36
S

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~ September 27, 1966

WWR:

Attached are three memos on aspects of next year's aid presentation, which you asked us to think about:

1. I'm concerned about centering our presentation wholly on regionalism because nationalism is still such a potent force. So I've done an outline suggesting a perspective which covers this problem.

2. I've spelled out opportunities and pitfalls for regionalism in the Near East and South Asia. Conclusion: Political obstacles are perhaps greater here than in any other region.

3. I've suggested sketchily a creedal base in the American experience for pushing subregional association.

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

Hal

Hal Saunders

~~CONFIDENTIAL~~

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

36a

~~CONFIDENTIAL~~ September 26, 1966

MEMORANDUM FOR WWR

SUBJECT: Perspective for Our Aid Presentation

I am uneasy about centering our new aid presentation wholly on regionalism. Your proposition is powerful. But it is more the wave of the future than of the present. We want to blow on today's ripples to make them tomorrow's waves. But we also have to capture the momentum of today's waves.

Nationalism in a world of new nations is still a force to be reckoned with. It would be unwise to ignore the pride of these new nations. Moreover, nationalism can be useful if we ride its momentum wisely. While national rivalries obstruct economic cooperation in the Middle East, national sensitivities in places like Cairo may be the best bulwark against Communism and the greatest incentive to development in the long run. In South Asia, a strong India is a must against China whether it comes to terms with Pakistan or not and India's drive to stand on its own feet may infuse self-discipline that no external pressures could impose.

Ignoring this nationalism and hanging our program on the regional peg alone could close us out of South Asia and the Middle East. It's tempting to think that an ultimatum from the US could force a Kashmir settlement or an Arab-Israeli understanding. But none of us believes proud minds in new nations work this way. Ayub, Gandhi and Nasser have all told us they'd give up aid before giving in to us, and I believe them. Even if we thought our aid leverage could force regional cooperation, we'd be handicapped in the Middle East because our programs in most of the Arab countries are small.

What I'm saying is that your theme needs an equally compelling introduction which justifies not discarding the "viable nations" theme while holding up the hope of regionalism. I'd put your theme in this perspective: The post-war world has a unique opportunity to re-shape itself. Old ways of organizing itself--the patterns of four centuries of empire-building--broke down rapidly after 1945. We never had our heart in the world of empire and now have a chance to sell our vision of a world of many powers. Resurgent nationalism has been a dominant feature of the post-war world, but now we begin to glimpse what may be the cardinal organizational principle of the new order--regional cooperation. This is spelled out in the attached outline.

Hal

Hal Saunders

~~CONFIDENTIAL~~

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E.O. 12356, Sec. 3.4
NLJ 93-318
By ig, NARA, Date 5-12-95

36-b

REGIONALISM IN THE NEAR EAST AND SOUTH ASIA

In both regions, the potential dividends of sub-regional cooperation are substantial. But in both, political obstacles seem too high to crumble before economic pressures alone. That doesn't mean we shouldn't plug away at the regional theme. It does mean we may not want to put all our eggs in that basket yet.

1. India-Pakistan. There's no question that a Kashmir settlement and improved economic cooperation would produce impressive results. Among the possibilities are joint management of the Brahmaputra River Basin, use of Pak natural gas as feedstock for Indian fertilizer, an interconnected power grid marrying Pak gas and hydro resources and Indian coal, exchange of other materials like Indian cement and coal and Pak rice, freer trade in manufactures and cooperation in the export of jute manufactures. But most of our initiatives so far have faltered because we've had trouble just getting the Indians and Paks to sit down together.

2. Middle East. The ideological base for regional cooperation is about as good as anywhere in the world. In 1953, Toynbee wrote: "There are, of course, other western ideas and institutions which are doubtful blessings; and one of these is Western Nationalism...It is to be hoped that, in the Islamic world at any rate, the spread of this western political malady may be arrested by the strength of a traditional Islamic feeling for unity."

However, the Middle East has split along national lines, and only the Palestine issue seems capable of imposing political cooperation. So regional cooperation is a mixed bag for us in the short run. On the one hand, the moderate Arabs have a stronger voice and even Nasser seems more responsible when the Arabs are in harmony. On the other hand, union against Israel runs counter to both Israel's interests and ours.

Over the longer term, sub-regional cooperation on common local problems could divert attention of the moderates from Israel. The appearance of other power centers may be the only healthy way to curb Nasser's pan-Arab ambitions. However, we can't underestimate the persistence of anti-Israeli feeling.

There are several major opportunities for sub-regional cooperation in various stages of ripeness:

--Water Management: Politics preclude direct cooperation in the foreseeable future in the Jordan River system, but we already have Turkey, Syria and Iraq involved in problems relating to dams

on the Tigris and Euphrates Rivers. The President's Water for Peace conclave may offer opportunities to push cooperation.

--South Arabia. British withdrawal from Aden offers an unexplored range of possibilities for politico-economic cooperation to fill the partial vacuum and pre-empt Nasser. Saudis, Kuwaitis, Iranians and even Pakistanis might be involved. This would be less an opening for joint projects than an opportunity for aid cooperation and some political protection.

--Kuwait Arab Economic Development Fund (formed in 1961) and the Kuwaiti government together have given almost $500 million worth of aid to all other Arab countries except Libya and Saudi Arabia over the past five years. Much of this has admittedly gone to Iraq and the UAR virtually as bribes, but the Fund is now tightening up its economic criteria and getting out of the political aid business. The Fund is a sound operation and deserves praise. Kuwait has also another smaller organization (GUPAC) which spends $2-3 million a year in the Persian Gulf states. This is not so much regional cooperation as it is an example of one state funding other Arab projects, but it illustrates the potential for all-Arab development projects.

--Building on CENTO and RCD: Turkey, Pakistan and Iran are already engaged in regional projects through CENTO and have mounted their own planning through their organization for Regional Cooperation and Development (RCD). Now Afghanistan has suggested joining in a transportation study--to profit from the movement of Indian goods to the USSR and to broaden its own egress through Iran. Pakistan opposes including India. Regional economic advantages are uncertain at this point, and local steam is better than our pushing. However, this could offer an eventual answer to the bigger question, Whither CENTO?

H.H.S.
HHS

36-c

ASSOCIATION--ITS ROOTS IN AMERICAN EXPERIENCE

We could make much of geographic regionalism in the US. But there's another less obvious lesson in our experience which gives us a creedal base for pushing regional cooperation.

That lesson is what Americans have learned about the value of association. Recall De Tocqueville's famous 1835 remark: "In no country in the world has the principle of association been more successfully used or applied to a greater multitude of objects than in America." America, the "nation of joiners."

Americans themselves were slower to recognize that lesson than De Tocqueville.

For most of the 18th and 19th centuries, we lived by a creed which idolized the individual standing free of his environment, the rational master of it. The men of those days built political parties, united for protection and construction on the frontier and finally put together the great corporations. But the philosophy remained.

But as post-Civil War industrailization threatened to dehumanize the individual and the cities left him in isolated loneliness, he began to realize that he could enhance his social comfort and his political power by associating with his fellows in a various complex of activities. He learned that whereas he could not hope to stand against the great banks or the corporations or the state alone, he could influence them by organizing political action groups, lobbies, party factions, civic associations, labor unions or farm cooperatives.

By 1930, political and social scientists and psychologists had recognized what was happening and begun to redefine our creed of individualism. As a result, we think today of the individual--not as the rugged individual--but as one whose personality grows in constant interaction within a complex of inter-weaving groups and whose social powers are enhanced by those associations. Our creed now more readily accepts that individuality is not compromised when it comes to terms with a large society through association.

Just as Americans have found the creative power of association that gets things done, nations today may be turning from impotent nationalism to regional and sub-regional association.

H.S.
HHS

36-d

September 26, 1966

POSSIBLE OUTLINE OF AID PRESENTATION
"TO RE-SHAPE OUR WORLD"

1. The post-1945 world has a unique opportunity to re-order itself. For over four centuries, the great nations have organized the world along the lines of empire. But now the age of empire has ended. We are challenged to lay the foundations of a new age.

2. Men dream of many different ways to build this new world. Some, like the Communists, would revive the dying doctrine of centralized control. Others, looking far to the future, dream of federal world government. But the issue of this generation is whether we can channel the combative nationalism of the age past into productive competition and harness the power of nations associated in peaceful cooperation.

3. The United States has resisted the revival of centralized control. The US has never had any heart for building an empire of its own--or for policing the world. It has its own vision of how to order the world to come. The US envisions a world where each nation--like each individual in our own society--should first be free to be itself and then to associate with neighbors in whatever ways it finds most productive.

4. Three principles guide us in this pluralistic world:

a. If nations are to work together in dignity--any more than can our own citizens--the gap between the rich and the poor must not widen.

--The US, in a commitment to economic growth unique in history, has far outstripped imitative Communist aid programs in producing steady across-the-board economic progress in the new nations that bend their own efforts to the task.

b. Building this kind of world requires time and keeping doors open. To buy this time, the US has moved into many of the gaps left by the breakdown of the old order. We have not been alone. Europe has shared; now the new nations themselves are picking up the burden.

c. Men must harness as many sources of energy and resources as they can bring to bear on this staggering job. We cannot indulge the luxury of doctrinaire creeds; we must get results. We must harness the momentum of nationalism and yet build to capture the power of regional association. We must marshal the vast resources of the public sector yet turn loose the great energies of private enterprise.

MEMORANDUM

37

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

September 21, 1966

MEMORANDUM FOR MR. ROSTOW

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

SUBJECT: Thoughts on Foreign Aid

A. Themes:

In reflecting on our Monday evening meeting, and after some discussion with other members of the staff, I think I would want to add to your "regionalism" rationale and the "viable nation" theme, a somewhat broader perspective. It has often been mentioned before, but has not been emphasized, except occasionally. That theme is "the world of growing inequality, the world we will leave to our children."

1. No society can be sound if the rich get richer and the poor poorer. Yet the world society we live in is marked by growing inequality. The poor are abysmally poor, the wealthy have abundance. And under present trends, this gap will widen, not diminish.

It is a familiar fact that 66% of the world's population enjoy only 16% of the world's income. Two billion people live in countries with per capita incomes of $250 or less. The 175 million in Western Europe have evolved an average per capita income of $1, 400, while the 250 million people in the United States have developed an average income of over $3, 000.

And if present trends continue, the gap between the poor and the wealthy will widen, not diminish. By 1970, U. S. incomes will have gone up another $1500, and European incomes will have risen correspondingly. But in the poor and very poor countries, the rise will be only $50. 00

2. No society can be sound if only the wealthy few have opportunity to develop their talents and to use them. No national society any more can survive unless opportunities open up and out for its eager, impatient and qualified young people. Yet we see growing frustration and impatience of the talented in the developing world who increasingly seek their opportunity in the more developed countries. (See Jim Perkins in July Foreign Affairs.) Their departure from their homes leaves their own people the poorer. Unless their home countries can more rapidly open challenging opportunities, however, these people cannot be held at home except by intimidation.

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3. No national state can tolerate such circumstances. Neither can the wider world of states. We cannot expect the world we leave to our children to be one fit for them and their contemporaries to live in if the righ get richer and the poor get poorer; if only the wealthy have opportunity to develop and exercise their talents.

It may be objected that the world has always lived with such sharp -- and perhaps even sharper -- contrasts. There have always been rich and poor countries, and they have often lived in peace for generations.

4. But these times are different, and the times ahead will be more different still. Our new technology of communication brings into the tenements, the hovels and the slums a vivid picture of how the well-off live, the opportunities they have, the plenty they enjoy. New technology sharpens the awareness of these stark contrasts within each country. We are now transmitting these pictures of what plenty could be to the far corners of the world. Men and women in the poor countries no longer are ignorant, as they were before, of how their wealthy neighbors lived. Envy, impatience and anger are bound to grow with increasing urgency, unless we find ways to reduce these contrasts.

5. If we are prudent men, therefore, concerned to leave our children a world where envy, anger and impatience will be of tolerable proportions, this generation of men and women must find ways to mitigate these contrasts. Unless we do, sooner or later, if not in our time, then in our children's time, there will be a confrontation between the rich and the poor, between the few and the many, between the men of the Atlantic Community and the rest, the southern half of the world.

Knowingly to pass on such a world to our children would be folly. We must therefore, for our own interests, turn our imagination and harness our energies to the task of assisting those who are making serious efforts to help themselves.

6. We are also out of the Judeo-Christian people. It is difficult for men of religious faith to talk of great enterprises of state. Too often in the history of western man have men of religion followed behind and been the servants of the men of state. Despite this it is still true that our sense of brotherhood for all men and our deep objection to inequalities demand of us that we do more than we have been doing to help the less favored of this earth.

In the Christian tradition, there used to be the tithe. One-tenth of what men earned went to the church, or to charitable efforts to relieve the pain of the bereaved or the anguish of the poor.

7. We do not propose a tithe. But we do believe that men and women of the Judeo-Christian tradition cannot sit by content to see our works abroad gradually decline. For as a proportion of what we could do, our contribution to development has in fact been declining. During the period of the Marshall Plan, nearly ____%of our then much smaller GNP went to economic assistance abroad. We are now down to less than __%of our GNP. Now is the time to commit ourselves to provide at least that 1% of GNP. Let us commit ourselves to that great humane and constructive task.

8. We contribute, we do not do the whole job.

The task is huge. It depends on the efforts of the recipient countries. It depends on other developed countries doing their fair share, too. But as the largest, the wealthiest and the only country whose efforts of themselves can make a significant difference, we have a greater responsibility than any of the other donor countries. But our own responsibility is less than that of the developing countries. All we can do is supplement what they themselves are attempting to do.

9. There are problems:

Our balance of payments does not allow us all the flexibility we would wish. We must take measures to better ensure that the costs to us are less.

New countries are jealous of their sovereignty and do not find public and unsolicited advice congenial. But increasingly they do find technical advice, given quietly among specialists, not subject to the passions of public politics, acceptable and helpful.

Advice from their own neighbors in regional organizations may prove an increasingly acceptable way for sharing experience and learning from others' mistakes.

B. Organization:

We need to generate a dynamic organizational effort to focus on key Congressmen and Senators.

(a) Many businessmen are profiting from our AID programs.

These should be identified, their interests enlisted, their influence encouraged.

(b) The churches should be encouraged more actively. The apparent moral ambiguities of our Vietnam strategy worry many churchmen. But they should be clear on the rightness of the foreign assistance effort. How can such an effort be focused to be politically helpful to the President?

Howard Wriggins

cc: Jorden
Hamilton
Saunders

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 31, 1966

E. H.
The battle must be fought for Bill's requirements:
- a rational balanced payments adjustment for all Canada;
- Could Ex-Im be used more?
- What about IDA?
- What about more intensive use of IBRD regular loans?
- What about ~~guaranty~~ - country-by-country - and otherwise private capital flows?
Let's talk.
WW

WWR:

SUBJECT: Foreign Aid Money for FY 1968

Attached is a good, tightly-reasoned letter which Bill Gaud has sent to Charlie Schultze stating the case for more foreign aid money in the 1968 budget. Bill wants you to see it, but he is anxious not to undercut Schultze. The BOB planning figure to which he is reacting is a very tentative "ball park" estimate developed in the annual budget preview process. It does not represent any final Bureau position and Bill is not suggesting that it does. If this could be made clear to the President, it might not be a bad idea to put the letter into his night reading.

Gaud's intent -- which I strongly support -- is to paint a clear picture of the overall foreign aid money setting in which all special requests for regional increases should be considered. He is worried, and rightly so, that such events as the Latin American Summit will tend to force decisions on pieces of the pie without regard to the whole. This is a particularly serious problem with regard to Latin America where he doesn't fully control channels to the seventh floor of his building. (He had a near-miss last week when Linc Gordon tried to push through a Rusk-President memorandum recommending a Fund for Economic Integration. The Secretary bounced it back for further staffing.)

