authority to guarantee credit extended by private banks, exporters, or the Export-Import Bank.
3. Transfers all assets of the credit sales revolving fund to the miscellaneous receipts of the Treasury after December 31, 1967, and thereby deprives DOD of funds needed to pay outstanding obligations incurred as a result of past credit sales.
4. Repeals after December 31, 1967 the authority of DOD to receive disbursements from the Export-Import Bank which come due under past sales to the Bank by DOD of evidences of indebtedness (these sums are needed by DOD to pay obligations owed to suppliers on past credit sales); and also repeals the authority of the DOD to transfer collections received from foreign countries which are owed to the Bank as a result of disbursements already made by the Bank.

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In terms of its impact on the current budget, we would need to request approximately \$230 million more in MAP appropriations for FY 1968 in order to make disbursements for the period December 31 through June 30 to liquidate obligations previously incurred to suppliers and to the Export-Import Bank. Approximately \$500 million additionally would be needed in subsequent fiscal years to liquidate completely existing obligations.

The Committee action was purportedly directed at restraining but not eliminating sales to underdeveloped countries. In the Committee's view, adequate authority was left to make sales to developed countries who, in the judgment of the Committee, could obtain financing from commercial sources or the Export-Import Bank.

Thus, the Committee action still permits DOD to make sales from DOD inventories on terms of repayment of up to three years. However, this authority is virtually useless since (a) over 90% of current sales are made from new production; (b) three years does not provide adequate credit terms for underdeveloped countries; (c) the military departments could not be reimbursed by MAP funds and hence would have to wait three years in order to obtain funds to procure replacement items.

The Committee action also permits us to make sales from new procurement on a "dependable undertaking" basis, i.e., the purchasing country must put up the money at such times and in such amounts as we need it to pay suppliers. This authority is largely valueless with respect to underdeveloped countries, and its utility with respect to developed countries presupposes that commercial bank or Export-Import Bank financing is available at reasonable terms where credit is necessary, such as in the recent major UK loan. It is somewhat doubtful that adequate credit will be available to finance military exports even to the developed countries in view of the tight money situation, high current interest rates, the limitation imposed by the Interest Equalization Tax and pending efforts in other committees to curtail the authority of the Export-Import Bank. In this connection, it should be noted that a number of transactions with developed countries were financed at less than the current commercial rates of interest and that some of these transactions are not yet fully financed.

Finally, with respect to the underdeveloped countries the impact of the Church Amendment will be to prevent us from living up to existing commitments (e.g., we are committed to Iran for two more tranches of \$50 million each at a rate of interest between 5 - 6% on 5 to 7 year terms) unless the Export-Import Bank itself directly makes an unguaranteed loan agreement

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with the country concerned. We also would be unable to provide any credit sales assistance in the Middle East (Israel or other countries). Their budgetary situation is such that the articles would either have to be furnished as grant aid or the Export-Import Bank would have to lend the countries the necessary money without guarantee by the DOD of repayment.

In substance the Senate Committee bill authorizes us to provide assistance on a grant basis but not to provide it on terms of credit.

Africa. The Senate Committee bill tightens the current ceiling of \$25 million on grant defense articles to Africa by including military sales and training. Our proposed FY 1968 program subject to the ceiling totals \$53.6 million -- \$21.2 million of grant defense articles, \$4.4 million of training (about half of the articles and training is for Ethiopia) and \$28 million of military sales (\$14 million each for Libya and Morocco). The House Committee has not changed the ceiling.

Latin America. The Senate Committee bill reduces from \$85 million to \$50 million the existing ceiling on grants and sales to Latin America. The House Committee raised the ceiling to \$100 million.

Other Actions on Economic Assistance

Number of Countries - The bill limits us to 15 countries for Development Loans (our proposed program is 22); Technical Assistance to 40 (our proposed program is 41 plus 7 African countries that would receive about \$75,000 each in Self-Help Funds); and Supporting Assistance to 10 (our proposed program is 10). In each case the bill provides that countries may be added only after a finding by the President and approval by a concurrent resolution of the Congress. Existing law basically requires only a finding by the President.

These limits not only will give us trouble in our African program with Development Loans and Technical Assistance, but should there be a political emergency anywhere in the world, we will have no leeway in our Supporting Assistance program.

The House Committee has agreed to the Administration request to strike all the number of country restrictions.

Length of Authorization. We requested two years. The Senate bill gives us FY 1968 only and also cuts out the existing authorizations for FY 1969 for the Alliance and Development Loans. The House Committee is giving us two years across the board.

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-5-

Transfers to the World Bank. Like last year, the Senate bill says that some of our Development Loan funds may be used only for transfer to the World Bank family. Last year it was 15% of our funds, this year 10%. The House Committee leaves us where we are today -- we may transfer up to 10%, but no funds are set aside.

Investment Guaranty Programs. Here the Senate bill denies just about every change or increase in authority we requested. It also cuts back our extended risk program from 75% coverage of investments to 50%. This change, if it sticks, would mean the end of the extended risk program, a program that is now very productive, especially in War on Hunger efforts. We mobilized strong private support on this one, but a motion yesterday in the Committee to restore the 75% figure failed to carry by 6-7.

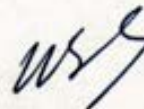
The House Committee is giving us pretty much everything we want on our guaranty programs.

Policy Provisions. The Senate Committee struck out our proposed statement of policy and the statement of policy now in the Foreign Assistance Act; our proposed sections on the purposes of development assistance and self-help criteria; our proposed National Advisory Committee on Self-Help; and our proposed endorsement of multilateral and regional programs. The House Committee goes along with us most of the way, except that they also struck out the Self-Help Committee.

Other Provisions. The Senate bill denies a good number of our requests including additional supergrades for the Vietnam Bureau and the War on Hunger and Private Resources Offices. They also turned down the amendment to put our long-term overseas people in the Foreign Service Retirement System. The House Committee has not acted on the retirement question, but turned down the supergrade request.

* * * * *

On Monday Nick Katzenbach, Bill Macomber, Paul Nitze, Barefoot Sanders, Mike Manatos and I will meet to discuss Senate floor strategy.



William S. Gaud

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1967 JUL 29 AM 11 13

Category	(In \$ Millions)			Appropriation Request	Average Reduction from Appropriation Request
	Tentative HFAC Authorization	SFRC Authorization	Average Authorization		
Development Loans	785.0 ^{1/}	785.0 ^{1/}	785.0	774.0	--
Technical Assistance	243.0	210.0	226.5	242.8	- 16.3
Alliance for Progress	650.0 ^{2/}	578.0	614.0	643.0	- 29.0
Loans	(540.0)	(478.0)	(509.0)	(533.0)	(- 24.0)
Grants	(110.0)	(100.0)	(105.0)	(110.0)	(- 5.0)
Supporting Assistance	720.0	600.0	660.0	720.0	- 60.0
General	(170.0)			(170.0)	
Vietnam	(550.0)			(550.0)	
Contingency Fund	75.0	50.0	62.5	31.0	--
Contributions to International Organizations	141.0	140.5	140.7	141.0	- 0.3
American Schools and Hospitals Abroad	14.0 ^{3/}	14.0 ^{4/}	14.0	13.9	--
Surveys of Investment Opportunities	2.1	2.1	2.1	2.0	--
Administrative Expenses - AID	58.0 ^{5/}	55.8	56.9	59.3	- 2.4
" " State	6/	6/	6/	3.4	--
Total Economic	<u>2,691.5</u>	<u>2,438.8</u>	<u>2,565.1</u>	<u>2,630.4</u>	<u>-108.0</u>
Military Assistance ^{7/}	565.9	391.0	478.5	596.0	-117.5
TOTAL ^{7/}	<u>3,257.4</u>	<u>2,829.8</u>	<u>3,043.6</u>	<u>3,226.4</u>	<u>-225.5</u>
Military Assistance (including \$84.1 million for NATO Infrastructure and International Military Headquarters)	650.0	475.1	562.6	680.1	-117.5
Total (Adjusted)	<u>3,341.5</u>	<u>2,913.9</u>	<u>3,127.7</u>	<u>3,310.5</u>	<u>-225.5</u>

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FOOTNOTES

- 1/ Total of \$785 million includes \$600 million FY 1968 authorization plus \$185 million existing FY 1967 authorization which was not appropriated in FY 1967 and is therefore available for appropriation in FY 1968.
- 2/ Plus \$0.7 million separate Partners of the Alliance authorization not requested by the Administration.
- 3/ Plus \$1 million in Israeli pounds for a girls' school in Israel.
- 4/ Plus \$3 million in Israeli pounds for two schools in Israel.
- 5/ HFAC has not yet acted on Administrative Expenses; \$58 million assumes an estimated cut of \$1.3 million.
- 6/ Permanent authorization for such funds as may be necessary.
- 7/ Not including NATO Infrastructure and International Military Headquarters.

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THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~ *L*

Wednesday, August 2, 1967
8:10 p.m.

Mr. President:

Herewith Bill Gaud's report to you
on action today by the House Foreign
Affairs Committee on the Foreign Aid
Authorization Bill.