As you see, Bill's basic point is that he will need at least $300 million more in FY 1968 assuming no increase in the Alliance. (Of course this is gross aid flow; if the net flow is to be maintained, this amount will need to be considerably larger or we will have to manage major debt rollovers.) Privately, Gaud thinks that a $300 million increase is probably as much as we can pull off in Congress. Thus, he has advised Linc to try sources other than the Foreign Assistance Act, primarily the Treasury/Banking and Currency Committee route we use to fund the IDA and the IDB. In Fowler's present mood, this is not a good bet. But it may be the only bet around.

Whatever the decision on the Latin American problem, however, Gaud's letter should be required reading for everybody close to the money decision. He is not saying that regional increases should not be considered. He is saying that they should be approved only after careful thought about world-wide requirements and prospects on the Hill.

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Edward K. Hamilton

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38a

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

25 AUG 1966

OFFICE OF
THE ADMINISTRATOR

The Honorable Charles L. Schultze
Director, Bureau of the Budget
Washington, D. C.

Dear Charlie:

I have your letter of August 13 giving me planning totals of new obligational authority to guide the preparation of our FY 1968 budget estimates.

I would rather not comment on the military assistance figure until the Defense Department and ourselves have completed certain studies that are underway. But I do want to comment now on the planning figure of $2.5 billion for economic aid.

We in AID are not in a position to judge budget priorities between departments and agencies. I am therefore unable to say whether $2.5 billion is an appropriate amount for AID in terms of the overall budget situation. But I can tell you that such a figure would result in radical changes in our economic aid program.

Let us take a look at the various components of AID's proposed budget in order to see how they would fit into a $2.5 billion total.

First, there are the following relatively small items aggregating $292 million (the figures in each case being those now estimated for FY 1968):

		Millions
Administrative Expenses (State and AID)	$	65
American Schools and Hospitals		15
Investment Surveys		2
International Organizations (The sum total of 12 different requests)		210
Total	$	292

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Second, there are the following security and emergency-related activities totaling $811 million:

Supporting Assistance (Vietnam)		$ 550
Supporting Assistance (other than Vietnam)		161
Korea, Laos and Thailand	($ 115)	
Jordan	(22)	
The rest of the world	(24)	
Contingency Fund		100
	Total	$ 811

The $550 million figure for Vietnam is taken from your letter. The $161 million figure for other Supporting Assistance requirements was used in our submission of June 13, and is almost certainly too low. And I expect you will agree that the Contingency Fund could not be prudently fixed at less than $100 million.

Third, our present FY 1968 figure for Technical Assistance/Development Grants is $246 million. Roughly 90 per cent of this is for on-going programs, and approximately 70 per cent is for projects designed to carry out the President's initiatives in the fields of agriculture, education and health.

The above requirements total $1.349 billion. Although it may be that our fall review of these programs may result in some slight reductions, it is unlikely that any such reductions will be significant in amount. The $550 million figure for Vietnam is much the largest single item, and a substantial reduction in that item is unlikely to say the least.

On this premise $1.151 billion of the $2.5 billion will be left for (a) Development Loans, (b) the Alliance for Progress, (c) carrying out the President's regional development concepts in Southeast Asia, (d) any new initiatives in Africa, and (e) any new initiatives in Latin America such as a fund for economic integration, new multi-national projects or higher growth targets of the sort referred to by the President in his speech commemorating the fifth anniversary of the Alliance for Progress.

To get some idea of whether $1.151 is enough for these purposes, let us first consider our requirements for Development Loans and the Alliance for Progress. In our submission of June 13 we estimated these at $990 million and $660 million respectively. Their combined total of $1.650 billion is clearly far out of reach if we are to come within a ceiling of $1.151 billion. So, instead of looking at the Alliance plus our overall requirements for Development Loan funds, let us look at the Alliance plus the four principal DL countries - India, Pakistan, Turkey and Korea.

In each of these four countries we are engaged in a long-term development effort linked on the one hand to self-help measures taken by the recipient and on the other to substantial assistance supplied by other aid donors. Past, present and planned DL programs for them are as follows:

	Millions		
	FY 1966 (Actual)	FY 1967 (Estimated)	FY 1968 (June Submission)
India	$ 300	385	485
Pakistan	120	188	195
Turkey	129	120	120
Korea	80	75	65
Total	$ 629	768	865

The total for FY 1966 was abnormally low because of the Indian-Pakistani war. The FY 1968 figure is higher than usual because of expectations of increased requirements for India. India has already taken certain important reform measures at the urging of the World Bank and the United States and in reliance upon assurances that we and the Bank would provide a fair share of the financing necessary to carry out and capitalize on those reforms. If it were not for this, $750 million would be a fair figure to pick as being adequate for our programs for these four countries without any add-ons. But in view of the Indian situation, it is hard to see how we can estimate FY 1968 requirements for them at less than $850 million.

If we subtract this latter figure from $1.151 billion we are left with $301 million for the Alliance for Progress. But that is not enough. Actual Alliance obligations in FY 1966 were $593 million; estimated new obligational authority needed for FY 1967 is $543 million, and for FY 1968 it is $660 million. These figures average $600 million, which would have to be cut by $300 million (or 50 per cent) if only $301 million were available for the Alliance.

To look at the other side of the coin, suppose first priority were given to the $600 million for the Alliance. This would leave $551 million for India, Pakistan, Turkey and Korea - $300 million (or 35 per cent) less than the $850 million requirement.

It is clear, in short, that a $2.5 billion ceiling for economic aid will result in a reduction of at least $300 million in the programs of either the Alliance for Progress or the four principal countries in which our Development Loan funds are concentrated. I say at least $300 million because, unless those programs are reduced by more than that amount,

- we will be unable to make Development Loans to any countries other than India, Pakistan, Turkey and Korea;

- we will not be able to fulfill the President's promise to seek special funds for the Asian Development Bank;

- there will be no funds for new initiatives in Southeast Asia, Africa, Latin America or elsewhere, and

- there will be no funds with which to take advantage of political opportunities in the Philippines, Indonesia and other countries attempting to make a fresh start or significantly improving their self-help performance.

The inadequacy of a $2.5 billion planning figure may seem surprising in view of the fact that for FY 1967 we are asking the Congress for only $2.469 billion of new obligational authority. However, this seeming anomaly has a simple explanation. Because of the Indian-Pakistani war, we estimated our budget requirements for FY 1967 on the assumption that there would be a carry-over from FY 1966 of $197 million. There is no comparable carry-over from FY 1967 into FY 1968. That, plus the additional $100 million for India discussed above, accounts for the $300 million short-fall.

We will of course review our program intensively between now and November 1. At that time - or as soon thereafter as possible - I will submit a program which will be as lean as we can make it. But I hope you will agree that unless we are to change drastically the course of our foreign policy and the thrust of our aid program, we cannot stay within the planning figure of $2.5 billion.

Sincerely yours,

Bill

William S. Gaud

MEMORANDUM

64 Mr O'Brien notified

39

THE WHITE HOUSE

WASHINGTON

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9

~~CONFIDENTIAL~~ Tuesday - July 19, 1966

MEMORANDUM FOR THE PRESIDENT - ACTION

SUBJECT: Javits Amendment to the Foreign Aid Bill

Senator Javits has introduced a mischievous amendment to the AID bill (Tab A) requiring suspension of all assistance to any OAS government which came into power by unconstitutional means unless you find such action contrary to the national security interest.

The Javits amendment is mischievous because --

-- It transforms the character of the Alliance for Progress from a multilateral program to a program subject to unilateral U. S. decision based on internal political factors.

-- It sets you up as the sole judge of whether a coup in Latin America is good or bad and whether our aid should flow or not.

-- It may stir up another hue and cry in Latin America equal to the reaction last fall to the Selden Resolution.

-- It could poison -- if not kill -- the present good climate for the OAS summit meeting.

For the past two days State has been trying to get Senator Javits to modify his amendment to the point where the Administration can live with it. Yesterday the Senator accepted a "compromise" formula suggested by State (Tab B). The "compromise" formula in my judgment is not a good one because it is open to most of the same objections to the original Javits version.

It is academic anyway because Javits today switched back to the substance of his original proposal.

The time has come to move energetically against the Javits amendment. Among the things we might do are --

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NLJ 87-198
By [illegible], NARA, Date 11/11/93

-- Ask David Rockefeller to call Javits to request that he either withdraw or radically amend his proposal.

-- Marshall our forces in the Senate to kill the amendment on the Floor.

-- Come out publicly against it and induce the Latin Americans to raise a hue and cry with a view to putting added pressure for Senate defeat.

-- As a last resort insure that the House opposes the amendment until the Senate conferees back down.

Bill Moyers and I recommend that you ask Larry O'Brien to take to the field against the amendment.

Walt. Rostow

Approve O'Brien working against the amendment ✓

Prefer to follow another course, speak to me ____.

Attachments

Javits Amendment to AID Bill - Tab A.
State's "Compromise" Formula to Amendment - Tab B.

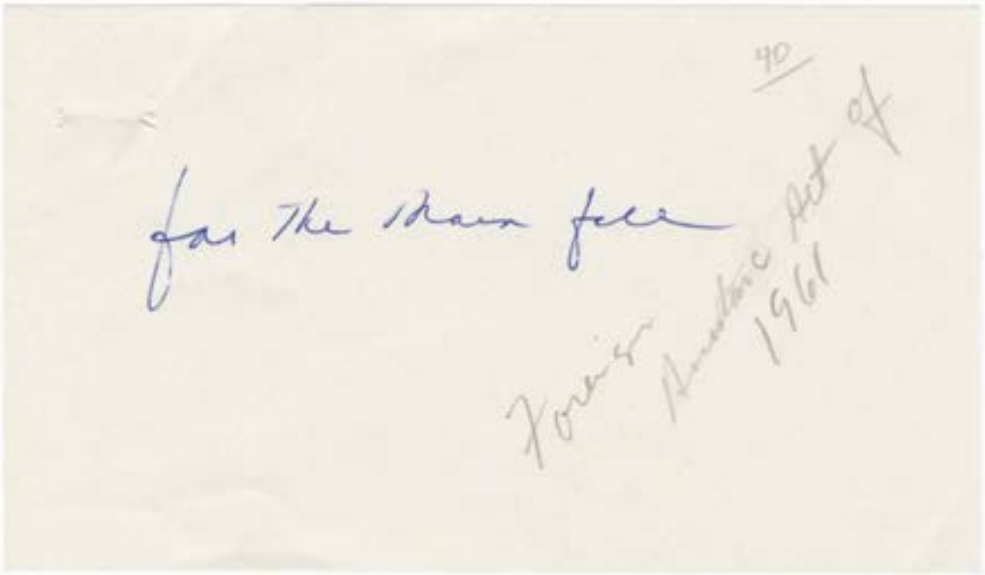
JAVITS AMENDMENT

No assistance shall be furnished under this Act to any member state of the Organization of American States, the government of which heretofore has entered or hereafter enters into power by the unconstitutional overthrow of a freely-elected democratic government which has been acting in accordance with its constitutional mandate, if after consultation among the members of the Organization of American States, the President finds that such government does not intend to take appropriate steps within a reasonable time for the restoration of constitutional government, the holding of free elections and the application of human and civil rights and liberties until (1) the President is satisfied that such government intends to take such appropriate steps, or (2) the President has determined that the furnishing of such assistance is essential to the national interest of the United States, and reports to the Senate Committee on Foreign Relations and to the Speaker of the House within 30 days accordingly.

39d

"Compromise" Formula for Javits Amendment

"No assistance shall be furnished under this Act to any member State of the Organization of American States, the government of which comes into power by the unconstitutional overthrow of a freely-elected, constitutional government, acting in accordance with its constitutional mandate, if, after consultation among the members of the OAS, the President finds a consensus among such members that said government does not intend to take appropriate steps, within a reasonable time, for the restoration of constitutional government, the holding of free elections or the application of human and civil rights and liberties, until the President is satisfied that such government intends to take such appropriate steps: provided, that the President may determine that assistance under the Act is nevertheless being furnished to such country when such assistance is in the national interest of the United States."


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for the Man fellow
Forever
American Art of
1961

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 19, 1966

MEMORANDUM FOR WALT ROSTOW

SUBJECT: Javits Amendment

I recommend that you, Bill Moyers and Mike Manatos huddle on the Javits amendment problem. The text of the original amendment is at Tab A. I do not like the way it is shaping up.

Yesterday State worked out a "compromise" formula with Javits (Tab B) which to me really does not take the curse from the amendment.

Today, Javits has decided to delete the phrase "a consensus among such members" from the "compromise" formula which removes what little veil of collective decision there is in the formula. It is now back to the same old unilateral decision of the original Javits version.

What I regard as the adverse effects of the Javits initiative are at Tab C.

What I think can be done about it is at Tab D.

WGB

WGBowdler

Cc - Mr. Manatos
Mr. Moyers.

Attachments -

Tabs A, B, C, D.

40-b

Original Javits Amendment

The proposed Javits amendment to Section 620 of the Foreign Assistance Act of 1961, as amended:

"No assistance shall be furnished under this Act to any ~~government~~ member state which is a ~~member~~ of the Organization of American States and which came into power by the unconstitutional overthrow of a freely elected, constitutional democratic government acting in accordance with its constitutional mandate, ~~Provided, that~~ the President ~~does not~~ find if after consultation among the members of the OAS that such government does not intend to take appropriate steps within a reasonable time such action contrary to the national security interest of the United States. Resumption of such aid, shall be conditioned upon prior commitments from such OAS member state for the restoration of constitutional government, for the holding of free elections, and for the application of human and civil rights and liberties within a reasonable time."

not "a vote" of the O.S. and upon it be made known in a PR and to the Speaker of the House in this 30 days according

until (1) the Pres. is satisfied that such government intends to take such appropriate steps, & (2) the Pres. has determined that the security of such civic issue is essential to the

a reasonable time for the restoration of constitutional government, the holding of free elections and the application of human and civil rights & liberties,

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Impact of the Javits Resolution

-- It transforms the character of the Alliance from a multilateral program to a program subject to unilateral U. S. decisions.

-- It sets the President up as the judge of --

  -- what the Latin American consensus is.
  -- the intentions of de facto governments.

-- It may stir up another hue and cry in Latin America equal to last fall's Selden Resolution.

-- It could queer -- if not kill -- the atmosphere for the summit meeting.

What We Can Do

1. Ask David Rockefeller to call Javits to see if he can talk him into withdrawing it.

2. Marshall our forces in the Senate to kill the amendment on the floor.

3. Come out publicly against it and induce the Latinos to raise a hue and cry.

4. Wait for Conference and insure that the House will oppose it until the Senate conferees back down.

Rec'd 6:35 66
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THE WHITE HOUSE
WASHINGTON

Saturday, June 25, 1966
9:30 a.m.

Mr. President:

Herewith Dave Bell's report on the state of the Foreign Aid Bills reported out of the Foreign Relations Committee.

W. W. Rostow

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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

JUN 23 1966

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Foreign Aid Bills Reported Out by the Foreign Relations Committee

The House Foreign Affairs Committee has reported out a single foreign assistance bill which presents no problems of any major consequence for FY 67. (The FY 68 authorization levels for technical assistance, administrative expenses, contributions to international organizations and American schools and hospitals abroad are too low.) The Senate Foreign Relations Committee, on the other hand, has reported out separate economic and military assistance bills which contain many objectionable features.

Principal Issues

A summary of all the changes proposed by the Senate Foreign Relations Committee is attached to this memorandum. The six most difficult issues and our position on them are discussed below.

Limitation on the number of countries that can receive Development Loans (10), Technical Assistance (40), Supporting Assistance (10), and Military Assistance (40). These limitations fall into three categories:

- In the case of Supporting Assistance, aid can be given to more than 10 countries if the President determines it is in the national interest and reports his determination to the Congress.