Walt
DECLASSIFIED

W. W. Rostow

E.O. 12356, Sec. 3.4(b)

White House Guidelines, Feb. 24, 1983

By *plg* NARA, Date *1/11/93*

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

OFFICE OF
THE ADMINISTRATOR

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E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By g/leg, NARA, Date 1/11/93

August 2, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: House Foreign Affairs Committee Action on the Foreign
Aid Authorization Bill

The Foreign Affairs Committee finished mark-up today. Doc Morgan did a magnificent job for us. The bill contains almost everything we requested. However, Morgan told the press this morning, "I expect the toughest floor fight in the ten years I've been handling this bill."

The report is expected next week, but we have no indication yet of when the bill will come up for floor action.

The House Committee authorized all appropriation categories for two years at the levels we requested except for

- paper cuts for FY 1968 in Development Loans, the Alliance for Progress and the Contingency Fund
- a cut of \$30 million in Military Assistance and
- a cut in Administrative Expenses for FY 1969.

The Committee did one thing which was wholly unexpected and is sure to cause a real rumpus on the floor. It voted unanimously to make the existing PL 480 law a part of the Foreign Assistance Act. I am told this was done without notice to the Agriculture Committee.

The Committee also adopted a sense-of-Congress amendment calling for the suspension of aid to Middle East countries which broke diplomatic relations with us and for a review of aid policy in that area. It should give us no trouble.

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Two potentially troublesome amendments which were defeated in Committee are likely to come up on the floor:

- a Hays amendment prohibiting aid of any kind to Latin American countries which acquire supersonic military jets, and
- a Findley amendment to terminate most-favored-nation treatment for Poland unless the President can assure the Congress that Poland is not supplying military articles to North Vietnam.

If - and it is a big if - no substantial changes are made in the bill on the floor of either body, the major issues for the Conference will be:

- the number of countries to which various types of aid may be provided, and the procedure (if any) by which the number may be increased;
- the authority of the Department of Defense to make credit sales, to continue its existing revolving fund and to guarantee Ex-Im Bank and other financing;
- the amount of military aid;
- whether our extended risk guaranties are to cover 75% or 50% of the investments on which they are issued;
- the dollar limitations that are to apply to military aid to Latin America and Africa;
- whether 10% of our Development Loan funds can be used only for transfer to the World Bank, IDA or the Asian Development Bank, or whether such transfers may be made at our discretion;
- whether economic and military programs are to be authorized for one year or for two.

This list of issues assumes that the PL 480 amendment will not survive floor action in the House.


William S. Gaud

~~CONFIDENTIAL~~

February 9, 1967

NOTICE: There should be no premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this message until 12:00 noon February 9, 1967, which includes any and all references to any material in this message.

George Christian

THE WHITE HOUSE

MESSAGE ON FOREIGN AID

TO THE CONGRESS OF THE UNITED STATES:

Twenty years ago, President Truman set forth the basic proposition underlying the foreign aid program when he told the Congress:

"I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."

This judgment was shared by Presidents Eisenhower and Kennedy and by every Congress since the 79th in 1946. It is my judgment today. I believe it is the judgment of most Americans.

Our commitment to assist the economic growth and security of developing nations is grounded in the hard realities of the post-war world. We know that want is the enemy of peace and hopelessness the mother of violence.

We know that:

- in the long run, the wealthy nations cannot survive as islands of abundance in a world of hunger, sickness and despair.
- the threat to our security posed by internal subversion and insurgency cannot be countered by withdrawal, isolation or indifference.
- men -- acting together -- have the power to shape their destiny. Around the world, from Mexico to Greece to Taiwan, we have seen the energy and determination of the emerging peoples transform our aid into the seeds of prosperity.
- abroad, as at home, the true national interest of the American people goes hand in hand with their sense of freedom, justice and compassion.

Precisely because foreign assistance programs are so vital to our national interest, they must reflect the circumstances of the late sixties, not those of the past. They must respond to the ideas which move men

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in the emerging nations today. They must draw upon the lessons of experience. They must take account of the growing wealth of other advanced countries.

The proposals in this message reflect the experience of our aid activities over two decades. They emphasize the six guiding principles on which our programs must be based:

1. Self-help -- nations develop primarily through their own efforts. Our programs can only be supplements, not substitutes. This is the overriding principle.
2. Multilateralism -- every advanced nation has a duty to contribute its share of the cost.
3. Regionalism -- the future of many countries depends upon sound development of resources shared with their neighbors.
4. Agriculture, health and education -- these key sectors are the critical elements of advancement everywhere in the underdeveloped world.
5. Balance of payments -- we cannot help others grow unless the American dollar is strong and stable.
6. Efficient administration -- every American citizen is entitled to know that his tax dollar is spent wisely.

New Directions

To carry out these principles, I propose:

- A new Foreign Assistance Act, stating in clear language our objectives, our standards, and our program techniques.
- A statutory National Advisory Committee on Self-Help, to advise the Congress, the President, the Secretary of State, and the AID Administrator on how effectively recipient nations are mobilizing their own resources under the self-help criteria of the Act.
- A statutory objective that at least 85% of our development loan funds be spent in a regional or multilateral framework.
- More than \$1 billion in programs to improve agriculture, education and health, a 25 percent increase over last year.
- A shift in emphasis in our aid policy in Africa, to concentrate our help increasingly on regional and multi-national projects.
- Sympathetic consideration of a U.S. contribution to a new special fund of the African Development Bank.
- A \$200 million U.S. contribution to new special funds of the Asian Development Bank, in accord with the recommendations of the Black mission, headed by Mr. Eugene Black, my Special Representative on Asian Development.

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- A reorganization of the Agency for International Development, to better carry on the War on Hunger and to promote private investment and the growth of private enterprise in the less-developed world.

My proposals for programs authorized by the Foreign Assistance Act in fiscal 1968 will require total appropriations of slightly over \$3.1 billion. Of this, some \$2.5 billion will be devoted to economic aid. Almost \$600 million will be for military assistance. Funds for the regional development banks would be authorized by separate legislation.

The Foreign Assistance Act of 1967

Foreign aid now rests on a legislative foundation enacted in 1961. This pathfinding statute has served the nation well. But the experience we have gathered over the past several years should now be codified in a new law.

I propose the Foreign Assistance Act of 1967.

This Act will contain a clear statement of the philosophy which underlies our programs and the criteria to be used in this Administration. To provide the continuity needed for sound management, it will contain authorizations covering two years. Most important, it will provide a framework for each of the basic thrusts of our aid policy.

1. Self-Help

Self-help is the lifeblood of economic development. No sustained progress is possible without it. Aid provided as a substitute is aid wasted.

Waste is a luxury none of us can afford. The only obligation tied to our aid is the recipient's obligation to itself -- to mobilize its own resources as efficiently as possible. I will not ask any American citizen to contribute his tax dollars to support any country which does not meet this test.

Accordingly, the Act will make it clear that the development job is primarily the responsibility of the developing countries themselves. In no case will the United States undertake to do for any country what it should do for itself. Nor will we assist in any venture which we believe has received less than full support from the recipient country. The United States will insist on the general economic policies necessary to make our aid effective.

We are now applying strict and effective self-help standards. The results are evident in the fact that, on the average, each citizen in the major aid-receiving countries is saving one of every eight dollars he earns. These savings become investments. For every dollar the United States and other donors provide, these local sources invest ten dollars.

Still, there is an urgent need for a permanent, nonpartisan, public body to evaluate self-help performance.

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Thus, the Act I propose will authorize the President to establish a National Advisory Committee on Self-Help. This Committee will consist of members from both parties, from the business community, from labor, from universities and from other walks of life. It will review and evaluate our aid programs in as many countries as it sees fit. It will examine our programs to see whether the recipients are extending their best efforts and whether we are making the best possible use of our aid. Its findings will be available to the Congress.

2. Multilateralism and Burden-Sharing

Development is a world problem. No single country has all of the resources required. Equity demands that no single country be asked to carry the bulk of the load.

I propose that the Act set as an objective that 85% of our development loans be undertaken in a regional or multilateral framework.

This action fits the trend of recent years, as advanced nations have increasingly accepted the responsibilities associated with their growing wealth. The combined value of our economic and food aid is less than seven-tenths of one percent of our national income, only slightly more than the average for all advanced countries. We devote smaller shares to foreign assistance than such countries as France and Belgium.

But these figures do not tell the whole story. Our defense expenditures far exceed those of all other free nations combined and serve their common interest. This burden too must be counted in the balance.

Thus, we must redouble our efforts to get other donors to enlarge their commitments.

3. Regionalism

Resources know no national boundaries. Rivers flow through many countries, transportation and communication networks serve different peoples, sources of electric power must be shared by neighbors. Economic advance in every part of the world has required joint enterprises to develop shared sources of wealth.

These facts underlie the growing movement toward regional cooperation:

- The Alliance for Progress has transformed the inter-American system of institutions into a reliable and dynamic engine of change.
- Asian initiatives have created the framework for cooperation of all kinds. Such institutions as the Asian and Pacific Council and the Asian Development Bank are clear evidence of the new will to press forward.

I propose that the Act state that the United States will encourage regional economic development to the maximum extent consistent with the economic and political realities in each region.