- In the case of Development Loans and Technical Assistance, aid can be given to additional countries if the President determines it is in the national interest and both committees pass resolutions permitting him to do so (an unconstitutional procedure, in our judgment).

- In the case of Military Assistance, the 40 country limitation is absolute except that military training assistance carried out in the United States is excluded from the limitation.

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We oppose numerical limitations such as these on principle. Furthermore, once they are included in the Act it is all too easy to make them more restrictive each year. However, if they cannot be eliminated altogether, the latter three should be modified to conform to the Supporting Assistance provision.

Allowing 15% of available Development Loan funds (approximately $125 million) to be used only by transfer to the World Bank or its affiliates.

- Section 205 of the Act now permits 15% of available development loan funds to be transferred to the World Bank or one of its affiliates. The Senate Foreign Relations Committee would require that 15% of Development Loan funds be used only in that way.

- Since the present permissive provision has been blocked each year by an appropriations bill rider - a rider we tried vainly to eliminate last year - this amendment is tantamount to a cut in Development Loan funds.

Our objective should be twofold: to keep Section 205 permissive and, later on, to seek to avoid an appropriations bill rider.

Imposition of a $55 million combined ceiling on military assistance grants (except training) and on sales of defense articles in Latin America.

- The Act now limits grants of defense articles to $55 million and contains no limitation on grants of defense services or sales of defense articles.

- Since the FY 67 program contemplates approximately $63 million of grants and $72 million of sales included within the new ceiling, this amendment is equivalent to a 60 per cent cut in our proposed military assistance to Latin America.

We should do all we can to leave the present ceiling unchanged.

Increase in minimum Development Loan interest rates from 2-1/2% to 3% after the 10 year grace period.

- Inasmuch as the Food for Freedom act provides that the minimum interest rate on loans made under that act shall be the same as the rates prescribed by the Foreign Assistance Act this provision also affects Food for Freedom dollar credit sales.

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The case against higher interest rates is very strong: they would slow down the achievement of economic self-support by the developing countries, and set a bad example for other advanced countries whose aid terms we have been trying to get lowered. There is some possibility that Senator Fulbright will not press too hard for the adoption of this amendment in Conference.

Authorization Cuts

The following table lists our budget requests and the authorization actions taken on them by the Senate and House committees in the five fund categories which were cut by the Senate:

	FY 1967 Budget Request	Authorized by (1) SFRC	(2) HFAC
Administration Expenses	57.4	54.2	57.4
Development Loans	665.4	620.0	1,000.0
Supporting Assistance	747.2	700.0	750.0
Technical Cooperation	231.3	210.0	231.3
Military Assistance Program	917.0	892.0	917.0

- We understand that in the course of his discussion on June 14 with Ambassador Bunker about increased needs for the Dominican Republic, Senator Fulbright stated that he would not oppose a move in the Conference to restore the full cut in Supporting Assistance.

- The likelihood is that the cuts in Development Loans, Technical Cooperation and the Military Assistance program can be compromised in the Conference at figures which will not cause serious damage.

- In addition to cutting administrative expenses by $3.2 million the Senate Foreign Relations Committee refused to authorize the use of Supporting Assistance funds for the increased administrative costs of our expanded program in Vietnam -- reversing an action they had taken earlier this year. Taken together these actions amount to a cut of approximately $8 million, more than 11 per cent of our administrative budget. In the face of such a cut, we could not administer and audit our Vietnam program or carry out the new initiatives in health, education and agriculture without eliminating many hundreds of aid employees working on other programs.

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One-year authorization for our programs including Development Loans and the Alliance.

- Whereas the House authorized Development Loans and the Alliance for Progress for five years and all other programs for two years, the Senate Foreign Relations Committee authorized all programs for one year only.

Discussion

Doc Morgan expects more floor trouble on the multi-year authorization than on anything else. However, he believes he can get the bill through the House in substantially the same form as his Committee has reported it out.

We would accordingly expect the House conferees to be with us on all the issues discussed above. However, since it is unlikely that they could induce the Senate conferees to give way on all six of these issues, it is important to take care of some of them on the Senate floor if we can do so.

We have not yet fully explored the possibilities of what can be done on the floor. We have, however, heard that:

- Senator Clark is considering various possibilities for floor action including that of offering the House bill on the Senate floor as a substitute for the two Senate Foreign Relations Committee bills.

- Senators Clark and Lausche have expressed a desire to introduce an amendment which would give the President the same discretion in making Development Loans and Technical Assistance grants to additional countries as he would have with respect to Supporting Assistance.

- Senator Saltonstall and a number of other Republican Senators are said to be thinking of introducing an amendment to put the program on a multi-year basis.

- Senator Javits is said to be thinking of doing the same thing.

We need now to work out a floor strategy, and will proceed to discuss the possibilities with Messrs. Califano and Manatos, preparatory to discussions with the leadership, unless you wish us to proceed in a different way.

David E. Bell

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DRAFTED: June 16, 1966

INITIALED: June 17, 1966

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR AND DEPUTY ADMINISTRATOR

THROUGH: EXSEC

SUBJECT: Summary of the Foreign Assistance Act of 1966 Reported by the Senate Foreign Relations Committee

This memorandum summarizes the changes in the Foreign Assistance Act of 1961, as amended (the "Act"), contained in the Foreign Assistance Act of 1966, as reported by the Senate Foreign Relations Committee (the "bill"). The memorandum also compares the bill with the Foreign Assistance Act of 1966 as proposed by the Executive Branch (the "Administration bill"). A table comparing the authorization provided in the bill for each assistance category with the Administration's authorization request and appropriation request is attached at Tab A.

STATEMENT OF POLICY

1. Disclaimer of Aid as Defense Commitment. The bill adds to the statement of policy a new sentence stating that the Act or the furnishing of assistance under the Act "shall not be construed as creating a new commitment or as affecting any existing commitment to use armed forces of the United States for the defense of any foreign country." (Sec. 102 of the Act; Sec. 101 of the bill)

2. Retention of Concept of "Surplus" Agricultural Commodities. The Committee rejected section 101 of the Administration bill which would strike the word "surplus" from the phrase "surplus agricultural commodities" in section 102 of the Act to reflect the elimination of the "surplus" concept from the new food aid program (Sec. 102 of the Act).

DEVELOPMENT LOANS

1. Added Criteria for Development Loans. The bill adds to the criteria to be taken into account in making development loans --

> a. The recipient's progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise;

b. The recipient's steps to improve its climate for domestic and foreign private investment through (1) encouragement of maximum private ownership of industry, (2) nondiscriminatory treatment between national and nonnational and between public and private enterprises and products, and (3) adequate protection of industrial property rights;

c. Whether or not the activity will contribute to self-sustaining growth. (Sec. 201(b) of the Act; Sec. 102(a)(1) of the bill)

2. Limitation on Number of Countries. The bill limits to ten the countries in which development loans may be made in any fiscal year, except through international lending organizations pursuant to section 205 of the Act, unless (1) the President reports to the authorizing committees that loans in any additional country are in the national interest, giving his reasons, and (2) each committee approves by resolution. (NOTE: The provision for committee approval raises serious Constitutional questions. The President has vetoed bills with similar provisions. In his signing statement to the 1964 Food for Peace Act he indicated that the provision giving veto power to either of the Agriculture Committees over proposals to grant foreign currencies or to use loan repayments was unconstitutional and implied that he would consider it merely as a reporting provision.) (Sec. 201(b) of the Act; Sec. 102 (a)(2) of the bill)

3. Increased Interest Rate. The bill raises the post grace period minimum interest rate on development loans (including Alliance loans) from 2-1/2 percent to 3 percent. (Sec. 201(d) of the Act; Sec. 102(b) of the bill)

4. Rejection of Multi-Year Authorization - Reduction in Amount. The bill authorizes the appropriation of $620 million ($45,388,000 below the appropriation request) for development loans for FY 1967. The Committee rejected section 102(a) of the Administration bill, which would authorize $1,250 million each year for five fiscal years. The bill also deleted the provision in the Act that unappropriated portions of amounts authorized may be appropriated in subsequent fiscal years. (Sec. 202(a) of the Act; Sec. 102(c)(1) of the bill)

5. Encouragement of Private Enterprise. The bill extends through FY 1967 the requirement that not less than 50 percent of development loan funds be available for loans to encourage economic development through private enterprise. (Sec. 202(a) of the Act; Sec. 102(c)(2) of the bill)

6. Earmarking of Development Loan Funds for IDA, IBRD and IFC. The bill earmarks 15 percent of development loan funds to be available solely for transfer to the IDA, the IBRD, or the IFC, within the existing broad section 205 waiver authority, thus making mandatory the existing permissive 15 percent transfer authority. (NOTE: The Foreign Assistance Appropriation Act prohibits transfers under section 205 of the Act. If that prohibition is re-enacted in the FY 1967 Appropriation Act it would result (assuming no legislative history to the contrary) in inability to use 15 percent of the funds made available (NOA plus carryover) for development loans.) (Sec. 205 of the Act; Sec. 102(d) of the bill)

TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

1. Added Criteria for Technical Cooperation and Development Grants. The bill adds to the criteria to be taken into account in making technical cooperation and development grants --

a. The recipient's progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise;

b. Whether or not the activity will contribute to self-sustaining growth. (Sec. 211(a) of the Act; Sec. 103(a)(1) of the bill)

2. Limitation on Number of Countries. The bill limits to 40 the countries to which technical cooperation and development grants may be furnished in any fiscal year and applies to such grants the same provision for additional countries as applies to development loans. (Sec. 211(a) of the Act; Sec. 103(a)(2) of the bill)

3. American Educational and Research Institutions. As requested by the Executive Branch in section 103(a) of the Administration bill, the bill clarifies A.I.D.'s authority to use technical assistance funds for aid to American educational and research institutions to strengthen their capacity to support longer-range A.I.D. programs. (Sec. 211(d) of the Act; Sec. 103(a)(3) of the bill)

4. Rejection of Multi-Year Authorization - Reduction in Amount. The bill authorizes the appropriation of $210 million ($21,310,000 below the appropriation request) for technical cooperation and development grants for FY 1967. The Committee rejected section 103(b) of the

Administration bill, which would authorize such amounts as may be necessary each year for five fiscal years. (Sec. 212 of the Act; Sec. 103(b) of the bill)

5. American Schools and Hospitals - Rejection of Multi-Year Authorization. The bill authorizes the appropriation of $10,989,000 (the amount of the appropriation request) for American schools and hospitals for FY 1967. The Committee rejected section 103(c) of the Administration bill, which would authorize such amounts as may be necessary each year for five fiscal years. (Sec. 214(c) of the Act; Sec. 103(c)(1) of the bill)

6. American Schools and Hospitals - Hadassah Foreign Currency Authorization. The bill authorizes the appropriation of $1 million in excess local currency for FY 1967 for the purposes of section 214(b) of the Act. (NOTE: This provision is designed to provide for a grant to the Hadassah Medical Center.) (Sec. 214(d) of the Act; Sec. 103(c)(2) of the bill)

INVESTMENT GUARANTIES

1. Rejection of Increase in Specific-Risk Guaranty Ceiling. The Committee rejected section 104(a)(1) of the Administration bill, which would increase the specific-risk guaranty ceiling from $5 billion to $10 billion. (Sec. 221(b)(1) of the Act)

2. Rejection of Increase in Extended-Risk Guaranty Ceiling. The Committee rejected section 104(a)(2) of the Administration bill, which would increase the extended-risk guaranty ceiling from $300 million to $425 million while maintaining the requirement that $125 million be reserved for housing guaranties. (Sec. 221(b)(2) of the Act)

3. Extended-Risk Guaranty Termination. The bill extends the termination date for extended-risk guaranty authority from June 30, 1967, to June 30, 1968. The Committee rejected section 104(a)(3) of the Administration bill, which would extend the termination date to June 30, 1973. (Sec. 221(b)(2) of the Act; Sec. 104(a)(1) of the bill)

4. Redefinition of Guaranty Limits. The bill amends section 221(c) of the Act by substituting "actual dollar investment" for "dollar value of the investment" as the limit upon the amount of an investment eligible for guaranty. The meaning and intent of this amendment are unclear. It may be construed to deny coverage to investment of foreign

currency. This could prevent coverage of reinvested foreign currency earnings as well as use of hard foreign currencies for purchase of equipment, etc. The bill also limits coverage of profits to "operating profits". This may be construed to deny coverage to non-operating profits such as appreciation in value of capital assets. (Sec. 221(c) of the Act; Sec. 104(a)(2) of the bill)

5. Earmarking of Latin American Housing Guaranty Authority. The bill provides that $50 million of the issuing authority provided for in the FAA of 1965 shall be available solely for the purposes of section 224(b)(1) -- pilot or demonstration housing projects in Latin America. The FAA of 1965 raised the issuing authority for Latin American housing guaranties by $150 million. (Sec. 224(c) of the Act; Sec. 104(b)(1) of the bill)

6. Termination Date of Latin American Housing Guaranty Authority. The bill extends the termination date for Latin American housing guaranty authority from June 30, 1967 to June 30, 1968. The Committee rejected section 104(b) of the Administration bill, which would extend the termination date to June 30, 1971. (Sec. 224(c) of the Act; Sec. 104(b)(2) of the bill)

SURVEYS OF INVESTMENT OPPORTUNITIES

Rejection of Multi-year Authorization. The Committee rejected section 105 of the Administration bill which would authorize the appropriation of such amounts as may be necessary each year for five fiscal years. No appropriation has been requested for FY 1967. (Sec. 232 of the Act)

ALLIANCE FOR PROGRESS

1. Added Criteria for Alliance for Progress Assistance. The bill adds to the criteria to be taken into account in furnishing assistance under the Alliance --

a. The recipient's progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise.

b. The recipient's steps to improve its climate for domestic and foreign private investment through (1) encouragement of maximum private ownership of industry, (2) nondiscriminatory treatment between national and nonnational and between public and private enterprises and products, and (3) adequate protection of industrial property rights;

c. Whether or not the activity will contribute to self-sustaining growth;

d. The extent to which the activity will contribute to the economic or political integration of Latin America. (Sec. 251(b) of the Act; Sec. 106(a)(1)(i) of the bill)

2. American Educational and Research Institutions. As requested by the Executive Branch, the bill provides that Alliance grant funds may be used to aid American educational and research institutions for the purposes of the new section 211(d) of the Act. (Sec. 251(b) of the Act; Sec. 106(a)(1)(ii) of the bill)

3. Loan Policy Subject to CIAP Approved Plans. The bill requires that Alliance loans be made only to support national economic plans approved by the Inter-American Committee for the Alliance for Progress (CIAP). (Sec. 251 of the Act; Sec. 106(a)(2) of the bill)

4. Transfer to International Lending Organizations. The bill authorizes the transfer of up to 15 percent of Alliance funds to the IDB, the IDA, the IBRD, or the IFC, without regard to the requirements of the Act or any other act. This broad waiver authority is the same as that contained in section 205 of the Act with respect to development loans. (Sec. 251 of the Act; Sec. 106(a)(2) of the bill)

5. Rejection of Multi-year Authorization. The bill authorizes the appropriation of $543 million for the Alliance for one fiscal year, with $87 million available for grants (the amounts of the appropriation requests). The Committee rejected section 106(b)(1) of the Administration bill which would authorize appropriation of $850 million per year for five fiscal years, of which $100 million per year could be used for grants. (Sec. 252 of the Act; Sec. 106(b)(1) of the bill)

6. Presentations to the Congress. Consistent with the Committee rejection of a multi-year authorization for the Alliance, the bill deletes the requirement of presentation of Alliance programs to the authorizing committees for fiscal years when no Alliance authorization is sought. (Sec. 252 of the Act; Sec. 106(b)(2) of the bill)

7. Encouragement of Private Enterprise. The bill extends through FY 1967 the requirement that not less than 50 percent of Alliance loan funds be available to encourage economic development through private enterprise. (Sec. 252 of the Act; Sec. 106(b)(3) of the bill)

SOUTHEAST ASIA MULTILATERAL AND REGIONAL PROGRAMS

1. Adoption of General and Special Provisions. With the exception of the separate authorization, the bill adopts the provisions of the Southeast Asia title in the form requested by the Executive Branch — including the broad waiver authority for funds made available to the IBRD or ADB. (Sec. 271 and 272 of the Act; Sec. 107 of the bill)

2. Rejection of Multi-year Authorization. The bill provides for the use in FY 1967 for the purposes of the new title, $50 million of funds made available elsewhere under the Act. The Committee rejected the requested authorization of such amounts as may be necessary each year for five fiscal years. (No appropriation was requested for FY 1967.) Inasmuch as the Committee deleted the provision in the Administration bill that funds authorized under Title VIII be "in addition to other funds available for such purposes," the authorization provision of the bill can be construed to prohibit the United States from making available more than $50 million to promote social and economic development and stability in Southeast Asia through multilateral institutions and programs and projects serving regional development purposes. (Sec. 273 of the Act; Sec. 107 of the bill)

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

1. Indus Basin Development. As requested by the Executive Branch in Section 108(a) of the Administration bill, the bill authorizes the use of IO funds for dollar repayable loans in connection with the Indus Basin Development Fund administered by the World Bank. (Sec. 301(a) of the Act; Sec. 108(a) of the bill)

2. United Nations Development Program. As requested by the Executive Branch in Section 108(b) of the Administration bill, the bill substitutes "United Nations Development Program " for "United Nations Expanded Program of Technical Assistance and the United Nations Special Fund" to reflect a recent consolidation and name change. (Sec. 301(b) of the Act; Sec. 108(b) of the bill)

3. Rejection of Multi-year Authorization. The bill authorizes the appropriation of $140,433,000 (the amount of the appropriation request) for international organizations and programs for FY 1967. The Committee rejected section 108(c) of the Administration bill which would authorize such amounts as may be necessary each year for five fiscal years. (Sec. 302 of the Act; Sec. 108(c) of the bill)

4. Separate Authorization for Indus Basin Development. In rejecting section 108(c) of the Administration bill, the Committee also rejected a separate authorization of $51,220,000 for dollar repayable loans for Indus Basin Development. This is consistent with the Committee's rejection of a multi-year authorization, since the funds requested for Indus loans are for use beginning in FY 1968. (Sec. 302 of the Act; Sec. 108(c) of the bill)

SUPPORTING ASSISTANCE

1. Limitation on Number of Countries. The bill limits to ten the number of countries which may receive supporting assistance in any fiscal year, unless the President determines that the furnishing of supporting assistance to any additional country is in the national interest and reports such determination, with the reasons therefor, to the Senate Foreign Relations Committee and the Speaker of the House. (Sec. 401 of the Act; Sec. 109(a) of the bill)

2. Rejection of Multi-year Authorization - Reduction in Amount. The bill authorizes the appropriation of $700 million ($47.2 million below the appropriation request) for supporting assistance for FY 1967. The Committee rejected section 109 of the Administration bill which would authorize the appropriation of $200 million each year for five fiscal years for non-Vietnam supporting assistance, and a separate appropriation for Vietnam supporting assistance of such amounts as may be necessary each year for five fiscal years. (Sec. 402 of the Act; Sec. 109(b)(2) of the bill)

3. Rejection of Transfer Authority. The Committee rejected the provision in section 109 of the Administration bill which would authorize transfer of supporting assistance funds for administrative expenses incurred in connection with programs in Vietnam. (Sec. 109(b) of the bill)

CONTINGENCY FUND

1. Rejection of Multi-year Authorization. The bill authorizes the appropriation of $70 million (the amount of the appropriation request) for the contingency fund for FY 1967. The Committee rejected section 110(a) of the Administration bill which would authorize appropriation of $150 million each year for five fiscal years. (Sec. 451(a) of the Act; Sec. 110(a) of the bill)

2. Obsolete North Vietnam Shipping Clause. The bill strikes out a prohibition against aid to countries permitting ships or aircraft under their registry to transport goods to or from North Vietnam. The prohibition is obsolete in that it relates only to contingency funds included in the FY 1966 supplemental appropriation act. (Sec. 451 (a) of the Act; Sec. 110(b) of the bill)

3. Obsolete Southeast Asia Authorization. As requested in the Administration bill, the bill strikes out an obsolete provision authorizing a separate contingency fund for Southeast Asia in FY 1966. (Sec. 451 (a) of the Act; Sec. 110(b) of the bill)

ASSISTANCE TO NON-INDUSTRIALIZED COUNTRIES

1. Title Change. The bill changes the heading of Chapter 6 from "Assistance to Countries Having Agrarian Economies" to " Assistance to Non-Industrialized Countries." (Sec. 461 of the Act; Sec. 111(a) of the bill)

2. Assistance for Population Control. The bill adds a new section authorizing the use of economic assistance funds to furnish "technical and other assistance for the control of population growth." (Sec. 462 of the Act; Sec. 111(b) of the bill)

JOINT COMMISSIONS ON RURAL RECONSTRUCTION

General Authority. The bill adds a new chapter to Part I authorizing the President to conclude agreements with Asian and African countries for the establishment of jount commissions on rural reconstruction. Each commission, composed of two U.S. citizens and three citizens of the participating country, would be authorized to formulate and carry out programs for reconstruction in rural areas, including appropriate research and training activities. Up to 10 percent of TC-DG funds could be used to carry out the new chapter. The furnishing of assistance under this chapter is not to be construed as an express or implied assumption by the U.S. of any responsibility for making further contributions. (Sec. 471 of the Act; Sec. 112 of the bill)

GENERAL PROVISIONS

1. Procurement of "Surplus" Agricultural Commodities. The bill makes a technical change in the restriction on offshore procurement of grant agricultural commodities by applying the restriction to "any agricultural commodity or product thereof available for disposition under the Agricultural Trade and Development Act of 1954, as amended," rather than to "any surplus agricultural commodity." The change is intended to make the provision applicable under the Food for Freedom Act as well as under existing law. (Sec. 604(c) of the Act; Sec. 201(a)(1) of the bill)

2. Restriction on Offshore Procurement of Agricultural Commodities. The bill adds a new subsection prohibiting procurement of any agricultural commodity or product thereof outside the United States when the domestic price is less than parity. (Sec. 604(e) of the Act; Sec. 201(a)(2) of the bill)

3. Advance Acquisition of Property. As requested by the Executive Branch in section 201(a) of the Administration bill, the bill provides that personnel costs directly attributable to the excess property program may be charged to the excess property revolving fund. (Sec. 608(a) of the Act; Sec. 201(b) of the bill)

4. Use of Excess Foreign Currencies for Family Planning. The bill adds a new subsection (incorporating the Tydings bill) making available excess foreign currencies for voluntary family planning programs in countries requesting such assistance. No program is to be assisted unless the recipient country takes reasonable precautions in administering the program to insure that persons receiving assistance desire it. The bill provides that up to 5 percent of the aggregate of all excess foreign currencies may be used for this purpose in any one year, without appropriation. Voluntary family planning program is defined to include inter alia the manufacture of medical supplies, and the dissemination of family planning information, medical assistance and supplies to individuals who desire such assistance. (Sec. 612(c) of the Act; Sec. 201(c) of the bill)

5. Reports on Unvouchered Funds. The bill adds to section 614(c) of the Act a requirement that the President report "promptly and fully" to the Speaker of the House and the Chairman and ranking minority member of the Senate Foreign Relations Committee concerning each use of funds under that section. It is not specified that the report be in writing. (Sec. 614(c) of the Act; Sec. 201(d) of the bill)

6. Limitation on Aid to Productive Enterprises and Military Programs over $100 Million. The bill revives the previously expired prohibition against assistance for the construction of any productive enterprise for which the aggregate value of U.S. assistance will exceed $100 million. In addition, the bill prohibits military assistance

(excluding sales, barters, and leases) to any country for carrying out any program with respect to which the aggregate value of U.S. assistance will exceed $100 million. As under the expired provision, the prohibition may not be waived. However, the prohibition applies only to assistance furnished "without the express approval of Congress." While it is not specified how the "express approval of Congress" is to be given, the provision presumably would be satisfied constitutionally by (1) legislation (either through an amendment to the Foreign Assistance Act or through other legislation), or (2) legislative history, such as specific language in Committee reports, on an act of Congress (e.g. the aid bill) signed by the President. From the Executive Branch point of view, a concurrent resolution would raise constitutional problems. (Sec. 620 (k) of the Act; Sec. 201 (e) of the bill)

7. Prohibition on Assistance to Countries not Agreeing to Institute a Guaranty Program. The Committee rejected section 201 (b) of the Administration bill which would make permissive the existing mandatory termination of assistance to any country which has not agreed by December 31, 1966, to institute a specific-risk guaranty program. The Committee also rejected an alternative of extending the mandatory cut-off date to December 31, 1967. (Sec. 620(l) of the Act)

ADMINISTRATIVE PROVISIONS

1. Technical amendments. The bill includes technical amendments proposed in the administration bill designed to conform the bill with the proposed Military Assistance and Sales Act. (Sec. 622(b) and (c) of the Act; Sec. 202(a) and (b) of the bill)

2. Presentations to Congress After FY 1967. Consistent with its rejection of a multi-year authorization, the Committee rejected section 202(c) of the Administration bill, which would require presentation of foreign assistance programs to Congress, upon request, for fiscal years FY 1968-71. (Sec. 634(d) of the Act)

3. Exclusion of Alliance loans from Prohibition on Contracts for over Five Years. As requested by the Executive Branch in section 202(d) of the Administration bill, the bill effects a technical amendment to exclude Alliance loans specifically from the provision that agreements which entail commitments for the expenditure of funds may not extend for more than five years. (Sec. 635(h) of the Act; Sec. 202(c) of the bill)

4. Rejection of Multi-year Authorization for Administrative Expenses - Reduction in Amount. The bill authorizes the appropriation of $54,240,000 for administrative expenses for FY 1967 (the amount of the FY 1966 appropriation and $3,147,000 less than the FY 1967 appropriation request). The Committee rejected section 202(e) of the Administration bill which would authorize such amounts as may be necessary each year for five fiscal years. The FY 1967 appropriation request was formulated in reliance upon the proposed authority to transfer funds from supporting assistance for additional administrative expenses for Vietnam programs. Since the proposed transfer authority was rejected by the Committee, no provision is made in the bill for these additional administrative expenses. (Sec. 637(a) of the Act; Sec. 202(d)(1) of the bill)

5. Repeal of Permanent Authorization for State Department Expenses - Reduction in Amount. The bill repeals the existing permanent authorization of such amounts as may be necessary for aid-related State Department administrative expenses and substitutes an authorization of $3.1 million for FY 1967 (the amount of the FY 1966 appropriation and $155,000 less than the FY 1967 appropriation request). (Sec. 637(b) of the Act; Sec. 202(d)(2) of the bill)

6. Definition of "Surplus Agricultural Commodity." Consistent with its refusal to strike the word "surplus" from the reference to "surplus agricultural commodities" in the statement of policy, but inconsistent with its redefinition of agricultural commodities for which offshore procurement is restricted (section 201(a)(1) of the bill), the Committee rejected section 202(f) of the Administration bill, which would delete the definition of "surplus agricultural commodity." (Sec. 644(1) of the Act)

for J.R. Phippard
Thomas L. Farmer
General Counsel

Attachment

GC:AWMudgeII/CPaolillo/JRPhippard

ECONOMIC ASSISTANCE AUTHORIZATIONS
SENATE FOREIGN RELATIONS COMMITTEE

	Authorization Request	Committee Authorization	Appropriation Request	Reduction from Appropriation Request
Development loans	$1,250,000,000	$ 620,000,000	$ 665,388,000	$ 45,388,000
Technical cooperation, development grants	1/	210,000,000	231,310,000	21,310,000
American schools, hospitals abroad	1/	10,989,000 2/	10,989,000	---
Survey of investment opportunities	1/	None	None	---
Alliance for Progress loans	750,000,000	455,300,000	455,300,000	---
Alliance for Progress grants	100,000,000	87,700,000	87,700,000	---
Southeast Asia multilateral and regional	1/	None 3/	None	---
International organizations, grants	1/	140,433,000	140,433,000	---
Indus Basin loans	4/	None	None	---
Supporting assistance, general	200,000,000	700,000,000	197,200,000	47,200,000
Supporting assistance, Vietnam	1/		550,000,000	
Contingency fund	150,000,000	70,000,000	70,000,000	---
Administrative expenses, AID	1/	54,240,000	57,387,000	3,147,000
Administrative expenses, State	1/	3,100,000	3,255,000	155,000
		$2,351,762,000	$2,468,962,000	$ 117,200,000

1/ Such amounts as may be necessary.
2/ Plus one million dollars equivalent in excess foreign currencies.
3/ $50,000,000 "of funds available under this Act".
4/ $51,220,000 requested for FY 1968.

2032

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2-Ref.
42

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

June 23, 1966

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Proposed White House Meeting to stimulate U. S. Business to play a greater part in the growth of developing countries

Your General Advisory Committee on Foreign Assistance Programs (Perkins Committee), on the initiative of David Rockefeller's Private Sector Subcommittee, recommends that at an early date you make a major statement on the role of U.S. private enterprise in the developing countries. They recommend that you make the statement to a group of business leaders called to the White House.

The principal purpose of the meeting would be to stimulate increased participation by private business and more effective Government-business cooperation in overseas development. In addition, a spotlight on AID's private enterprise activities during the floor debates on our bill would be helpful.

I endorse the Committee's recommendation. I believe that a meeting at the White House, attended by a number of key businessmen (plus a few representatives of other elements of the U.S. private sector), would offer the best platform for expressing your views and stimulating effective action, and could help us significantly in the Congress.

David Rockefeller has taken the lead in drafting a statement (Annex I) which you might use as the basis for your remarks at the meeting and then incorporate in a letter to a wider range of business leaders in the U. S. and to U.S. Government representatives in the developing countries. We have worked with Mr. Rockefeller in preparing the statement and it has our full support.

Dr. Perkins and Mr. Rockefeller have suggested that the best format might be a small pre-dinner meeting, concentrating on the heads of the major business associations, followed by a somewhat larger dinner meeting with a broader cross-section of business leaders interested in developing countries. Annex II details the proposed agenda and suggested guest lists. Highlights of the proposed agenda are:

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At the pre-dinner meeting, attended by members of the Perkins Committee, heads of major business associations, and possibly a small Congressional group, a strong appeal by you to the organization heads to undertake active follow-up responsibility among their memberships.

At the dinner meeting, presentation of your policy statement and other remarks in which you might emphasize:

- the importance of good corporate citizenship by U.S. firms as an example to local entrepreneurs;

- that in spite of our balance of payments problems, it is firm U.S. Government policy to continue to encourage increased direct investment in developing countries. You might announce publication of AID's new Investment Guide to Southeast Asia as the latest example of government efforts to encourage such investments;

- that you believe there is great potential for expansion of technical and management education activities by U.S. firms in these countries and for the creation by such firms, acting jointly and with appropriate government support, of new training institutions.

Brief review by me of existing AID programs and channels of government-business operation.

Response by David Rockefeller on behalf of the business community, in which, among other things, he would highlight the useful work of the Council for Latin America.

Invitation by you to three leading businessmen (to be chosen) to take the lead in setting up similar regionally oriented business groups for: Africa; the Near East and Southeast Asia; the Far East.

Senator Javits has written you to propose that the Watson Committee on Private Enterprise in Foreign Aid be reconvened for a day, to meet with you and with the Perkins Committee for a progress report on action taken in response to the Watson Committee's recommendations. Javits' purpose is to strengthen support for the Aid Bill. I think the Perkins-Rockefeller proposal would be much preferable. Subject to your approval of the proposal outlined above, I would suggest that Mike Manatos thank Senator Javits for his helpful suggestion, inform him of the plans for a White House meeting, and invite him to attend.