I propose three steps to carry out this policy:

- First, in most African countries, we will gradually shift to cooperative projects which involve more than one donor or more than one recipient.
- Second, we will seek an appropriate means of responding to the recent request of the African Development Bank for U. S. participation in a special fund to finance worthy projects which are beyond the means of the Bank's ordinary capital.
- Third, we will respond favorably to the request for special funds for the Asian Development Bank. Preliminary explorations suggest a U. S. share of \$200 million, to be contributed over a number of years with matching arrangements and balance of payments safeguards.

These proposals spring from a philosophy of pragmatic regionalism. They reflect the facts of economic life.

Political unity is neither required nor expected. But the resources available for development are too scarce to scatter among many countries when greater promise lies in joint action. We must take full advantage of the benefits of cooperation.

4. Agriculture, Health and Education

The fundamentals of a decent life are sufficient food, freedom from disease, and an opportunity to absorb as much knowledge as individual capacities permit.

These are the first goals of all societies. They must be the first objects of our aid.

I propose that the Act establish agriculture, health and education as our primary concerns and that investment in these areas be substantially expanded.

I propose that our investment in:

- agriculture rise from \$504 million last year to \$668 million in 1968.
- education rise from \$166 million to \$228 million.
- health rise from \$192 million to \$202 million.

In particular, we will wage War on Hunger. Together, the world must find ways to bring food production and population growth into balance. My proposals make clear our determination to help expand food supplies. We must be equally ready to assist countries which decide to undertake voluntarily population programs.

5. Balance of Payments

Our foreign assistance programs rest on the basic strength of the dollar and our balance of payments. This Administration will continue to see that our aid programs have the least possible adverse effect on our balance of payments.

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Almost 90 percent of our economic assistance and over 95 percent of our military assistance is now spent in the United States. These programs serve to expand U.S. trade abroad. They help develop new trading patterns.

6. Efficient Administration

The Agency for International Development is a sound, well-run instrument of public policy. But, like all arms of government, AID can be improved. It can add further to its economy record -- a record which includes \$33 million in cost reduction last year alone, and a 20 percent cut in personnel -- apart from Southeast Asia -- since 1963.

I am establishing two new offices in AID:

- An Office of the War on Hunger to consolidate all AID activities relating to hunger, population problems and nutrition.
- An Office of Private Resources to concentrate on marshalling private investment and the expansion of private sectors in the less-developed world -- the best long-term route to rapid growth.

Both of these steps are consolidations -- they will require no new appropriations or personnel. They will focus the attention and energy of the Agency directly upon two priority areas. They are significant steps forward.

Economic Assistance

Latin America

For Latin America, I recommend an economic aid program of \$624 million.

This amount is clearly justified by our own interests and the recent performance of our Latin American partners. The program I propose is lean and concentrated. Nearly 70 percent of it will be committed in four countries -- Brazil, Colombia, Peru and Chile. In each case, we will make certain that the amount actually spent is in accord with clear needs and meets the strict self-help criteria of the Act.

The outlook for a solid return from these expenditures is promising:

- Brazil shows greater economic dynamism than at any time in her recent history. She has forced inflation down from the 1964 high of 140 percent to 40 percent -- still far too high, but an enormous improvement. Her balance of payments situation is well under control. Agricultural production has been increased. Per capita income is up. In general, the economic situation is more hopeful than the most favorable predictions of three years ago.
- Peru continues its steady economic climb. Per capita income last year was \$378, compared to \$325 five years before. The critical job now is to bring more people into the economic mainstream, while further stimulating the developed coastal areas. U.S. contributions will be heavy in the areas of education.

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- In Chile, the favorable copper market will make possible a reduction in our aid. We will concentrate our help in the crucial rural area to increase agricultural production and exports.
- In Colombia, economic trends are also encouraging. Our contributions will be made through a group of donors led by the World Bank. We will concentrate on agriculture and education.
- Our program for Central America -- Nicaragua, El Salvador, Guatemala, Costa Rica, and Honduras -- is tailored to support the Central American Common Market. This Market is one of the most promising innovations in the developing world. The spirit it reflects has already increased trade within the Central America region by 400 percent over the past five years. We will make modest contributions to the Central American Integration Fund to continue and accelerate this pace.
- The balance of my request is largely for the Dominican Republic and Panama. It is essential that we maintain strong programs in these countries, although they will cost slightly less than in the past.

The vision and hard work of 450 million people in this hemisphere have made the Alliance for Progress into one of the great tools for human betterment. Its success is by no means assured. There will be disappointments as well as achievements along the way. But it is a vehicle for the hopes and energies of a continent. The program I propose will carry it forward.

Meetings among the governments of the Western Hemisphere during the year may produce further proposals, such as replenishment of the resources of the Inter-American Development Bank. Where these proposals merit our consideration and support and require action by the Congress, I will submit my recommendations to you at the appropriate time.

Near East-South Asia

For the Near East-South Asia, I recommend a program of \$758 million.

This region provides the harshest test of free institutions:

- Nowhere else in the free world are there so many people: as many as the combined populations of North and South America and Western Europe.
- Nowhere else do so many people live in such dire poverty: per capita income for nine out of every ten persons is under \$100 per year.
- Nowhere else are divisive forces so poised to take advantage of any misstep.

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Several advanced nations have banded together, under the leadership of the World Bank, to form an Aid Consortia for India and Pakistan. A similar group has been formed for Turkey, chaired by the Organization for Economic Cooperation and Development. These groups determine the share each member will contribute and provide a forum for continuing discussions with recipient countries. They have served the interests of all parties.

In my Message on Food for India, I proposed that food and related aid be added to the agenda of the consortium for India as an additional area of assistance in which all donors should join. We will exert the full extent of our influence to insure that this consortium becomes the primary vehicle for all aspects of development aid to India -- from grants of funds to evaluation of performance.

Despite the shadow of famine and the ever-present danger of renewed frictions, the situation in the three countries -- India, Pakistan and Turkey -- which will receive 91 percent of our aid to the Near East-South Asia gives reason for hope:

- India is trying to regain the lead in the race between her expanding population and her food supply. She plans to double her outlays for agriculture in the next five years and to quadruple her voluntary population program. India has increased fertilizer purchases by 85 percent and has started crash programs in farmland development. She has begun campaigns to increase supplies of better seeds and pesticides. But Indian performance is not confined to agriculture. In early 1966 she liberalized her system of import controls and devalued her currency. All advanced nations must come to her aid if these hard-won opportunities are to be realized.
- Pakistan has an outstanding economic record. Her future is brighter still. From 1960 to 1965, her Gross National Product grew at an average annual rate of 5.8 percent compared to 2.5 percent previously; agricultural production grew at an average annual rate of 3.5 percent compared to 1.6 percent previously; local private investment grew by 54 percent; and total private investment was 63 percent over planned targets.
- Turkey also has a remarkable record. We and other Western nations are determined to help Turkey meet its goal of self-sustaining economic growth by 1973. She is already well on her way. In 1966, her Gross National Product grew by 8.3 percent, industry by 9.5 percent, agricultural production by 11 percent, and the use of fertilizer by 40 percent. The percentage of children of school age enrolled in primary schools increased to almost 80 percent.

If it cannot be demonstrated that hard work, coupled with relatively modest amounts of our aid, will produce better lives for the countless millions of this region, our cause will surely fail. The programs I propose will enable us to continue meeting this challenge.

Africa

For Africa, I recommend a program of \$195 million.

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Africa is undergoing the historic growing pains of attaining stable independence. Thirty-five of her thirty-nine nations have gained their freedom since World War II, many in the past five years. The inevitable strains are evident in the headlines of the world's newspapers.

The most hopeful sign of growing African maturity is the increased support for cooperative economic enterprises. With 14 countries of less than 5 million people each, this attitude is essential for progress.

Our AID policy toward Africa will:

- encourage the African activities of the World Bank and its affiliates.
- direct a greater part of our resources into projects and programs which involve more than one African country.
- seek new breakthroughs in private investment in Africa, particularly the current efforts by private American banks and other financial institutions.

East Asia

For East Asia, I recommend a program of \$812 million.

Nearly 85 percent of our assistance to this region is directly or indirectly related to our effort to block Communist aggression.

My recent visit to Asia confirmed my deep conviction that foreign assistance funds for Vietnam and surrounding countries are just as important as military appropriations. They are vital to a successful war effort. They permit us to build for the future.

Most of these funds -- about \$650 million -- will be used in Vietnam, Laos, and Thailand. The \$550 million planned for Vietnam is indispensable to military success, economic stability and continued political progress. It will stimulate and support measures to bind the people and government of South Vietnam together in a common cause. It will help to begin the task of reconstruction and development. It will relieve war-time suffering for millions of Vietnamese.

In Laos and Thailand, these funds will finance economic development and security which will assure that armed conflict will not engulf all of Southeast Asia.

Our assistance to Thailand will be channelled through a new consultative group of thirteen donors, chaired by the World Bank. In Laos, five other countries will join the U. S. with significant contributions.