David E. Bell

Attachments
Annex I, II

ANNEX I

42e

PROPOSED STATEMENT BY THE PRESIDENT

TO THE BUSINESS COMMUNITY

One of the central problems of our times is that of accelerating progress in the less developed nations. The United States and the other industrial nations cannot hope to exist for long as islands of relative plenty in a world of poverty.

Your Government has been doing many things to encourage more rapid growth in the less developed countries. Through our foreign aid program, our support of international institutions, our cultural exchange program, our efforts to reduce barriers to international trade, we are providing important support for the development process.

At the same time, I believe it is patently clear that we cannot accomplish our objectives without the full cooperation and support of private business enterprise. I stressed this point in my foreign aid message of February 1, 1966 when I said:

> "The United States government can do only a small part of the job of helping and encouraging business abroad. We must rely more and more on the great reservoirs of knowledge and experience in our business and professional communities. These groups have already provided invaluable service and advice. We in government must find ways to make even greater use of these priceless assets."

The Departments of State and Commerce, and the Agency for International Development have been increasingly active in supporting U. S. private investment in the less developed nations. As you know, such investment is exempt from the

voluntary balance of payments program. Experience has clearly demonstrated that private investment makes a most significant contribution to local economies through the transfer of technology, the addition to total investment, and the demonstration effects of modern management techniques.

The Secretary of State has also stressed the importance of international business operations to the achievement of our foreign policy goals. In a letter sent to all American Ambassadors on February 16, 1966, he noted this, and added:

> "I am sure you are well aware of the importance of maintaining warm, friendly, and effective relations with the American business community. We have yet to convince many of our business friends, though, that the support we offer them is second to none in world commerce. I urge you to impress upon your staff the necessity of supporting this important activity. This is not a new role for diplomacy, but it is one that has a special urgency for us at this time."

I want to assure you again that we in Government are fully aware of the role private enterprise must play in the challenging task of supporting the modernization and growth of the less developed nations. In a very real sense, American firms which carry on business operations in the developing nations are on the front line in the struggle between communism and freedom. These companies show in a tangible way what modern free enterprise can do for customers, employees and the national well-being in host nations. They demonstrate, by performance, that the stereotype picture of free enterprise is badly distorted.

While I have stressed the importance of private investment, I am also mindful of the constructive role other private sector institutions can

play. In particular, our universities and foundations have already done a great deal of highly useful work to promote progress in the less developed nations. I hope they will continue to expand their efforts, for education is one of the important keys to development.

I am proud of the contribution American business has already made to the growth of the developing nations. However, business can and should do much more. That is why I want to encourage you to press ahead to do more in these countries, whenever you can do so justifiably from a business standpoint. I pledge the full and continuing support of your Government in helping to improve the climate for investment in the less developed countries.

At the same time, I wish to stress the importance of your role as a representative of the United States. In operating in these countries you face even greater responsibilities than at home. If you make your operations models of good citizenship and enlightened business behavior, you can contribute immensely to the local economies and to the image of the United States. You have a unique opportunity to contribute to the training and development of local managerial and technical talent, as well as to the local educational systems. By your example and assistance, you can help in the necessary process of modernizing local business policies. In all these ways, you are representing not only your own company, but in a real sense, your country when you operate in the less developed nations. I trust that you will be fully aware of these broad responsibilities.

I hope we will see a great upsurge in American private investment in the less developed nations. I believe such an effort would make a most

constructive contribution to our broad objectives of peace and expanding opportunities for individuals everywhere. I believe Government and business must work together towards these goals. I ask your sincere cooperation, and I offer all necessary support.

ANNEX II

42g

AGENDA FOR WHITE HOUSE DINNER WITH BUSINESS LEADERS
(date to be selected - mid-July is suggested)

SUBJECT: COOPERATION BETWEEN GOVERNMENT AND THE PRIVATE SECTOR TO ENCOURAGE MORE RAPID GROWTH IN UNDER-DEVELOPED COUNTRIES THROUGH INCREASED PRIVATE PARTICIPATION AND CREATION OF BETTER UNDERSTANDING OF THE PRIVATE ENTERPRISE SYSTEM.

I. 7:30 - 8:15 P.M. - Pre-dinner meeting.

The President meets with a group of 25-30 people including all Members of the President's General Advisory Committee, David Bell and key opinion leaders in the business world. (Proposed list at Tab A)

Possible additional attendance:

- The former Members of the Advisory Committee on Private Enterprise in Foreign Aid.
- A bi-partisan Congressional Group
- The Vice President
- Secretary Fowler and Secretary Connor.

Purpose of the Meeting:

To have the President emphasize his personal interest in achieving greater private sector participation in development, outline the plan for the after dinner working session and urge those present to agree to take a continuing active part in following up and stimulating more effort on the part of the private sector in activities in the developing countries.

II. 7:45 - 8:30 P.M. - Cocktails for dinner guests not participating in pre-dinner meeting.

III. 8:30 - 9:30 P.M.

Dinner attended by 125 to 150 people drawn chiefly from the business community, including appropriate Congressional representation and other elements of the private sector in the U.S. The business group to include senior executives of a number of medium sized and smaller American companies. (Proposed list at Tab B)

IV. 9:30 - 11:00 P.M. - Work Session

A. 9:30 - 10:00 P.M.

Remarks by the President about the importance he attaches to more active and responsible private business participation in foreign assistance - the primary purpose of this meeting. He would also indicate his desire that other elements of the U.S. private sector, such as labor unions, foundations, universities, and voluntary agencies step up their interest and activities.

Emphasizing his wish that his views be widely known, the President would read a letter on the subject, distribute copies to those present and mention his intention to send the letter to a large number of people in the private sector and to U.S. Government representatives in the developing countries.

B. Following the presentation of the statement the President might emphasize the following:

1. The particular importance he attaches to visible demonstration of good corporate citizenship by U.S. firms doing business in the developing countries as an example to local private entrepreneurs.

2. That the policy of the U.S. Government is to encourage direct investment in the developing countries to the maximum possible extent and that the investment guidelines are in no sense intended to discourage investment in such countries.

3. The importance the President attaches to expanding the technical and management training activities carried on by U.S. firms in the developing countries and his feeling that there is a great potential for the creation and support by such firms, acting jointly, of new training institutes.

4. The President might conclude his remarks by announcing the publication by A.I.D. of the Southeast Asia Supplement to the Catalog of Investment Information and Opportunities, citing it as the latest initiative by the Government to stimulate interest in investment opportunities in the developing countries.

C. The President then could call on David Bell for a review of existing Government programs and the channels of public-private cooperation.

V. 10:00 - 10:20 P.M.

Review by David Bell of existing Government programs and channels of public-private cooperation.

A. Specific programs to help U.S. investors:

- information
- investment surveys
- risk sharing
- direct dollar and local currency loans
- intermediate credit institutions as a source of funding

B. A.I.D.'s response to the report of the Advisory Committee on Private Enterprise in Foreign Aid.

- sharply increased emphasis on improving the climate for both local and foreign investment.

- intensification of effort to strengthen local private institutions.

C. The Private Sector Subcommittee of the President's General Advisory Committee on Foreign Assistance - its function in assuring the continuity of the work of the Watson Committee.

D. Liaison with the major business organizations - the Council for Latin America as an example of a private sector group organized for effective cooperation with the Government.

VI. 10:20 - 10:40 P.M.

Response by Mr. David Rockefeller on behalf of the business community. His remarks could include a discussion of specific areas where Government can help in achieving objectives and a review of the work of the Council for Latin America.

VII. 10:40 - 11:00 P.M.

General discussion during which the President might state his interest in stimulating the creation of regional organizations for the Near East and South Asia, the Far East and Africa. He could request Mr. _____ to take the lead in organizing such an organization for Africa, Mr. _____ to take the lead for Near East and South Asia and Mr. _____ for the Far East.

Acceptance by Messrs. _____, _____ and _____.

VIII. 11:00 P.M.

Adjournment

42h

A

PRESIDENT'S SPECIAL LIST (BEFORE DINNER GUESTS)

(Perkins Committee Members --Subcommittee on the Private Sector)

Mr. David Rockefeller, President
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Mr. Eugene R. Black, Director
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Mr. Sol M. Linowitz, Chairman
Xerox Corporation
6 Harold Street
Rochester, New York 14603

Mr. William R. Hewlett, President
Hewlett-Packard Company
1501 Page Mill Road
Palo Alto, California 94304

Mr. Arthur K. Watson, Chairman
IBM World Trade Corporation
Old Orchard Road
Armonk, New York 10504

Mr. James A. Perkins, President
Cornell University
Ithaca, New York 14850

Dr. J. George Harrar, President
The Rockefeller Foundation
111 West 50th Street
New York, New York 10019

(Business Group Heads)

Mr. H. Bruce Palmer, President
National Industrial Conference Board
845 Third Avenue
New York, New York 10022

Mr. Eldridge Haynes, President
Business International
757 Third Avenue
New York, New York 10017

Mr. M. A. Wright, President
United States Chamber of Commerce
1615 H Street N.W.
Washington, D. C. 20006

Mr. Charles Stewart, President
Machinery & Allied Products Institute
1200 Eighteenth Street N.W.
Washington, D. C. 20036

Mr. Robert M. Norris, President
National Foreign Trade Council
10 Rockefeller Plaza
New York, New York 10020

Mr. Christopher Phillips, President
International Chamber of Commerce (U.S. Council)
103 Park Avenue
New York, New York 10036

Mr. George Franklin, President
Council on Foreign Relations, Inc.
The Harold Pratt House
58 East 68th Street
New York, New York 10021

Mr. H. Robert Martineau, President
Junior Chamber of Commerce
1 Liberty Street
New York, New York 10005

Mr. Fred C. Foy, Chairman
Business Council for International Understanding
420 Lexington Avenue
New York, New York 10017

Mr. Samuel P. Hayes, President
Foreign Policy Association
345 East 46th Street
New York, New York 10017

Mr. Kenneth Young, President
The Asia Society
111 East 64th Street
New York, New York 10021

(Business Group Heads)
cont'd

Mr. Waldemar A. Nielsen, President
African-American Institute
345 East 46th Street
New York, New York 10017

Mr. W. P. Gullander, President
National Association of Manufacturers
277 Park Avenue
New York, New York 10017

Mr. Alfred C. Neal, President
Committee for Economic Development
711 Fifth Avenue
New York, New York 10022

(Government Representatives)

Vice President Humphrey

Treasury Secretary Fowler

Commerce Secretary Connor

A.I.D. Administrator Bell

(Legislative Representatives)

--to be selected by the White House *

---

* Senator Javits should be included if it is decided to have Legislative representatives

42K

SUGGESTED BUSINESS LEADERS FOR WHITE HOUSE MEETING
ON PRIVATE INVESTMENT IN LESS-DEVELOPED COUNTRIES
(In addition to those attending the pre-dinner meeting)

Mr. George R. Cain, Chairman & President
Abbott Laboratories
14th Street, Sheridan Road
North Chicago, Illinois 60064

Mr. Victor S. Johnson, Jr.
President and Chairman of the Board
Aladdin Industries, Inc.
703 Murfreesboro Road
Nashville, Tennessee 37210

Mr. Robert S. Stevenson, Chairman
Allis Chalmers Manufacturing Company
1126 South 70th Street
Milwaukee, Wisconsin 53201

Mr. James P. Giles, Jr., President
American Cement Corporation
2404 Wilshire Boulevard
Los Angeles, California 90057

Mr. W. G. Malcolm, Chairman
American Cyanamid Company
859 Berdan Avenue
Wayne, New Jersey 07472

Mr. Howard L. Clark, President
American Express
65 Broadway
New York, New York 10006

Mr. William F. Laporte
Chairman of the Board
American Home Products Corporation
685 Third Avenue
New York, New York 10017

Mr. Walter Hochschild, Chairman
American Metal Climax, Inc.
1270 Avenue of the Americas
New York, New York 10020

Mr. Joseph A. Grazier, President
American Radiator & Standard Sanitary
Corporation
40 West 40th Street
New York, New York 10018

Mr. Joseph B. Lanterman, President
Amsted Industries, Inc.
Prudential Plaza
Chicago, Illinois 60601

Mr. Rudolph A. Peterson, President
Bank of America
300 Montgomery Street
San Francisco, California 94104

Mr. W. B. Dunckel, President
Bankers Trust Company
16 Wall Street
New York, New York 10005

Mr. W. D. Eberle, Vice President & Secretary
Boise Cascade Corporation
P.O. Box 200
Boise, Idaho 83701

Mr. Edward G. Budd, Jr., President
Budd Company
2450 Hunting Park Avenue
Philadelphia, Pennsylvania 19129

Mr. Ray R. Eppert, President
Burroughs Corporation
2nd Avenue & Burroughs
Detroit, Michigan 48232

Mr. Louis W. Cabot, President
Cabot Corporation
125 High Street
Boston, Massachusetts 02110

Mr. John Rachal, President
Carrier International Ltd.
385 Madison Avenue
New York, New York 10017

Mr. William Blackie, President
Caterpillar Tractor Company
600 West Washington Street
Peoria, Illinois 61611

Mr. William S. Renchard, President
Chemical Bank New York Trust Company
20 Pine Street
New York, New York 10005

Mr. George H. Love, Chairman
Chrysler Corporation
341 Massachusetts Avenue
Detroit, Michigan 48231

Mr. B. T. Leithead, President
Cluett Peabody & Company, Inc.
530 Fifth Avenue
New York, New York 10036

Mr. J. Paul Austin, President
The Coca Cola Company
515 Madison Avenue
New York, New York 10022

Mr. George H. Lesch
Chairman & President
Colgate-Palmolive Company
300 Park Avenue
New York, New York 10022

Mr. George A. Strichman
Colt Industries
150 Hyshope Avenue
Hartford, Connecticut 06102

Mr. John R. Rhamstine
Chairman of the Board
Corn Products Company
717 Fifth Avenue
New York, New York 10022

Mr. Robert D. Murphy, Chairman
Corning Glass International
717 Fifth Avenue
New York, New York 10022

Mr. Lewis L. Filstrup, President
Covel Manufacturing Company
380 North Shore Drive
Benton Harbor, Michigan 49022

Mr. John Connelly, President
Crown Cork & Seal Corporation
9300 Ashton Road
Philadelphia, Pennsylvania 19114

Mr. Carl A. Gerstacker, Chairman
Dow Chemical Company
Midland, Michigan 48640

Mr. Albert K. Chapman, Chairman
Eastman Kodak Company
343 State Street
Rochester, New York 14604

Dr. R. Noyce, Vice President & Manager
Fairchild Semiconductor Division
Fairchild Camera & Instrument Corporation
313 Frontage Road
Mountain View, California 94040

Mr. James A. Farrell, Jr., President
(and Chairman of African-American Chamber of Commerce)
Farrell Lines, Inc.
1 Whitehall Street
New York, New York 10004

Mr. Salvatore Giordano
Chairman of the Board & President
Fedders Corporation
58-01 Grand Avenue
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Mr. Harvey S. Firestone, Jr., Chairman
Firestone Tire & Rubber Company
1200 Firestone Parkway
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Mr. Kenneth M. Spang, Vice President
(and President of African-American Chamber of Commerce)
First National City Bank
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Mr. A. R. Miller, President
Ford Motor Company
The American Road
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Mr. Rudolph J. Drews
Chairman & President
Foremost Dairies, Inc.
111 Pine Street
San Francisco, California 94111

Mr. Ralph Hayden, Jr.
Executive Vice President
The Foxboro Company
Foxboro, Massachusetts 02035

Mr. Fred J. Borch, President
General Electric Company
570 Lexington Avenue
New York, New York 10022

Mr. C. W. Cook, President
General Foods Corporation
250 North Street
White Plains, New York 10605