Elsewhere in free Asia, the tide of history clearly favors progress:

- In Korea, the economy is now growing at the rapid annual rate of 8 percent. Industrial production is rising at a 14 percent rate annually, agricultural production at a 6 percent rate. In the few short years since the Korean War, the Republic of South Korea has become strong enough not only to maintain its internal advance, but to help in the defense of freedom in Vietnam.

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- In Indonesia, the new government has committed itself to a program of economic rehabilitation and recovery. We are joining with other European and Asian nations to provide urgently needed help to the stricken Indonesian economy. We are also participating in arrangements with other nations to reschedule Indonesian debts.

The road ahead in East Asia is long and dangerous. But these accomplishments are hopeful signs. We will encourage the vital and progressive spirit that has stimulated them.

Military Assistance

For military assistance, I recommend appropriations of \$596 million.

This is the smallest request since the program began in 1950. In part, this fact reflects transfer of appropriations for military assistance for Laos, Thailand, NATO Infrastructure and international military headquarters to the budget of the Department of Defense.

But this request also represents a substantial reduction. Military assistance outside Southeast Asia is now only 45 percent of what it was in 1960.

For the Near East-South Asia, I recommend \$234 million, down 50 percent from 1963. Virtually all this will be used in Greece, Turkey and Iran, three countries which have shared the burden of mutual security for twenty years.

For East Asia, I recommend \$282 million, almost entirely for Korea and Taiwan. We will use these funds to strengthen these outposts against further Communist expansion in Asia.

For Latin America, I recommend \$45.5 million, largely for internal security and training.

For Africa, I recommend \$31 million, heavily concentrated in countries where we have major interests and where there are problems of internal security.

It is not the policy of the United States to provide sophisticated arms to countries which could better use their resources for more productive purposes.

It is the policy of the United States to help:

- where we are asked.
- where the threat of invasion or subversion is real.
- where the proposal is militarily and economically sound.
- where it is consistent with our interests and our limited means.

This will continue to be our policy.

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The Challenge Ahead

The programs I propose represent the minimum contribution to mutual security and international development which we can safely make.

There are some who say that even this request should be foregone in view of needs at home and the costs of the struggle in Vietnam.

Nothing could be more short-sighted and self-defeating. This country -- the wealthiest in human history -- can well afford to devote less than seven-tenths of one percent of its national income to reduce the chances of future Vietnams.

Some would have us renege on our commitments to the developing countries on the ground that "charity begins at home."

To them, let me emphasize that I have recommended no charity, nor have I suggested that we stray from home. The inescapable lesson of our century, inscribed in blood on a hundred beaches from Normandy to Vietnam, is that our home is this planet and our neighbors three billion strong.

Still others have grown weary of the long, hard struggle to bring the majority of the world's population out of the shadows of poverty and ignorance.

To them, let me say that we are dealing in decades with the residue of centuries. There is no shortcut. There is no easy way around. The only effective tools are ingenuity, capital and, above all, the will to succeed.

All of us sometimes find ourselves sympathizing with these complaints. All of us are subject to the frustrations, disappointments and shattered hopes which accompany a supporting role in a task which must fundamentally be performed by others. But, in the cold light of reason, our responsibility to ourselves and our children reasserts itself and we return to the task with renewed vigor.

I am confident that the American people have not lost the will and the dedication which have made them the most powerful and responsible nation on earth.

I am confident that they will go forward into the new era of world progress for which their past efforts have prepared the way.

I am confident that their vision will transcend the narrow horizons of those who yearn for a simpler age.

The proposals I offer today are the practical requirements of that vision. To do less would endanger all we have accomplished in the past two decades.

I know that this test shall not find us wanting.

LYNDON B. JOHNSON

THE WHITE HOUSE,

February 9, 1967.

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31
THE WHITE HOUSE
WASHINGTON

Tuesday, February 7 - 11 am

Walt:

Gaud wants a reaction on this by 2:00 this afternoon. Francis hasn't yet read the attached, but will call you when he has.

Charlie Schultze is likely to take a similar line.

Ed Hamilton

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Monday, February 6, 1967

31a
DECLASSIFIED

E.O. 12356, Sec. 3.4

NEJ 93-318

By ing, NARA, Date 5-12-95

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FMB:WWR

SUBJECT: How to Handle the "Number of Countries" Limitations in the
new Foreign Aid Bill

As you know, the President has decided to propose a new Foreign Assistance Act. AID plans to describe the new bill as a clarification of the old -- which had become hopelessly cluttered -- rather than an overhaul of the program. Indeed, the basic authorities in the new bill will be precisely the same as in the present version.

To maintain this position, the AID draft bill contains all of the old Act's restrictions (except the prohibition of aid into Indonesia), even though the Administration opposes many of them -- e.g., 50-50 shipping. The question Gaud raises is whether the Administration's bill should include the worst of the present Act's restrictions -- the limitations on the number of countries which can receive supporting assistance (limited to 13 countries), development loans (limited to 10 countries), and technical assistance (limited to 40 countries). These provisions were new last year. They were inserted by the Senate, opposed strongly by the House, but finally included in the Conference bill -- with a Presidential waiver. The President was most unhappy with them, regarding them as part of a general legislative attempt to encroach upon executive prerogatives. He made an obvious allusion to them in his signing statement in a way which strongly suggested that he would propose their removal this session.

Last month the President waived all three limitations for FY 1967, approving supporting assistance programs in 17 countries, technical assistance programs in 48 countries, and development loan programs in 29 countries. The Senate Foreign Relations Committee called Gaud in to testify on these actions, and Senators Fulbright, Hickenlooper and Morse gave him a very rough time. Morse told the press afterward that he would propose an amendment to divest the President of his waiver authority.

In the face of this, Gaud recommends that we (1) keep the limitations in the proposed bill, but (2) raise the development loan limit from 10 countries to 20, (3) lower the supporting assistance limit from 13 to 10, and (4) plan to make waivers this year for a few DL and TC countries. Basically, he feels that this approach may appease Fulbright and help to head off an attempt to remove the President's waiver authority.

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My own view is that the President should have a better feel for the specifics of this horse trade before he goes along with Gaud's suggestion. The country limitations are indefensible as a matter of policy; the Administration made that crystal clear last year. The President should be in the business of proposing them only if he receives some clear quid pro quo. Moreover, the bargaining situation suggests that the further back we start, the less likely we are to end up losing the waiver authority. And there can be no serious argument that by leaving the limitations in we avoid opening the provision to further amendment; the proposal of a new bill by itself opens it to any and all amendments, and Morse is absolutely certain to try to remove the waiver authority. Finally, in the real world it will be harder for Morgan to get his reconstituted House committee to knock out these provisions than to go along with the draft bill which does not contain them.

Thus, I think Gaud should be asked to try to swing a deal with Fulbright. If he can get a commitment from the Senator to support the bill -- and perhaps manage it on the floor -- we would go ahead with a bill including the limitations. If not, we would take the limitations out and adopt the line that the bill is a clarification except for the elimination of these serious shackles on the President's flexibility. I don't think Fulbright will agree to this transaction (though there is some sentiment in AID that he will). But I also don't think he will soften his attack if we make Gaud's proposal. On balance, I think the President should back away from his earlier position only if there is a reasonable chance that he will gain some explicit benefit thereby. It should be up to Gaud to prove that he will.



Ed Hamilton

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Mr Hamilton

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

4 FEB 1967

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR: Honorable Nicholas deB. Katzenbach
Honorable Walt W. Rostow
Honorable Charles Schultze
Honorable Joseph Califano

The attached memorandum to the President deals with an important issue in the new aid bill on which I think we should get his views.

Please let me know how you feel about this by 2:00 o'clock on Tuesday, February 7, so that I can get it to the President that afternoon.

William S. Gaud

DECLASSIFIED
E.O. 12356, Sec. 3.4
NHJ 93-315
By 110, NARA, Date 9-7-93

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31-c

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Number of Countries Limitations in the new Aid Bill

The new aid bill contains many new provisions relating to self help, regionalism, multilateralism, agricultural development and the promotion of private enterprise. However, in order to avoid stepping on too many toes we propose to carry over into the new bill quite a number of restrictive provisions which we would prefer to exclude but with which we can live.

One set of restrictions presents us with a particularly difficult problem: those limiting the number of countries to which we can give aid. The present bill

- limits to 13 the number of countries receiving Supporting Assistance, but permits you to increase the number in the national interest;
- limits to 10 the number of countries receiving Development Loans, but permits you to increase the number in the national interest on 30 days notice to the Senate Foreign Relations Committee and the Speaker of the House;

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NEJ 93-315
By 128, NARA, Date 9-7-93

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- limits to 40 the number of countries receiving Technical Assistance, but permits you to increase the number in the national interest on 30 days notice to the Senate Foreign Relations Committee and the Speaker of the House.

These restrictions originated in the Senate. The escape clauses were added in Conference. In their Conference Report, the House conferees made no bones of the fact that they disagreed as a matter of principle with restrictions of this sort.

You did not specifically refer to these restrictions in your signing statement on the foreign aid bill. However, I believe you were referring to them inferentially when you said:

"I am, however, concerned over a number of new restrictions on the administration of this program that have been added to this bill. Some of them are much less objectionable than earlier versions considered by the Congress, but, taken together they still unduly and unnecessarily limit the management of our foreign aid program.

"The Congress has a clear duty in connection with authorization of the program. I have an equally clear duty in its execution. Although I am approving this bill with these new restrictions in it, I strongly urge the Congress next year to recognize the need for greater flexibility in the administration of a complex program that must be responsive to the rapidly changing circumstances of our world. Undue restrictions on the form and timing of our actions can significantly diminish the benefits we seek from the program."

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Since the foreign aid bill was enacted you have signed Presidential Determinations authorizing us to exceed all three of these numerical limitations. The Senate Foreign Relations Committee is not happy about this - particularly with respect to Development Loans. The Committee held a rather stormy session at which I testified. Senators Fulbright, Hickenlooper and Morse stated that in the next bill they would tighten up these provisions still further - presumably by eliminating the escape clauses.

We must now decide what to do about these restrictions in the new bill. We can (a) omit them altogether, (b) carry them over in their present form, or (c) carry them over, but change the figures to the number of countries to which we propose to give aid in FY 1968.

Much as I would like to do so, I do not think it would be wise to omit them from the bill altogether. Nor do I see any point in including these provisions in the new bill and sticking to the present figures. It makes more sense to change the figures to fit our FY 1968 program - and, of course, to retain the President's discretionary authority to increase the numbers in the national interest. If we did this

- we would reduce the limit on Supporting Assistance countries from 13 to 10;

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- we would keep the limit on Technical Assistance at 40 countries, and ask the President to make an exception of 9 additional countries which we will phase out as soon as existing projects in those countries are completed;
- we would increase the limit on Development Loan countries from 10 to 20, and ask the President to make an exception in the case of two or three additional countries to which we propose to make Development Loans in FY 1968 but not thereafter.

I have talked this over with Doc Morgan. At this stage of the game he is undecided whether he would rather go into Conference with a bill containing no restrictions of this nature, or with one containing the restrictions I have just suggested. But he is quite content to have us go to the Congress now with a bill containing these restrictions, inasmuch as he feels he can readily knock them out in Committee if he later decides to do so.

Messrs. Katzenbach, Walt Rostow, Schultze and Califano concur in this conclusion. We will proceed on this basis unless you direct otherwise.

William S. Gaud

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

December 1, 1966

MEMORANDUM FOR MESSRS. BATOR, ROSTOW, AND CALIFANO:

Attached, as promised, are my thoughts on new steps in foreign aid -- from program substance to Agency management. I hope they are of use to you.

If the President is to get a real shot at such proposals as these, it is clear that he -- or you in his name -- will have to put real pressure on Bill Gaud to look at them seriously and thoroughly. My notion of proper tactics is as follows:

1. Rostow and Califano discuss new proposals with the President at the Ranch this weekend.
2. President asks Bill Gaud to come to Texas for brief visit (or sees him in Washington if his return is imminent. This would be a good idea in any event.)
3. President (a) gently outlines his Congressional problems, (b) impresses on Gaud the necessity of immediate steps to establish close and continuing contact with new and old members of Congress, and (c) asks Gaud for a rapid staffing out of as many ideas as have appealed to him in principle.

I suggest this procedure because I think Gaud is entitled to give the President his case for the status quo, and I do not think he will seriously consider major innovations without direct guidance from the top. I may, as often happens, be wrong.

because

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-318
By inf, NARA, Date 5-12-95



Ed Hamilton

~~SECRET/SENSITIVE~~

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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~~SECRET~~

Thursday, December 1, 1966

FOR: Francis M. Bator
Walt W. Rostow
Joseph A. Califano

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 93-318
By lig, NARA, Date 5-12-95

SUBJECT: Initiatives in Foreign Aid

Let me begin with my own basic convictions on the state of the aid program:

1. With some notable exceptions, AID consists of people two cuts above the average civil servant, but three cuts below what is required to cope with the development problem -- the most complicated single problem we face.
2. With all its faults, AID has managed to put together the conceptual and administrative basis of an effective program. No radical change in concept or organization is worth its probable costs. (We should keep firmly in mind the side effects of the 1961 reorganization -- the Agency did virtually nothing for a year, and nothing well for three. The 1961 shakeup was worthwhile because there was a new and superior philosophy to install. That is not the situation now.)
3. No substantive or organizational changes in the program will revolutionize its public image. Except for a few bright young people in the House, the Congress is largely ignorant of what is being done and what has been accomplished. This is doubly true of the electorate. Best approaches to the image problem are: (1) a much fuller flow of information on present operations, (2) closer and much more personal care and feeding of key Congressmen and Senators, and (3) a high-powered attempt to marshal the bread and butter lobbies in favor of the bill. (The first is within present Agency capacities; the second would be best served by a short-session between Gaud and the President; the third we have recommended to the President elsewhere. Thus, I shan't dwell on these items here.) If we do not do these things, no amount of organizational or program change will have much effect. If we do, I would bet that the current thrusts are fundamentally saleable.
4. The need for more money in FY 1968 is real. This is no cry of wolf. A stable AID budget will stagnate the program -- and cut the leverage it provides -- in our major client countries. Despite the Congressional problem, this has to be the year to ease off the downward-sloping plateau we have occupied for several years.

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5. There are, in my judgment, some options which could be put before the President as initiatives which would give promise of major improvements in the Agency and the program while putting an indelible Johnson stamp on both in ways which would help on the Hill.

My suggestions follow. Gaud has seen none of them. At first blush, it is very likely that his healthy skepticism will produce a negative reaction. Thus, they will be considered seriously only if suggested from above. My advice on the tactics of presentation are on the route slip covering this memorandum.

REGIONALISM

We will have an important string to this bow in the economic integration drive at the Latin American Summit. In addition, we might:

- I. Propose an African Development Bank Act. The Bank is in the early stages of formation. It has \$250 million in subscriptions -- entirely from Africans -- a Board of Directors, a site, and the beginnings of a staff. It is precisely the kind of spontaneous regional initiative we want. The Africans have not asked for a subscription from the United States, but it would be a useful and welcome gesture if we were to offer a modest contribution to a special soft-loan fund for projects in health, education, and agriculture. It would also be cheap -- say appropriations of \$10-20 million each year for 3-5 years beginning in FY 1969. If we could get a public champion of the Eugene Black caliber -- David Rockefeller might be willing -- we might manage another love feast of the kind connected with the Asian Bank. Moreover, the hard fact is that unless we do get involved with the African Bank, its prospects are meager. It would take some careful diplomacy beforehand, but with George Woods' help it should not be impossible to work out an arrangement in which we can make a contribution without threatening the Bank's independence. This would also put us in a position to hit the Europeans for matching funds.
- II. Announce a major effort to assure Safe Conduct for Development in Africa. The arms race in Africa is growing, ridiculous from a great-power security standpoint, very dangerous to fragile African politics and a waste of scarce African resources. We know this; we have a number of indications that the Soviets agree; and African leaders from Nyerere to Bourguiba to Selassie have indicated they agree in principle. The guts of our initiative would be an unconditional offer to stop sales of sophisticated arms to African countries if the Soviets, the French, and others will agree. We could also announce that our economic aid policies in Africa will be very sensitive to the amounts of local resources being wasted in large military establishments. We would encourage the Africans to band together to develop means of controlling arms traffic

and to establish regulations on size and equipment of standing armies. We might offer to consider helping to finance the administrative costs of such regional or subregional organizations. We could urge the OAU to take leadership -- giving that semi-moribund group a new lease on life. Meanwhile, we should try to work out with the Soviets the specific rules each of us would follow, with or without a formal agreement. (The Soviets have already made one informal feeler on this score.) If we were able to work something out, it would be (1) a major arms control triumph in the tradition of the Test Ban Treaty and the Non-Proliferation Treaty, and (2) a model for the rest of the developing world. Again, it would take a good deal of diplomatic work beforehand. But it is very much worth a try.

- III. Propose a study of South Asian economic cooperation. In large part, the major development problems of the day -- political economic, and public relations -- boil down to visible progress in India and Pakistan, particularly joint progress. It is just possible that we could, after careful diplomatic preparation in which the President's name were mentioned, convince the Indians and the Paks to join in a study of possible constructive steps on the economic front, beginning with the lowering of tariff barriers. Since food is the overwhelming immediate problem for both countries and most of their trade with each other is agricultural, we might be able to peg our suggestion to their common war on hunger. We might even use broad hints of the value of such movement in connection with our Food for Freedom programs to both countries. The proposal might also be appropriate for presentation to the Second UN Conference on Trade and Development in the Spring -- where we will be hard-pressed for other constructive suggestions. (This should not be done before the Indian elections in February.)

SELF HELP

I firmly believe that the major problem here is publicizing the current facts. We do insist on self help. We do cut off aid where it doesn't happen (e.g., Brazil, Colombia, India). We are the principal cause of major advances in economic policy (e.g., India, Pakistan, Colombia, etc.). But few people know it. The job is to structure the system so that they have more chances to find out --and to testify to what they learn.