Mr. Frederic G. Donner, Chairman
General Motors Corporation
General Motors Building
Detroit, Michigan 48202

Mr. R. D. Horner
Vice President International
The Glidden Company
900 Union Commerce Building
Cleveland, Ohio 44114

Mr. R. V. Thomas, President
Goodyear International Corporation
1144 East Market Street
Akron, Ohio 44316

Mr. E. D. Brockett, President
Gulf Oil Corporation
Gulf Building
Pittsburgh, Pennsylvania 15230

Mr. A. C. Homer
Vice President International Division
Imperial Eastman Corporation
6300 West Howard Street
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Mr. Harry O. Bercher, President
International Harvester Company
180 North Michigan Avenue
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Mr. Atherton Bean, President
International Milling Corporation, Inc.
733 Marquette Avenue
Minneapolis, Minnesota 55402

Mr. Thomas M. Ware, President
International Minerals & Chemical Corp.
Old Orchard Road
Skokie, Illinois 60077

Mr. Harold S. Geneen, Chairman & President
International Telephone & Telegraph Company
320 Park Avenue
New York, New York 10022

Mr. William E. Petersen, President
Irving Trust
1 Wall Street
New York, New York 10015

Mr. George L. Clements
Chairman of the Board
Jewel Tea Company
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Mr. R. E. Knight, Vice President
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Mr. Lyle C. Roll
Chairman of Board & President
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Kysor International
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Mr. Austin B. Mason, President
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Mr. Gabriel Hauge, President
Manufacturers Hanover Trust Company
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Mr. Charles P. McCormick
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Mr. Edward E. Booher, President
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McGraw Hill Inc.
330 West 42nd Street
New York, New York 10036

Mr. C. Rhoades MacBride
Chairman of Board & President
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85 Chestnut Ridge Road
Montvale, New Jersey 07645

Mr. Arnold E. Maremont, President
Maremont Corporation
168 North Michigan Avenue
Chicago, Illinois 60601

Mr. Antonie T. Knoppers, President
Merck, Sharp & Dohme International
126 East Lincoln Avenue
Rahway, New Jersey 07065

Mr. Charles H. Sommer, President
Monsanto Company
800 North Lindbergh Boulevard
St. Louis, Missouri 63166

Mr. John M. Meyer, Jr., President
Morgan Guaranty Trust Company of New York
140 Broadway
New York, New York 10015

Mr. James P. Donnelly, Vice President
Morton International Limited
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Mr. R. S. Laing, President
National Cash Register Company
Main & K Streets
Dayton, Ohio 45409

Mr. Gordon Grand, President
Olin Mathieson Chemical Corporation
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New York, New York 10021

Mr. LeRoy A. Petersen, Chairman
Otis Elevator Company
260 11th Avenue
New York, New York 10001

Mr. R. E. Graham, Executive Vice President
& General Manager (International Division)
Owens-Illinois, Inc.
P.O. Box 1035
Toledo, Ohio 43601

Mr. F. R. Yost, President
Pan American Petroleum Corporation
Pan American Building
Tulsa, Oklahoma 74103

Mr. Juan T. Trippe, Chairman & Chief Executive Officer (and of Inter-continental Hotels, Inc.)
Pan American World Airways
Pan American Building
New York, New York 10017

Mr. Harry J. Loynd, President
Parke, Davis & Company
P.O. Box 118
Detroit, Michigan 48232

Mr. Karl F. Landegger, President
Parsons & Whittemore, Inc.
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New York, New York 10017

Mr. Peter K. Warren, President
Pepsico International
500 Park Avenue
New York, New York 10022

Mr. T. R. Gamble, President
Pet Milk Company
Arcade Building
St. Louis, Missouri 63101

Mr. Richard C. Fenton, President
Pfizer International
235 East 42nd Street
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Mr. Francis W. Theis
Vice President International
Pittsburgh Plate Glass Company
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Mr. R. Lee Jenkins, Vice President
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3022 Jackson Avenue
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Mr. Walter L. Lingle, Jr.
Executive Vice President (Internat'l)
Procter & Gamble Company
301 East 6th Street
Cincinnati, Ohio 45202

Mr. Robert D. Stuart, Jr., President
Quaker Oats Company
Merchandise Mart Plaza
Chicago, Illinois 60654

Mr. Charles R. Denny
Vice President & Managing Director
Radio Corporation of America International
30 Rockefeller Plaza
New York, New York 10020

Mr. R. Hal Dean, President
Ralston Purina Company
835 South 8th Street
St. Louis, Missouri 63102

Mr. Andrew McNally III, President
Rand McNally & Company
8255 Central Park Avenue
Skokie, Illinois 60077

Mr. D. F. Murphy
Vice President Foreign Operations
Rohm & Haas Company
Independence Mall West
Philadelphia, Pennsylvania 19105

Mr. E. L. Norton, Chairman of the Board
Royal Crown Cola Company
901 10th Avenue
Columbus, Georgia 31901

Mr. Monroe E. Spaght, Chairman
Shell Oil Company
50 West 50th Street
New York, New York 10020

Mr. H. W. McClary, Vice President Internat'l
The Simpson Timber Company
2000 Washington Building
Seattle, Washington 98101

Mr. Donald P. Kircher, President
Singer Sewing Machine Company
30 Rockefeller Plaza
New York, New York 10020

Mr. Rawleigh Warner, Jr., President
Socony Mobil Oil Company
150 East 42nd Street
New York, New York 10017

Mr. H. Thomas Hallowell, Jr., President
Standard Pressed Steel Company
Highland Avenue
Jenkintown, Pennsylvania 19046

Mr. R. G. Follis, Chairman
Standard Oil of California
225 Bush Street
San Francisco, California 94120

Mr. J. K. Jamieson, President
Standard Oil Company (New Jersey)
30 Rockefeller Plaza
New York, New York 10020

Mr. John C. Cairns
Chairman of the Board & President
The Stanley Works
195 Lake Street
New Britain, Connecticut 06052

Mr. William B. Stokely, Jr.
Chairman of the Board
Stokely-VanCamp, Inc.
941 North Meridan Street
Indianapolis, Indiana 46204

Mr. Willis E. Haselwood, President
Tecumseh Products Company
Tecumseh, Michigan 49286

Mr. Claude O. Stephens, President
Texas Gulf Sulphur Company
200 Park Avenue
New York, New York 10017

Mr. J. Howard Rambin, Jr., Chairman
Texaco, Inc.
135 East 42nd Street
New York, New York 10017

Mr. H. A. Shepard, President
Thompson Ramo Wooldridge, Inc.
23555 Euclid Avenue
Cleveland, Ohio 44117

Mr. Charles C. Tillinghast, Jr.
Chairman & President
Trans World Airlines, Inc.
10 Richards Road
Kansas City, Missouri 64105

Mr. R. T. Gutz, President
True Temper Corporation
1623 Euclid Avenue
Cleveland, Ohio 44115

Mr. Hugo Reemer, President
U.S. Borax & Chemical Corporation
3075 Wilshire Boulevard
Los Angeles, California 90005

Mr. Birny Mason, Jr., President
Union Carbide Corporation
270 Park Avenue
New York, New York 10017

Mr. Roger Blough, Chairman
United States Steel Corporation
71 Broadway
New York, New York 10006

Mr. Maynard P. Venema
Chairman of the Board & President
Universal Oil Products Company
30 Algonquin Road
Des Plaines, Illinois 60016

Mr. Charles W. Call, Jr., President
Ward Foods, Inc.
475 Fifth Avenue
New York, New York 10017

Mr. Elmer H. Bobst, Chairman
Warner Lambert Pharmaceutical Company
201 Tabor Road
Morris Plains, New Jersey 07950

Mr. Arnold R. Finch
Vice President International Operations
West Bend Company
400 West Washington Street
West Bend, Wisconsin 53095

Mr. William E. Knox, Chairman
Westinghouse Electric International
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New York, New York 10017

Mr. Frank J. Nunlist, President
Worthington Corporation
401 Worthington Avenue
Harrison, New Jersey 07029

Additional Names

Mr. George Meany
President, AFL-CIO
815 16th Street, N.W.
Washington, D. C. 20006

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9 Washington Mews
New York, New York 10003

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President, Communications Workers
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Washington, D. C. 20006

Mr. William Golden
40 Wall Street
New York, New York 10005

General Alfred M. Gruenther
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Dr. Henry T. Heald
Heald, Hobson & Associates
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Professor Edward S. Mason
Department of Economics
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Mr. Dwayne O. Andreas
Chairman, Executive Committee
National City Bank of Minneapolis
Minneapolis, Minnesota 55440

Mr. Kenneth D. Naden
Executive Vice President
National Council of Farmer Cooperatives
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Washington, D. C. 20036

Dean Ernest C. Arbuckle
Graduate School of Business
Stanford University
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Mr. Sydney Stein, Jr.
Stein, Roe & Farnham
135 South LaSalle Street
Chicago, Illinois 60602

Dr. Luther H. Foster
President
Tuskegee Institute
Alabama 36088

Dr. Franklin D. Murphy
Chancellor, UCLA
Los Angeles, California 90024

Mr. William Z. Zellerbach
President, Zellerbach Paper Co.
343 Sansome Street
San Francisco, California 94126

SUGGESTED NON-BUSINESS PRIVATE SECTOR LEADERS
FOR WHITE HOUSE MEETING ON PRIVATE INVESTMENT IN LESS-DEVELOPED COUNTRIES

Alan Pifer, President
Carnegie Corporation of New York
589 Fifth Avenue
New York, New York

Logan Wilson, President
American Council on Education
1785 Massachusetts Avenue, N.W.
Washington, D. C.

Kingman Brewster, President
Yale University
New Haven, Connecticut

Robert J. Wert
Stanford University
Palo Alto, California

O. Meredith Wilson, President
University of Minnesota
Minneapolis, Minnesota

Don K. Price, Jr.
Dean of Public Administration
Harvard University
Cambridge, Massachusetts

Max Millikan
Professor of Economics
Massachusetts Institute of Technology
Cambridge, Massachusetts

Kenneth Holland, President
Institute of International Education
800 Second Avenue at 42nd Street
New York, New York

SUGGESTED GOVERNMENT OFFICIALS TO ATTEND WHITE HOUSE MEETING
ON PRIVATE INVESTMENT IN LESS-DEVELOPED COUNTRIES
(In addition to those attending the pre-dinner meeting)

Agency for International Development

Mr. William S. Gaud, Deputy Administrator
Mr. William B. Macomber, Jr., Assistant Administrator for Near East and South Asia
Mr. Edmond C. Hutchinson, Assistant Administrator for Africa
Mr. Rutherford M. Poats, Assistant Administrator for Far East
Mr. David Bronheim, Deputy U.S. Coordinator, Alliance for Progress
Mr. Donald W. Hoagland, Assistant Administrator for Development Finance and Private Enterprise
Mr. W. G. Carter, Associate Assistant Administrator for Private Enterprise

U.S. Department of Commerce

Mr. Alexander B. Trowbridge, Assistant Secretary for Domestic and International Business
Mr. Mark C. Feer, Deputy Assistant Secretary for Financial Policy
Mr. Robert Oshins, Director, Office of International Investment

U.S. Department of State

Mr. Lincoln Gordon, Assistant Secretary and U.S. Coordinator, Alliance for Progress
Mr. Anthony M. Solomon, Assistant Secretary for Economic Affairs
Mr. Eugene M. Braderman, Deputy Assistant Secretary for Commercial Affairs and Business Activities

U.S. Department of Agriculture

Mrs. Dorothy Jacobson, Assistant Secretary for International Affairs

Legislative Representatives

--to be selected by the White House

Mr. Smith:

FYI

rb

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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

43a

Francis: AID will be sending for the President a concrete proposal along these lines.

JUN 6 1966

OFFICE OF
THE ADMINISTRATOR

S

MEMORANDUM FOR: The Honorable Walt Rostow
The White House

We believe the Foreign Aid bill would be assisted, and the general purpose of the foreign aid program advanced, if the President would meet with a group of businessmen to emphasize the heavy private enterprise content of A.I.D.'s programs about the time the aid bill goes to the Senate floor (now expected about mid-June).

We believe the occasion for such a meeting is at hand. A sub-committee, headed by David Rockefeller, of the General Advisory Committee on Foreign Assistance Programs (Perkins Committee), is planning to recommend to the President that he make a major statement on the role of U.S. private enterprise in development. Rockefeller is working on a draft statement which will emphasize the importance of responsible corporate citizenship in foreign countries and the particular contributions U.S. business can make in the developing countries.

I suggest consideration of a meeting at the White House, at which the President could cover the points David Rockefeller has in mind plus other points as well. The meeting could be organized to include, in addition to members of the Perkins and Watson Committees, either

- a small group of carefully selected business leaders (on the order of, say, 25 men), or

- a larger group, including not only representatives of leading business organizations but also of a picked group of medium-large business firms which are interested in overseas investments but have yet to become actively involved (in all perhaps 100 to 200 men).

The purpose in either case would be to get a message across to the business community, and to be sure the Congress is thoroughly aware of the President's views. I would not expect much press play.

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The President's remarks at the meeting could include:

- A hard-hitting statement that despite the balance of payments difficulties we continue to encourage increased direct investment in the developing countries because of its superior efficiency, the technical assistance it embodies "free of charge", and the boost it gives to follow-on U.S. exports.

- A strong appeal to business firms to be good citizens abroad - e.g., to join (or create) local CED's, to support (or establish) programs of vocational and management training, to back local community planning and development activities.

- An indication of some priorities - fertilizer, food processing, local raw materials, non-traditional export industries.

In addition, we could try to have a few announcements ready, such as the first big extended risk guaranty for a fertilizer plant in India, and the new Southeast Asia Supplement to our world-wide Catalog of Investment Information and Opportunities.

Senator Javits has proposed that the Watson Committee be reconvened for a day to receive a progress report of action in response to its recommendations. I think the format proposed above would be much preferable. Dick Watson is a member of David Rockefeller's subcommittee, would naturally be invited to be present, and the President's speech could easily include some reference to progress on the Watson Committee's recommendations.

Bi-partisan Congressional participation, including Javits, in any White House meeting, would of course be highly desirable.

What do you think of this general idea? Would you like us to put together some specifics - draft remarks for the President, list of potential attendees?

David E. Bell

EXCERPTS FROM HICKENLOOPER AMENDMENT

Foreign Assistance Act 620 (e) (1)

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 of any government agency or subdivision within such country on or after January 1, 1962...has taken steps to repudiate or nullify existing contracts or agreements with and United States citizen or any corporation, partnership, or association not less than 50 percentum beneficially owned by United States citizens, or... and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claim Settlement Commission of the United States within such period as provided herein, nor more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange, equivalent to the full value thereof, as required by

international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and no other provision of this Act shall be construed to authorise the President to waive the provisions of this subsection.

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THE WHITE HOUSE
WASHINGTON

Sat. May 14, 1966
5:15 pm

MR. PRESIDENT:

Sect. Rusk asked that this go into your evening reading.

The issue is the Church Amendment:

-- Bill Gaud thinks we can live with it;

-- Sect. Rusk accepts the line of argument in the attached memorandum that we should oppose it; but he does not wish to proceed without your personal judgment.

Sect. Rusk will telephone you tomorrow (Sunday) to get your guidance.

W. W. Rostow

Recd from Pres 5/16/66
I would try to keep any amendment out if not I'd try for modified amendment in work paper L

45a

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

May 13, 1966

MEMORANDUM FOR THE SECRETARY

May 13

Bill Gaud called this afternoon to say that the Senate Foreign Relations Committee would be marking up the AID Bill on Monday.

We have submitted the Administration's position on every Amendment filed to date except on the Church Amendment (attached at Tab A) stating that "nothing in the Act shall be construed as a commitment to use armed forces".