- I. Establish by law a National Committee on Overseas Self-Help. This group should consist of 12-15 prominent people, perhaps two each selected by the Foreign Relations and Foreign Affairs Committees, the Business Council, the AFL/CIO, the American Association of Universities, and the Council on Foreign Relations. It should be chaired by the AID Administrator. Its function should be to review and advise the Secretary of State and the

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President concerning our proposed program in each of the nine countries which, together, receive 85% of our aid. The Committee reports should be classified, but fully available to interested members of Congress. In addition, it should make an annual unclassified report to the Congress. It should receive as much publicity as possible. The selecting organizations should be leaned on to produce people who have the time to do a serious job. With luck, the Committee could become a considerable help on the Hill, as well as a fount of public information and confidence. There is a case that its existence would restrict the flexibility of the President and the Secretary in the conduct of foreign affairs, but that restriction is minor compared to the alternative -- a major reduction in the resources available for the principal instrument of that foreign policy in the developing world.

- II. Make an informal offer to provide full briefings on EVERY proposed program loan to the appropriate regional subcommittee of the Foreign Affairs and Foreign Relations Committee. These people should be told that their permission will not be asked, but that their views will be solicited and carefully reported to the President. Of course, we must make it clear that we often have to move quickly and cannot allow this step unduly to delay the process.
- III. Make it known informally that the President has passed the word that every AID project loan must be matched by equal contributions to the cost of that project from the recipient. This is not a great change from the present practice. But we have not succeeded in getting it through to the Congress that this is present practice. Thus, we can make some points by putting it this way. We can also offer to give any doubter chapter and verse in the countries in which he is interested.

MULTILATERALISM

Our largest initiative in this area will be the Korry Report push in Africa, where the World Bank will get increasingly involved as we bow out of bilateral aid to 25 countries (except for a small ambassador's self-help fund). This is discussed in the Task Force report. In addition, we might consider the following:

- I. Propose a legal requirement that no less than 85% of AID's money must be used in a multilateral framework -- where "multilateral" means any grouping of donors from an ad hoc consortium to a formal organization such as the Bank. Again, this is no great change in the present situation, but it will dramatize a little-known fact.

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- 5 -

- II. Make a real push for transformation of the unused European Monetary Fund into a source of financing for private ventures (fertilizer plants, etc.) in the War on Hunger. This is a \$350 million pot of money (into which only the U.S. has actually paid its share -- \$123 million) originally designed to tide European countries over short-term monetary problems, but now almost totally unused. This proposal is approved in the State Department. It was briefly mentioned in Paris recently by Eugene Rostow, but was buried in the press. It won't be easily negotiable -- the other countries will need new appropriations. But it is the only sizeable source of critical foreign exchange for the War on Hunger which does not involve the political costs of a new appropriation. The key to success will be escalating the issue -- at least initially -- from the Finance/Foreign Ministers to heads of government.

PRIVATE ENTERPRISE

Convene a White House Conference on Private Enterprise and Overseas Development. The accent should be a search for imaginative answers to the two questions critical to a new Government understanding of the precise factors which influence private behavior on this ^{issue} ~~question~~:

1. What public policy would induce significant amounts of new U.S. private investment to flow to each region of the less-developed world?
2. What incentives would be required to induce private U.S. managerial talent to get involved with publicly-financed projects abroad?

It is possible that this would yield nothing but the same old Watson Committee brand of cardboard prose. If so, we have lost nothing and gained a useful gesture. But -- particularly if some operating-level people can be roped in -- it might yield some real breakthrough in an area where our best efforts have produced nothing of much consequence.

MANAGEMENT

- I. Announce a three-year program to turn AID into a team of crack development specialists. At a minimum, it should include:
1. A Peace Corps-type entrance examination system which, among other things, would insure that each entrant knows enough elementary economics to pass a Freshman final exam -- or agrees to begin the requisite course immediately.

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2. A training program to insure that every professional employee overseas has a working knowledge of the local language when he arrives.
3. Special incentives to continue with part-time graduate work leading to advanced degrees, particularly in economics. We might shoot for a 25% increase in the number of employees with advanced degrees by the end of the period.
4. Working agreements with a wide variety of corporations and universities through which a steady stream of people with special skills serve temporary tours with AID with the understanding that such experience will be counted as a plus in the promotional scales in their home institutions.
5. Encouragement of regional specialties.
6. Elevation of the Directors of the AID Missions in the nine largest recipient countries to the rank of Deputy Ambassador.
7. A personal review and out-placing of low-quality staff as ruthless as can be managed short of complete severance of relations with the employee unions. As a token of good faith, we might promise a 10% cut in non-Viet Nam employment in fiscal 68. (This should be possible as a result of the new aid policy in Africa.)

Congress should be given a definite schedule for these moves and progress reports at least annually. The AID recruiting drive should get as much publicity as possible, particularly at the universities. In particular, the Secretary of State should be asked to lend his personal and institutional prestige to the campaign for applicants.

- II. Set up a small general staff to the Administrator -- with systems analysis capacity -- headed by a new Special Assistant. AID has two kinds of problems made to order for an energetic, fast-moving group of "whiz-kid" analysts of the type McNamara has used to such advantage: (1) standard bureaucratic sprawl and constipation, and (2) a great gap between the number of problems susceptible to systematic quantitative analysis and the number where it is used. (ADP is a virtual stranger to AID, though it should be applicable to everything from development plan analysis to keeping track of procurement benefits to Congressmen.) Such a group would probably earn its keep in terms of pure economy and efficiency -- identifying duplication, excess paper work, and inferior staffing. Such people are also often useful in keeping the Administrator well armed for trips to the Hill, developing vivid and imaginative methods of presenting the Agency story. (Indeed, their first task might be the redesign of the AID Congressional presentation.)

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But their ^{real}~~immediate~~ task would be to provide the Administrator with a needling, trouble-shooting, innovating, internal intelligence ~~=~~ collecting, supervisory tool he does not now have and badly needs. I can think of no better cure for the aid of stodgy lassitude that now pervades many parts of the Agency.

- III. Merge the State and AID African bureaus on the model of the Linc Gordon operation for Latin America. This could be announced as the next step in the "speak with one voice" philosophy which underlay the Latin America move. In my view, the Latin America experiment has worked well and is worth trying elsewhere. The time is opportune -- the AID Assistant Administrator for Africa is leaving next month and a replacement has not been recruited. The African bureaus in both State and AID are far and away the weakest units in their respective agencies; a merger might provide enough good people to start rebuilding. It would be difficult to avoid making Joe Palmer the head of the combined operation -- not a very exciting choice for a brave new era. But a good deputy on the AID side could probably get the job started. (Gaud would oppose this, as would all opponents of eventual AID-State amalgamation. I think that issue was largely foreclosed with the Latin America merger.)

* * * * *

If the President decides to do some new things -- or perhaps even if he doesn't -- he should give thought to a personal presentation of the Foreign aid message this year. If he proposes enough change, it could be as historic an occasion as the Marshall speech in Harvard Yard. It certainly would be the most auspicious possible start for the new bill. Obviously, the President must weigh his priorities -- and I am aware that there are many other claimants. Nevertheless, I believe the bleak prospects now facing the program make an appearance before a joint session to lay out his own vision and plans in the proper ballpark. In my judgement, it would be a net plus, in the Congress, in the international arena, and in terms of its effect on our Viet Nam posture.



Ed Hamilton

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THE WHITE HOUSE
WASHINGTON

October 19, 1966

To: Bromley Smith
From: Mike Manatos *M.M.*

F.Y.I.

file
33

*Foreign Aid
leg. General*

33a

September 26, 1966
Monday - 11:50 a.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Mike Manatos

It has come to my attention via the grapevine that even our friends are becoming increasingly concerned about Foreign Aid. I have it on good authority, for instance, that in an "off-the-record" mood in Committee recently Senator Pastore was highly critical of aid to many of the emerging African Nations saying that it's impossible for him to defend some of our requests on the Senate floor when he has doubts in his own mind. I am trying to get a more information reading of that meeting.

For several weeks I have discussed Foreign Aid with friendly Senators, staff people who are our friends, and some of those engaged directly in the liaison end of the program. Out of this have come certain views which I submit in the hope they will provide a dialogue which could possibly reshape our AID program and make it more palatable to Congress. These views are not mine along but represent the thoughts of seasoned observers.

Probably the most telling argument against Foreign Aid is that it is so fragmented that it is impossible to ascertain either the full extent of or the total expenditures which go into foreign assistance. These arguments, used effectively by Otto Passaman (who claims 16 agencies now involved) and Wayne Morse, include the Peace Corps, P. L. 480, various banking and lending agencies, AID and the Department of Defense.

It is our judgment that the best way out of this problem is to give Foreign Aid a "new look." This might be accomplished by:

- (1) Appointing an Assistant Secretary of State for Foreign Assistance Coordination charged with pulling together all facets of Foreign Aid into one office.
- (2) Instead of Congressional Liaison efforts carried out by AID, State and Defense (with the temptation of each to undercut the other in playing on Congress for funds) one Foreign Aid Congressional Liaison

Office could be established. That office could have under its jurisdiction and control possibly 3 liaison officers and staff, all under the new Assistant Secretary of State. All other Foreign Aid liaison personnel would be withdrawn, and the congressional committees notified. One real complaint of members of Congress is that a half-dozen liaison people will call them on the same Foreign Aid bill, all from different agencies. Machinery could be established which would insure representation at staff level at State of proper individuals from agencies concerned with every facet of Foreign Aid, but that agency staff would not work the Hill.