Bill Gaud feels that we should not object to the Amendment, but point out that it is unnecessary (as set forth in the attached proposed position paper by AID, Tab A). Bill Gaud noted that when Senator Pell asked you last Monday whether AID appropriations connote Defense obligations, you had stated that neither implied nor prohibited such commitment, and he feels the proposed position he has recommended merely spells this out.

Len Meeker and Doug MacArthur believe that we should object to the Amendment because of its unfortunate policy implications and our history of having opposed an identical Amendment at the President's request in March. Their proposed position is attached at Tab B, and includes a recommended modification of the Amendment if it cannot be successfully opposed.

BHR

Benjamin H. Read
Executive Secretary

Prefer AID approach (Tab A) _____

MAY 14 1966

Prefer Meeker/MacArthur approach (Tab B) DR

Other _____

Attachments:
Tab A - Church amendment and AID position
Tab B - Messrs. Meeker & MacArthur position

But this requires WH approval OK

45-b

Senator Church's Amendment

Sec. 102 is amended by adding at the end thereof the following:

This Act, or the furnishing or economic, military, or other assistance under this Act, shall not be construed as a commitment to use armed forces of the United States for the defense of any foreign country.

Proposed Position

The Executive Branch would not object to this amendment, but points out that it is unnecessary.

The furnishing of assistance under the Foreign Assistance Act, of itself in no way implies or prohibits a commitment to use U. S. armed forces for the defense of any foreign country. Military commitments are made on their own basis for reasons vital to the security of the United States.

DEPARTMENT OF STATE
THE LEGAL ADVISER

45-C

May 14, 1966

MEMORANDUM FOR THE SECRETARY

FROM: L - Leonard C. Meeker LCM

SUBJECT: Church Amendment

We suggest the Church Amendment should be opposed. While Bill Gaud is undoubtedly right in stating that the amendment is unnecessary, we are concerned that the public and our allies will not grasp this point. It is true that the legislation relates to AID and not to our commitments to use our armed forces, but this point may be lost in the preparation of the Foreign Relations Committee report and on the floor of the Senate. Thus, we will be faced with the same problem we had with the amendments proposed in March -- there will be confusion as to the support by Congress of the President's policies in Viet Nam.

If outright opposition to the amendment is not successful, I think it should be modified along the following lines:

> "This Act, or the furnishing of economic, military, or other assistance under this Act, shall not be construed as creating a new commitment or as affecting any existing commitment to use armed forces of the United States for the defense of any foreign country."

This language would be consistent with your response last Monday to Senator Pell that the AID bill neither implies nor prohibits any commitments to use armed forces abroad.

Concurrence:

H - Ambassador MacArthur

L/E:MJBelman:jsf

Foreign Aid 1104

1 - Rostow 4/25
2 - Redmon

6729

APR 23 1958

46

LIMITED OFFICIAL USE

MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

SUBJECT: Foreign Aid -- the Cases of Indonesia and Ghana

On April 19, Mr. Hays Redmon requested a short study to serve as a basis for evaluating and rebutting the argument that where we cut off aid, favorable political changes have taken place, while where we have continued 'give away' programs, countries have swung toward the Communist orbit.

The attached study, which is a very quick cut at an extremely complicated problem, was prepared in S/P by Howard Wriggins and Henry Owen. It has not been cleared elsewhere.

Herbert Gordon

for

Benjamin H. Read
Executive Secretary

Enclosure:

As stated.

LIMITED OFFICIAL USE

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SUBJECT: Foreign Aid - Lessons from the Cases of Indonesia and Ghana

(A rebuttal to the argument that where we have cut off aid, as in Ghana and Indonesia, favorable political changes have taken place, while where we have continued "give away" programs, countries have swung toward the Communist orbit.)

From the attached analysis, we draw the following conclusions:

1) Ghana and Indonesia are examples of countries which were controlled by leaders who grossly mismanaged their internal affairs and who pursued adventurist foreign policies. In both countries there were responsible, moderate and intelligent alternative leaders who were available to replace Nkrumah and Sukarno. Under such circumstances, it is appropriate to cut off or refuse large scale assistance.

2) On the other hand, where moderate leaders are in power and are trying to follow sensible economic and reasonably realistic foreign policies, cutting off economic or military assistance will work to our disadvantage. For continued aid generally eases the task of governance, strengthens the hand of the moderates, usually encourages a more reasonable foreign policy and improves the likelihood of friendly relations with the United States for the longer run.

3) In short, the cases of Ghana and Indonesia illustrate a principle that is susceptible of only very sparing application. They do not provide a key to what we should do in other countries (e.g., India, Pakistan, Thailand, Brazil, and Turkey) whose circumstances more nearly approximate those described in para 2.

More detailed argument follows.

SUBJECT: Foreign Aid - Lessons from the Cases of Indonesia and Ghana

(A rebuttal to the argument that where we have cut off aid, as in Ghana and Indonesia, favorable political changes have taken place, while where we have continued "give away" programs, countries have swung toward the Communist orbit.)

1. Many factors must be taken into account.

In considering any single instance of the effects of U.S. assistance on the strength of communism in a country's domestic politics or foreign policy, many factors have to be taken into account.

The underdeveloped world is in the midst of great turmoil in the wake of the dismantling of European empires and newly acquired independence. The populace is often highly nationalistic, partially antagonistic to western influence as a reaction to their former colonial rulers, in part all too acutely aware of their economic--and in some cases--security dependence on us. The masses live in abject poverty and are sometimes susceptible to demagogic radical Communist appeals.

In the Far East large overseas Chinese populations provide convenient cover for clandestine operations. In the Middle East, disappointment of dreams of independence during World War I sharpened hostility to Europeans. Our association with Israel has further complicated our relationships with the Arab world. The American heritage of treating our Negro population as second-class citizens complicates our relationships in Africa.

Local leaders contend against each other on whatever issues are to hand; their constitutions are new and lack acceptance, and their political processes are fragile.

Foreign assistance can profoundly affect the environment of politics and ease the task of governance under most circumstances and often set some outer limits to a

country's

country's foreign relations. It cannot, however, be expected in itself to shape the course of political life, determine who shall lead a country or define the full expression of its foreign policy.

2. It is true that favorable political developments followed our substantial cuts in assistance to Indonesia and our decision to withhold food and other large-scale assistance from Ghana.

(a) In each case, our action was keyed to an unusual and specific conjunction of circumstances. In both countries, there had been a sharp deterioration in their respective economies, in part the result of declining terms of trade, but mainly due to (i) the irrational economic policies of both governments--heavy spending on prestige projects, excessive outlays on state-owned enterprises all of which were losing money, huge deficit financing, and (ii) costly and adventurist foreign policies. In neither case could we hope that substantial U.S. assistance would influence the direction of domestic economic development policy or affect foreign policy for the better.

(b) In each case, later political developments were only partly a result of our reduction in aid. Withholding assistance probably did make governance more difficult, since it restricted the resources available to the government and contributed to unrest and domestic opposition and thus speeded political change. However, other more important factors were in play, e.g., increasing resentment of Nkhrumah's authoritarianism and growing army alarm over Communist inroads in Indonesia.

3. Favorable developments we now expect in Indonesia and Ghana are in part attributable to the aid programs we did continue, since we did not cut off aid entirely to either country.

(a) In Indonesia, we made a deliberate decision to continue military and civilian training programs, including technical assistance which kept Americans in touch with constructive and responsible Indonesians and brought many Indonesians to the United States for training.

These training and technical assistance programs were sustained in the belief that should political change bring to power relatively sensible men who would tackle their problems more pragmatically, they would have available staff who possessed the necessary basic skills and who would be generally sympathetic to working with us. As it has turned out, the students and military who were the principal targets of our training programs are now in power in Indonesia.

(b) In Ghana, we continued a modest program of agricultural training and extension work and participant training in the United States, and we continued to honor the commitment to help finance the Volta River hydroelectric program made in conjunction with the World Bank. This steadfastness on the Volta project signalled to the new Ghanaian leaders the continued concern of the U.S. and the World Bank for the welfare of the people of their country.

4. There are few instances of countries which swung toward the Communist orbit while still continuing to receive U.S. assistance.

(a) For a considerable time, Cambodia appeared to come increasingly under Peking influence. Finally, in November, 1963, it asked us to liquidate our aid program and go home. This was the result of Sihanouk's calculation at the time that Communist China was the likely winner in Southeast Asia in the long run.

(b) In the case of Congo (Brazzaville), after a coup d'etat, we began to negotiate a resumption of a very modest aid program. As we were considering an end to aid, because the regime was coming increasingly under Communist influence, the Congo Government threw our AID director into jail and we broke off diplomatic and assistance relations altogether.

5. The

5. The Special Case of Pakistan

A superficial reading of Pakistan's experience would suggest that it also falls in the category of countries which are moving toward the Communist orbit, while still receiving U.S. aid. In fact, the case is a good deal more complex than that.

Until the outbreak of hostilities between India and Pakistan in the summer and fall of 1965, we provided substantial military and economic assistance. Nevertheless, since 1963, Pakistan has been normalizing its relations with Communist China.

6. There have been cases where a regime, originally depending on the Soviet Union for assistance, has broken away and sought a close relation with the United States, when we held the aid option open.

When France abruptly withdrew all assistance to Guinea in West Africa, the government asked us for assistance. We rejected their request in 1958 and they turned to the Soviet Union. Large numbers of Soviet technicians and substantial resources came to Guinea. Soviet spokesmen congratulated themselves on their foothold in West Africa, and Guinea's foreign policy in Africa actively sought to complicate Western interests in black Africa.

Instead of writing off Guinea, we quietly made it known that we were prepared to be helpful in a modest way should the time ever come. By 1961, the government of Guinea broke with its Soviet supporters, for the government believed the Soviets had been engineering internal opposition to Sekou Toure. Since then, we have provided modest assistance to Guinea, and the local government, at our request, has persistently refused the Soviet Union landing rights at the Soviet-built Conakry airport.

7. There

7. There have been some cases in which regimes that we have refused to assist have then turned to the Soviet Union.

In Egypt, the abrupt 1956 withdrawal of our offer to build the Aswan Dam substantially contributed to the present close relationship between the Soviet Union and the UAR on military assistance and other matters -- although it was preliminary negotiations on military assistance between Cairo and Moscow which provoked our precipitate cancellation of aid negotiations.

The government of Afghanistan originally asked us for military assistance, but we turned them down on a number of grounds. Kabul then turned to the Soviets, who became virtually the sole supplier and trainer of their military establishment.

Since 1962, India has been developing its military strength largely to deal with the threat from China. Pakistan fears the growing Indian military strength, and seeks improved relations with any country which could contribute to balancing Indian power in Asia. This trend would probably have been even more marked if the US had not been a source of aid to Pakistan. (Pakistan has, incidentally, shown itself thus far to be one of the most effective users of that aid in the economic field.)

The government of Pakistan is now under increasing domestic political pressures favoring closer relations with China. How far it has to yield to these pressures may depend in part upon what advantages it can demonstrate will accrue to Pakistan from continued association with us.

8. A deterioration in our position in other countries along the Sino-Soviet periphery would probably also occur, if we cut off aid, as the following examples suggest:

(a) The

(a) The Korean economy is doing well, growing at a rate of 7 percent average over the last five years, 8 percent during the last two. This growth constitutes remarkable progress compared to Korea's seemingly hopeless earlier situation. If it continues for a number of years, at some time in the future South Korea could even become economically self-sustaining. The government of Korea has broadened its base of political support, political opposition is allowed scope to organize and express its dissatisfactions. The South Koreans maintain an army larger than their economy would normally be able to carry; and the country has sent a sizeable troop contingent to South Viet-Nam. All of these positive conditions are still dependent upon sustained U.S. economic and military assistance. A sharp reduction would disrupt all these positive developments.

(b) Thailand at present is in the front line in South East Asia: It is close to North Viet-Nam and subject to direct infiltration across Laos. The Thais have traditionally sustained their independence by virtue of adroit diplomatic performance, balancing between hostile powers. So long as US economic and military aid makes the U.S. presence in the area effective and credible, the Thais feel they have an alternative to succumbing to Chinese Communist pressures. Thai ability to follow this independent course thus depends upon continued substantial U.S. assistance.

(c) In Afghanistan, also, economic assistance from the U.S. is the principal instrument we have for assuring the Afghans that they have an option other than becoming completely dependent upon their huge neighbor, the Soviet Union.

(d) The ability of India, the second most populous country in the world, to sustain a defense posture directed mainly against China, to continue democratic political practices, and to maintain national integration in the face of enormous diversity depends upon continued economic assistance. This assistance

has

has been used to encourage important changes in India's economic development policies which will promote more rapid expansion of food production, fewer government controls and more rapid growth of economic activity generally. A final cut-off of U.S. assistance would jeopardize these constructive trends and produce a serious disruption in India's delicately balanced internal politics.

Public Law 89-273
89th Congress, H. R. 10871
October 20, 1965

An Act

79 STAT. 1002

Making appropriations for Foreign Assistance and related agencies for the fiscal year ending June 30, 1966, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1966, namely:

Foreign Assistance and Related Agencies Appropriation Act, 1966.

TITLE I—FOREIGN ASSISTANCE

Funds Appropriated to the President

Mutual Defense and Development

For expenses necessary to enable the President to carry out the provisions of the Foreign Assistance Act of 1961, as amended, to remain available until June 30, 1966, unless otherwise specified herein, as follows:

75 Stat. 424.
22 USC 2151 note.

ECONOMIC ASSISTANCE

Technical cooperation and development grants: For expenses authorized by section 212, $202,355,000.

Ante, p. 654.

American schools and hospitals abroad: For expenses authorized by section 214(c), $7,000,000.

International organizations and programs: For expenses authorized by section 302, $144,755,000.

Ante, p. 656.

Supporting assistance: For expenses authorized by section 402, $369,200,000.

Contingency fund, general: For expenses authorized by section 451(a), $50,000,000.

Contingency fund, southeast Asia: For expenses authorized by section 451(a), $89,000,000.

Alliance for Progress, technical cooperation and development grants: For expenses authorized by section 252, $75,000,000.

Ante, p. 655.

Alliance for Progress, development loans: For expenses authorized by section 252, $435,125,000, together with such dollar amounts as are authorized to be made available for assistance under section 253, all such amounts to remain available until expended.

76 Stat. 258.
22 USC 2212.

Development loans: For expenses authorized by section 202(a), $618,225,000, together with such amounts as are authorized to be made available for expenses under section 203, all such amounts to remain available until expended: *Provided*, That no part of this appropriation may be used to carry out the provisions of section 205 of the Foreign Assistance Act of 1961, as amended.

75 Stat. 426.
22 USC 2162.

Ante, p. 653.

Administrative expenses: For expenses authorized by section 637(a), $54,240,000.

Ante, p. 661.

Administrative and other expenses: For expenses authorized by section 637(b) of the Foreign Assistance Act of 1961, as amended, and by section 305 of the Mutual Defense Assistance Control Act of 1951, as amended, $3,100,000.

75 Stat. 460.
22 USC 2397.
75 Stat. 463.
22 USC 1613d.

Unobligated balances as of June 30, 1965, of funds heretofore made available under the authority of the Foreign Assistance Act of 1961, as amended, except as otherwise provided by law, are hereby continued available for the fiscal year 1966, for the same general purposes for which appropriated and amounts certified pursuant to section 1311 of the Supplemental Appropriation Act, 1955, as having been obligated against appropriations heretofore made under the authority of the Mutual Security Act of 1954, as amended, and the Foreign

68 Stat. 830.
31 USC 200.
68 Stat. 832.
22 USC 1750-1941.

79 STAT. 1003

75 Stat. 424. 22 USC 2151 note.

Assistance Act of 1961, as amended, for the same general purpose as any of the subparagraphs under "Economic Assistance" are hereby continued available for the same period as the respective appropriations in such subparagraphs for the same general purpose: *Provided*, That such purpose relates to a project or program previously justified to Congress and the Committees on Appropriations of the House of Representatives and the Senate are notified prior to the reobligation of funds for such projects or programs.