- (3) The President's Foreign Aid message should encompass all elements of Foreign Aid now looked upon as such by Congress, regardless of the agency administering the program. Properly explained to the Congress, this "all my eggs in one basket" could better be sold even though initially the basket might appear larger.
- (4) The new Secretary would absorb AID under instructions from the President to submit new Foreign Assistance legislation rather than to request additional amendment of existing law. Wayne Morse seems to get mileage out of this argument.
- (5) It is becoming increasingly difficult to equate Military Assistance to the mutual security of the United States, the argument being that this kind of assistance to Latin America and Africa, for example, does no such thing, or does very little.
- (6) Serious thought should be given to reducing the number of countries receiving grant military assistance, probably to not more than 10 in number. These should be countries on the periphery of the Sino-Soviets which can not maintain large military establishments.
- (7) Eliminate grant military assistance to Latin America and Africa.

- (8) Charge against the budgets of the services utilizing foreign military bases the rental price charged us - Rota into the Navy budget, etc.
- (9) Transfer the entire remaining military assistance program into the D. O. D. budget by amending Title 10 of the U.S. Code. This would give the Armed Services Committee jurisdiction.

Such a transfer would remove the guilt-by-association abuse that the rest of the Foreign Aid program takes at the hands of critics over incidents like Cyprus (Greece-Turkey), India-Pakistan, the Latin American coups, etc.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Friday, October 14, 1966
11:30 a. m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Future of Foreign Aid

I had dinner last night with Gene Black. In the light of our discussion, I wish to set down for you thoughts which have been forming in my mind in recent months on foreign aid and its future.

These thoughts are set down on the assumption that the burden in Vietnam will not diminish in, say, the next nine months. If it does, we must plan how to trap a part of the resources saved from Vietnam for foreign aid purposes. But that is an easier matter.

* * *

1. To back your commitments to Asian, Latin American, and African development, we need more development resources in the West next year than we have had available this year. The increase required is not extravagant; perhaps \$500 million or even less. What is necessary is that the curve turn upward and continue upward modestly for some time.

2. To achieve this requires four things:

-- A fresh presentation of the development aid problem which will have more political appeal in the Congress, to our people, and throughout the potential donor countries;

-- A purposeful man-by-man approach designed to bring around the key Senate and Congressional figures whose assent will be required to produce this increase in foreign aid;

-- Mobilization of U. S. public opinion leadership to back this effort; and

-- Mobilization of public opinion leadership in Western Europe, Japan, Australia, etc., to back this effort.

3. Elements for a new approach to foreign aid. Essentially what is required is to present with greater political effectiveness what we are now attempting to do pragmatically, step by step. Specifically:

TRANSFERRED TO 68-0000000000

-- Regionalism. In fact we have been moving towards a regional approach to foreign aid in Latin America, Asia, and Africa. This has two kinds of appeal if properly presented. First, economically it forces the local people to take greater responsibility for self-help; mobilizes all the sources of aid more rationally around country programs; and makes clear to the Congress that many institutions and nations are in fact sharing the assistance burden. That is why we can do pretty well with the Alliance for Progress, Asian Development Bank, and countries where there are consortium arrangements. Politically -- and this is a new element -- regionalism holds the promise of gradually diminishing the political and military burden borne by the U. S. in the future. It is the half-way house we have discovered between endless U. S. leadership in bilateral relations and isolationism. If we can make this political dimension clear as part of our aid presentation and make our aid efforts not merely economic but clearly a part of building regional islands of order, we shall be ahead of the game.

-- Our presentation to the Congress and to the public should make clear that from here on out we expect the development burden to be borne by the richer countries on a fair shares basis. Again, we have the advantage of facts on our side. It is simply true that the loan terms from Europe and Japan have been getting softer while ours have been getting harder. It is true that, as we move towards institutions like the Asian Development Bank, build up IDA, and use the device of debt roll-overs, the relative burden on the U. S. in the development business declines. And, if we can follow through on the DAC meeting on the world food supply -- and force others to contribute more not merely in food but in chemical fertilizers, etc. -- once again we can get a fair sharing of the burden.

-- Finally, we must deal honestly and effectively with the question of the balance of payments effects of foreign aid. Our present arrangements are wrong in two respects. First, they impose cumbersome administrative burdens on the foreign aid program where those burdens are not really necessary; for example, in Latin America where the trade and financial patterns do not cause significant leakage to Europe. Second, they do not deal effectively with cases where trade and financial patterns do involve some leakage; for example, with respect to India and Pakistan who tend to buy more from Europe, naturally, than they buy from us.

I won't go into solutions here; but I am sure we should clear away the mythology and the underbrush and build a foreign aid program which honestly protects our balance of payments where such protection is truly needed by measures that really work. I believe it can be done.

10/14/66

4. In addition, we must, of course, carry forward and dramatize more effectively the four dimensions of the development problem where you have left a distinctive mark:

-- ~~The food-population problem~~, which gets more critical every day.

-- ~~Education~~,

-- ~~Health~~.

-- Measures to enlarge the role of ~~private enterprise~~ and the flow of ~~private investment~~ to developing nations.

5. Out of these elements I am confident that we can build a fresh, honest, and appealing presentation of foreign aid, adding to it the simple moral fact that foreign aid has begun the declining proportion of GNP of the developing nations, including the U. S.

6. To formulate such a program, I suggest:

a) ~~A group be appointed inside the government right now~~, headed by Bill Gaud, to include representatives of the Budget Bureau; Treasury; White House (Bator); State (Bowie, whom Gene has already assigned to this); and Agriculture. The group should be put to work under instructions to produce this fresh presentation and get it to you within a month.

b) This group inside the government should be instructed to ~~work closely with the Jim Perkins Committee~~ which, I gather, is ready to help on advice and in persuading key members of Congress but does not wish to take on a big public information and persuasion effort.

c) ~~We design man-by-man approaches to the half-dozen key Congressional figures~~ who constitute the major block to an expansion in foreign aid. Larry O'Brien might head such a committee, working with Mike Manatos and others who might be appropriate. Gene Black assures me he can be recruited for the effort once a strategy and tactics are defined. I'm confident others could help.

d) ~~We get a first-rate man to give life to the old Linowitz Committee~~ and put it in business. From my experience with Eric Johnston's committee in the 1950's, I'm sure this country is full of businessmen and labor leaders, church folk and professors, women's organizations and foreign policy groups

10/14/66

that would back us if:

- we have a program;
- we have an organization;
- we mean business.

In February 1958 we had a whale of a team moving. But it got turned off by Sherman Adams just because George Humphrey & Co. thought it might be effective. It's no substitute for man-by-man work in the Congress; but I'm convinced it's an important supplement.

e) Finally, encourage Gene Black to set up his proposed private international committee on economic development with Europeans, Japanese, etc., to include parliamentarians as well as public figures. This is, I believe, now possible and important. It could have a wholesome effect on:

- foreign governments;
- U. S. public opinion;
- the Congress.

Therefore:

Set up government foreign aid planning group as suggested in paras. 3 a. and b. to report in a month.

Yes _____ No _____ See me _____

Set up group to plan man-by-man approach to key Congressional figures, with action to await formulation of substantive strategy.

Yes _____ No _____ See me _____

Suggest a first-rate substitute for Linowitz, bring his name to me, and plan to crank up that committee by mid-November.

Yes _____ No _____ See me _____

Encourage Black to go forward with his proposed international committee.

Yes _____ No _____ See me _____

Walt Rostow

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

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OCT 14 1966

MEMORANDUM FOR MR. WALT W. ROSTOW

Subject: Attached Memoranda on AID Budget

In the rush, I failed to send you copies of two memoranda I forwarded to the President yesterday. My apologies.



Director

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

34-b

OFFICE OF
THE DIRECTOR

October 12, 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Foreign Aid Budget Outlook

As background for your coming trip to the Far East and for your discussions leading to the Alliance summit meeting, I would like to call your attention to an emerging budget problem in economic aid.

1. AID received heavy budget cuts this year --
\$325 million was cut from economic assistance. Outside of Vietnam and Latin America the cuts amounted to 25%.
2. At the same time we now face new programs in Indonesia, Philippines and Panama.
3. Further increases may be required for expanded programs, or to meet commitments in Vietnam and Africa (Korry report).
4. The 1968 funding requirements for India and Pakistan will be sharply higher than in 1967 -- since we were able to fund a large part of this year's program out of money we saved in 1966. In 1968 we won't have that break.
5. It will be difficult to accommodate these and other requirements within the budget planning target of \$2.5 billion which we gave AID for 1968 -- this is equal to the 1967 budget request but \$350 million above the 1967 Congressional appropriation.

It is difficult to see how further major commitments

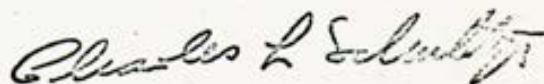
- . in Southeast Asia
- . in Latin America (as a result of the forthcoming "Summit Meeting")

can be accommodated without a sharp increase in AID's 1968 budget over and above the planning figure -- which, as I said is already \$350 million above this year's appropriation.

In short, we have a major conflict between actual and potential commitments on the one hand and our ability to get AID funds from the Congress on the other.

In the light of these considerations, I recommend that we avoid specific commitments involving increased aid until Bill Gaud and I have had the opportunity to place the total aid picture before you in the context of the 1968 budget.

The attachment lays out the basic AID financing problems in 1967 and 1968.



Charles L. Schultze.
Director

Attachment

Budget Outlook for Economic Aid
Fiscal Years 1967 and 1968

1967 situation

In the 1967 budget, we held NOA for economic aid (except for Vietnam) at the 1966 level. Within the same amount, AID was to absorb increases of about \$250 million for your new initiatives in international education, health, and agriculture.

The effect of congressional action on the 1967 appropriations for economic aid is summarized as follows:

	(in millions)		
	1967 <u>Budget</u>	1967 <u>Appropriation</u>	Percent <u>Reduced</u>
Total NOA	\$2,469	\$2,144	13%
Less: Vietnam	<u>550</u>	<u>550</u>	-0-
Total, excluding Vietnam	1,919	1,594	17%
Less: Non-country programs (Contributions to Internatl. Organizations, Administration, etc.)	212	210	1%
Alliance for Progress	<u>543</u>	<u>503</u>	6%
Aid to <u>Africa, Far East, Near East-</u> <u>South Asia and contingencies</u>	1,164	876	29%

In the face of these cuts, we now foresee additions not anticipated in the budget resulting from recent decisions to undertake new programs in Indonesia, the Philippines, and Panama, and from possible additional requirements in Vietnam. We can probably make ends meet in 1967 only by

- prefinancing certain 1967 commitments (\$220 million) for India and Pakistan in fiscal year 1966 (already accomplished).
- cutting back budgeted programs and deferring action on new commitments, including the new initiatives.
- shifting of funding of certain Vietnam activities to Defense and the Government of Vietnam.

If we do not take the above actions, a January supplemental will have to be considered.

1968 situation

Our planning target for 1968 HOA is \$2.5 billion, about the same level as the 1967 budget. Although it is about \$350 million above the actual 1967 appropriation, this increase does not provide much room for new commitments, because -

- we cannot repeat the prefinancing of India-Pakistan, and it will cost us over \$200 million more HOA just to hold the 1967 level for these countries.
- Vietnam may well cost more in 1968 than the \$550 million we assumed in the planning target.

In addition, the following add-ons, which may range in total from \$150 to 300 million, are being discussed:

- Linc Gordon is proposing additional amounts under the Alliance for education and agriculture which he would like to be announced at the Latin American summit meeting.
- Recent economic reforms, introduced by Mrs. Gandhi, call for additional U.S. banking in concert with the World Bank Consortium.
- Eugene Black believes that we are ready to and should increase Southeast Asia programs in 1968, in line with your Baltimore speech of April 1965.
- Higher full-year costs are expected for new programs for Indonesia and the Philippines.
- The Korry report, which you recently approved, calls for additional aid to Africa.

In summary, as we now see it, the \$2.5 billion target for 1968 looks more like the bottom than the top of a range that could go as high as \$2.8 billion.

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OCT 12 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Comments on Mike Manatos' memorandum on foreign aid

You had asked for my comments on Mike Manatos' memorandum on foreign aid. Since then Joe Califano has instructed Bill Gaud to establish and chair a Task Force on Foreign Aid for the 1967 legislative program. I suggest that the specific points raised in Mike's memorandum are particularly pertinent to, and can best be considered by, the Task Force.

Many of the criticisms of the foreign aid program cited in Mike's memorandum have been raised in both Houses and both parties for a number of years. I agree, however, that we ought to know more about the views of both the House and the Senate and that these should be an important input into the preparation of your 1968 foreign aid program.

Accordingly, I recommend that you refer Mike's memorandum to Bill Gaud and ask that the work of the Task Force include:

- a careful assessment of the views in both the Senate and the House on foreign aid; and
- careful consideration of the substantive points contained in Mike's memorandum.

If you approve, I will advise Bill Gaud accordingly.

(signed) Charles L. Schultze
Charles L. Schultze
Director

Approved _____

Disapproved _____

THE WHITE HOUSE

WASHINGTON

September 26, 1966
Monday - 11:50 a.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Mike Manatos *M. M.*

It has come to my attention via the grapevine that even our friends are becoming increasingly concerned about Foreign Aid. I have it on good authority, for instance, that in an "off-the-record" mood in Committee recently Senator Pastore was highly critical of aid to many of the emerging African Nations saying that it's impossible for him to defend some of our requests on the Senate floor when he has doubts in his own mind. I am trying to get a more informative reading of that meeting.

For several weeks I have discussed Foreign Aid with friendly Senators, staff people who are our friends, and some of those engaged directly in the liaison end of the program. Out of this have come certain views which I submit in the hope they will provide a dialogue which could possibly reshape our AID program and make it more palatable to Congress. These views are not mine alone but represent the thoughts of seasoned observers.

Probably the most telling argument against Foreign Aid is that it is so fragmented that it is impossible to ascertain either the full extent of or the total expenditures which go into foreign assistance. These arguments, used effectively by Otto Passman (who claims 16 agencies now involved) and Wayne Morse, include the Peace Corps, P. L. 480, various banking and lending agencies, AID and the Department of Defense.

It is our judgment that the best way out of this problem is to give Foreign Aid a "new look." This might be accomplished by:

- (1) Appointing an Assistant Secretary of State for Foreign Assistance Coordination charged with pulling together all facets of Foreign Aid into one office.
- (2) Instead of Congressional Liaison efforts carried out by AID, State and Defense (with the temptation of each to undercut the other in playing on Congress for funds) one Foreign Aid Congressional Liaison

*M. Manatos to President
for comment
D*

Office could be established. That office could have under its jurisdiction and control possibly 3 liaison officers and staff, all under the new Assistant Secretary of State. All other Foreign Aid liaison personnel would be withdrawn, and the congressional committees notified. One real complaint of members of Congress is that a half-dozen liaison people will call them on the same Foreign Aid bill, all from different agencies. Machinery could be established which would insure representation at staff level at State of proper individuals from agencies concerned with every facet of Foreign Aid, but that agency staff would not work the Hill.

- (3) The President's Foreign Aid message should encompass all elements of Foreign Aid now looked upon as such by Congress, regardless of the agency administering the program. Properly explained to the Congress, this "all my eggs in one basket" could better be sold even though initially the basket might appear larger.
- (4) The new Secretary would absorb AID under instructions from the President to submit new Foreign Assistance legislation rather than to request additional amendment of existing law. Wayne Morse seems to get mileage out of this argument. OK
- (5) It is becoming increasingly difficult to equate Military Assistance to the mutual security of the United States, the argument being that this kind of assistance to Latin America and Africa, for example, does no such thing, or does very little. w/pt. by
- (6) Serious thought should be given to reducing the number of countries receiving grant military assistance, probably to not more than 10 in number. These should be countries on the periphery of the Sino-Soviets which can not maintain large military establishments.
- (7) Eliminate grant military assistance to Latin America and Africa.

- (8) Charge against the budgets of the services utilizing foreign military bases the rental price charged us - Rota into the Navy budget, etc.
- (9) Transfer the entire remaining military assistance program into the D. O. D. budget by amending Title 10 of the U.S. Code. This would give the Armed Services Committee jurisdiction.

Such a transfer would remove the guilt-by-association abuse that the rest of the Foreign Aid program takes at the hands of critics over incidents like Cyprus (Greece-Turkey), India-Pakistan, the Latin American coups, etc.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25, D. C.

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OFFICE OF
THE ADMINISTRATOR

OCT 6 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: FY 1967 Foreign Assistance Appropriations Act

The Conference on the Foreign Assistance Appropriations Act for FY 1967 met this afternoon and completed its work in 45 minutes.

The amounts appropriated for Foreign Assistance Act activities, compared with the budget requests, are:

	<u>Budget Request</u> (in millions of dollars)	<u>Appropriation</u> (in millions of dollars)
Economic	\$2,469	\$2,144
Military	917	792
TOTAL	\$3,386	\$2,936

The \$2,936 million, which is the same total as the Senate bill, is the lowest appropriation for foreign assistance since FY 1958. It is clear from our talks with Senator Pastore that if the House conferees had tried harder (the House bill was \$110 million higher than the Senate bill), we could have done better.

We are particularly squeezed in four appropriation categories:

	<u>Budget Request</u> (in millions of dollars)	<u>Appropriation</u> (in millions of dollars)
Development Loans	\$665	\$500
Supporting Assistance (including Vietnam)	747	690
Contingency Fund	70	35
Military Assistance	917	792

Why didn't you & your people live with these conferees?

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One other item of significance. The conferees agreed (a) to amend Section 205 of the Foreign Assistance Act of 1961 so that it will permit -- rather than require -- the transfer of 10% of Development Loan funds to the World Bank family and (b) to drop the annual prohibition in the Appropriations Act on the use of loan funds for transfer to the World Bank family.

William S. Gaud

William S. Gaud

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