Notification of congressional committees.

MILITARY ASSISTANCE

Military assistance: For expenses authorized by section 504(a) of the Foreign Assistance Act of 1961, as amended, including administrative expenses authorized by section 636(g)(1) of such Act, which shall not exceed $23,500,000 for the current fiscal year, and purchase of passenger motor vehicles for replacement only for use outside the United States: *Provided*, That none of the funds contained in this paragraph shall be available for the purchase of new automotive vehicles outside of the United States, $1,170,000,000.

Ante, p. 656. 75 Stat. 460. 22 USC 2396.

GENERAL PROVISIONS

Flood control and reclamation programs, etc.

SEC. 101. None of the funds herein appropriated (other than funds appropriated under the authorization for "International organizations and programs") shall be used to finance the construction of any new flood control, reclamation, or other water or related land resource project or program which has not met the standards and criteria used in determining the feasibility of flood control, reclamation and other water and related land resource programs and projects proposed for construction within the United States of America as per memorandum of the President dated May 15, 1962.

Engineering and architectural fees. Reports to congressional committees.

SEC. 102. Obligations made from funds herein appropriated for engineering and architectural fees and services to any individual or group of engineering and architectural firms on any one project in excess of $25,000 shall be reported to the Committees on Appropriations of the Senate and House of Representatives at least twice annually.

Restrictions.

SEC. 103. Except for the appropriations entitled "Contingency Fund", "Alliance for Progress, development loans", and "Development loans", not more than 20 per centum of any appropriation item made available by this title shall be obligated and/or reserved during the last month of availability.

SEC. 104. None of the funds herein appropriated nor any of the counterpart funds generated as a result of assistance hereunder or any prior Act shall be used to pay pensions, annuities, retirement pay or adjusted service compensation for any persons heretofore or hereafter serving in the armed forces of any recipient country.

Seating of Communist China in U. N., opposition.

SEC. 105. The Congress hereby reiterates its opposition to the seating in the United Nations of the Communist China regime as the representative of China, and it is hereby declared to be the continuing sense of the Congress that the Communist regime in China has not demonstrated its willingness to fulfill the obligations contained in the Charter of the United Nations and should not be recognized to represent China in the United Nations. In the event of the seating of representatives of the Chinese Communist regime in the Security Council or General Assembly of the United Nations the President is requested to inform the Congress insofar as is compatible with the requirements of national security, of the implications of this action upon the foreign policy of the United States and our foreign relationships, including that created

59 Stat. 1031.

79 STAT. 1004

by membership in the United Nations, together with any recommendations which he may have with respect to the matter.

Racial or religious discrimination.

SEC. 106. It is the sense of Congress that any attempt by foreign nations to create distinctions because of their race or religion among American citizens in the granting of personal or commercial access or any other rights otherwise available to United States citizens generally is repugnant to our principles; and in all negotiations between the United States and any foreign state arising as a result of funds appropriated under this title these principles shall be applied as the President may determine.

Restriction on assistance to certain countries. 22 USC 2151 note. 65 Stat. 645. 22 USC 1611-1611d.

SEC. 107. (a) No assistance shall be furnished under the Foreign Assistance Act of 1961, as amended, to any country which sells, furnishes, or permits any ships under its registry to carry to Cuba, so long as it is governed by the Castro regime, in addition to those items contained on the list maintained by the Administrator pursuant to title I of the Mutual Defense Assistance Control Act of 1951, as amended, any arms, ammunition, implements of war, atomic energy materials, or any other articles, materials, or supplies of primary strategic significance used in the production of arms, ammunition, and implements of war or of strategic significance to the conduct of war, including petroleum products.

Presidential determination of assistance. Report to congressional committees.

(b) No economic assistance shall be furnished under the Foreign Assistance Act of 1961, as amended, to any country which sells, furnishes, or permits any ships under its registry to carry items of economic assistance to Cuba, so long as it is governed by the Castro regime, or to North Vietnam, unless the President determines that the withholding of such assistance would be contrary to the national interest and reports such determination to the Foreign Relations and Appropriations Committees of the Senate and the Foreign Affairs and Appropriations Committees of the House of Representatives. Reports made pursuant to this subsection shall be published in the Federal Register within seven days of submission to the committees and shall contain a statement by the President of the reasons for such determination.

Publication in Federal Register.

Procurement outside U. S. Report to congressional committees.

SEC. 108. Any expenditure made from funds provided in this title for procurement outside the United States of any commodity in bulk and in excess of $100,000 shall be reported to the Committees on Appropriations of the Senate and the House of Representatives at least twice annually: *Provided*, That each such report shall state the reasons for which the President determined, pursuant to criteria set forth in section 604(a) of the Foreign Assistance Act of 1961, as amended, that foreign procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base which outweigh the economic or other advantages to United States of less costly procurement outside the United States.

75 Stat. 439. 22 USC 2354.

Communist nations. Furnishing of strategic materials, prohibition.

SEC. 109. (a) No assistance shall be furnished to any nation, whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended, for any arms, ammunition, implements of war, atomic energy materials, or any articles, materials, or supplies, such as petroleum, 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.

Economic assistance. Presidential determination. 22 USC 2174.

(b) No economic assistance shall be furnished to any nation whose government is based upon that theory of government known as communism under the Foreign Assistance Act of 1961, as amended (except section 214(b)), unless the President determines that the withholding

79 STAT. 1005

of such assistance would be contrary to the national interest and reports such determination to the Foreign Affairs and Appropriations Committees of the House of Representatives and Foreign Relations and Appropriations Committees of the Senate. Reports made pursuant to this subsection shall be published in the Federal Register within seven days of submission to the committees and shall contain a statement by the President of the reasons for such determination.

Report to congressional committees.

Publication in Federal Register.

SEC. 110. None of the funds appropriated or made available pursuant to this Act for carrying out the Foreign Assistance Act of 1961, as amended, may be used for making payments on any contract for procurement to which the United States is a party entered into after the date of enactment of this Act which does not contain a provision authorizing the termination of such contract for the convenience of the United States.

22 USC 2151 note.

SEC. 111. None of the funds appropriated or made available by this or any predecessor Act for the years subsequent to fiscal year 1962 for carrying out the Foreign Assistance Act of 1961, as amended, may be used on or after 60 days from the date of enactment of this Act to make payments with respect to any contract for the performance of services outside the United States by United States citizens unless the President shall have promulgated regulations that provide for the investigation of such citizens for loyalty and security to the extent necessary to protect the security and other interests of the United States: *Provided*, That such regulations shall require that any such United States citizen who will have access, in connection with the performance of such services, to information or material classified for security reasons shall be subject to such investigation as may otherwise be provided by law and executive order.

Citizens employed outside U. S. Loyalty investigations.

SEC. 112. None of the funds appropriated or made available under this Act for carrying out the Foreign Assistance Act of 1961, as amended, may be used to make payments with respect to any capital project financed by loans or grants from the United States where the United States has not directly approved the terms of the contracts and the firms to provide engineering, procurement, and construction services on such projects.

Capital projects. U. S. approval.

SEC. 113. Of the funds appropriated or made available pursuant to this Act not more than $12,000,000 may be used during the fiscal year ending June 30, 1966, in carrying out section 241 of the Foreign Assistance Act of 1961, as amended.

75 Stat. 433; 77 Stat. 382. 22 USC 2201.

SEC. 114. None of the funds appropriated or made available pursuant to this Act for carrying out the Foreign Assistance Act of 1961, as amended, may be used to pay in whole or in part any assessments, arrearages or dues of any member of the United Nations.

SEC. 115. None of the funds made available by this Act for carrying out the Foreign Assistance Act of 1961, as amended, may be obligated on or after April 30, 1964, for financing, in whole or in part, the direct costs of any contract for the construction of facilities and installations in any underdeveloped country, unless the President shall, on or before such date, have promulgated regulations designed to assure, to the maximum extent consistent with the national interest and the avoidance of excessive costs to the United States, that none of the funds made available by this Act and thereafter obligated shall be used to finance the direct costs under such contracts for construction work performed by persons other than qualified nationals of the recipient country or qualified citizens of the United States: *Provided, however*, That the President may waive the application of this amendment if it is important to the national interest.

Underdeveloped countries. Construction work.

SEC. 116. No assistance shall be furnished under the Foreign Assistance Act of 1961, as amended, to any country that sells, furnishes or

Restriction on assistance to certain countries.

79 STAT. 1006

permits any ships under its registry to carry to North Vietnam any of the items mentioned in subsection 107(a) of this Act unless the President determines that the withholding of such assistance would be contrary to the national interest of the United States and reports such determination to the Congress.

Report to Congress.

SEC. 117. None of the funds appropriated or made available in this Act for carrying out the Foreign Assistance Act of 1961, as amended, shall be available for assistance to the United Arab Republic, unless the President determines that such availability is essential to the national interest of the United States.

Restriction on assistance to United Arab Republic. Presidential determination.

SEC. 118. None of the funds appropriated or made available in this Act for carrying out the Foreign Assistance Act of 1961, as amended, shall be available for assistance to Indonesia, unless the President determines that such availability is essential to the national interest of the United States.

Restriction on assistance to Indonesia. Presidential determination.

TITLE II—FOREIGN ASSISTANCE (OTHER)

FUNDS APPROPRIATED TO THE PRESIDENT

PEACE CORPS

For expenses necessary to enable the President to carry out the provisions of the Peace Corps Act (75 Stat. 612), as amended, including purchase of not to exceed five passenger motor vehicles for use outside the United States, $102,000,000, together with not to exceed $12,100,000 of funds previously appropriated which are hereby continued available for the fiscal year 1966, of which not to exceed $24,100,000 shall be available for administrative expenses.

22 USC 2501 note.

DEPARTMENT OF THE ARMY—CIVIL FUNCTIONS

RYUKYU ISLANDS, ARMY

ADMINISTRATION

For expenses, not otherwise provided for, necessary to meet the responsibilities and obligations of the United States in connection with the government of the Ryukyu Islands, as authorized by the Act of July 12, 1960 (74 Stat. 461), as amended (76 Stat. 742); services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), of individuals not to exceed ten in number; not to exceed $4,000 for contingencies for the High Commissioner, to be expended in his discretion; hire of passenger motor vehicles and aircraft; purchase of one passenger motor vehicle, for replacement only; and construction, repair, and maintenance of buildings, utilities, facilities, and appurtenances; $14,733,000, of which not to exceed $2,733,000 shall be available for administrative and information expenses: *Provided*, That expenditures from this appropriation may be made outside continental United States when necessary to carry out its purposes, without regard to sections 355 and 3648, Revised Statutes, as amended, section 4774(d) of title 10, United States Code, civil service or classification laws, or provisions of law prohibiting payment of any person not a citizen of the United States: *Provided further*, That funds appropriated hereunder may be used, insofar as practicable, and under such rules and regulations as may be prescribed by the Secretary of the Army to pay ocean transportation charges from United States ports, including territorial ports, to ports in the Ryukyus for the movement of supplies donated to, or purchased by, United States voluntary nonprofit relief agencies registered with and recommended by the

60 Stat. 810.

40 USC 255; 31 USC 529. 70A Stat. 269.

Advisory Committee on Voluntary Foreign Aid or of relief packages consigned to individuals residing in such areas: *Provided further*, That the President may transfer to any other department or agency any function or functions provided for under this appropriation, and there shall be transferred to any such department or agency, without reimbursement and without regard to the appropriation from which procured, such property as the Director of the Bureau of the Budget shall determine to relate primarily to any function or functions so transferred: *Provided further*, That reimbursement shall be made to the applicable military appropriation for the pay and allowances of any military personnel performing services primarily for the purposes of this appropriation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ASSISTANCE TO REFUGEES IN THE UNITED STATES

For expenses necessary to carry out the provisions of the Migration and Refugee Assistance Act of 1962 (Public Law 87-510), relating to aid to refugees within the United States, including hire of passenger motor vehicles, and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), $30,000,000.

76 Stat. 121.
22 USC 2601 note.
60 Stat. 810.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

For expenses, not otherwise provided for, necessary to enable the Secretary of State to provide assistance to refugees, as authorized by law, including contributions to the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees; salaries and expenses of personnel and dependents as authorized by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158); allowances as authorized by the Overseas Differentials and Allowances Act (5 U.S.C. 3031-3039); hire of passenger motor vehicles; and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); $7,575,000, of which not to exceed $7,050,000 shall remain available until December 31, 1966: *Provided*, That no funds herein appropriated shall be used to assist directly in the migration to any nation in the Western Hemisphere of any person not having a security clearance based on reasonable standards to insure against Communist infiltration in the Western Hemisphere: *Provided further*, That $371,000 of the balances of prior year appropriations under this head shall remain available until December 31, 1965.

60 Stat. 999.
74 Stat. 792.

FUNDS APPROPRIATED TO THE PRESIDENT

INVESTMENT IN INTER-AMERICAN DEVELOPMENT BANK

For subscription to the Inter-American Development Bank for the second installment on the increase in callable capital stock and for the second installment of the United States share in the increase in the resources of the Fund for Special Operations of the Bank, $455,880,000, to remain available until expended.

SUBSCRIPTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION

For payment of the first installment of the supplementary contributions of the United States to the International Development Association, $104,000,000, to remain available until expended.

TITLE III—EXPORT-IMPORT BANK OF WASHINGTON

The Export-Import Bank of Washington is hereby authorized to make such expenditures within the limits of funds and borrowing authority available to such corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the program set forth in the budget for the current fiscal year for such corporation, except as hereinafter provided.

61 Stat. 584.
31 USC 849.

LIMITATION ON OPERATING EXPENSES

Not to exceed $1,186,120,000 (of which not to exceed $900,000,000 shall be for long term project and equipment loans) shall be authorized during the current fiscal year for other than administrative expenses.

LIMITATION ON ADMINISTRATIVE EXPENSES

Not to exceed $4,052,000 (to be computed on an accrual basis) shall be available during the current fiscal year for administrative expenses, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), and not to exceed $9,000 for entertainment allowances for members of the Board of Directors: *Provided*, That (1) fees or dues to international organizations of credit institutions engaged in financing foreign trade, (2) necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Bank or in which it has an interest, including expenses of collections of pledged collateral, or the investigation or appraisal of any property in respect to which an application for a loan has been made, and (3) expenses (other than internal expenses of the Bank) incurred in connection with the issuance and servicing of guarantees, insurance, and reinsurance, shall be considered as nonadministrative expenses for the purposes hereof.

60 Stat. 810.

Extension of credit to Communist countries, restriction.

None of the funds made available because of the provisions of this title shall be used by the Export-Import Bank to either guarantee the payment of any obligation hereafter incurred by any Communist country (as defined in section 620(f) of the Foreign Assistance Act of 1961, as amended) or any agency or national thereof, or in any other way to participate in the extension of credit to any such country, agency, or national, in connection with the purchase of any product by such country, agency, or national, except when the President determines that such guarantees would be in the national interest and reports each such determination to the House of Representatives and the Senate within 30 days after such determination.

76 Stat. 261; 78 Stat. 1013.
22 USC 2370.
Report to Congress.

TITLE IV—GENERAL PROVISIONS

Publicity or propaganda.

SEC. 401. No part of any appropriation contained in this Act shall be used for publicity or propaganda purposes within the United States not heretofore authorized by the Congress.

Inspector General, Foreign Assistance. Expenses.

SEC. 402. None of the funds herein appropriated shall be used for expenses of the Inspector General, Foreign Assistance, after the expiration of the thirty-five day period which begins on the date the General Accounting Office or any committee of the Congress, or any duly authorized subcommittee thereof, charged with considering foreign assistance legislation, appropriations, or expenditures, has delivered to the Office of the Inspector General, Foreign Assistance,

79 STAT. 1009

a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report, or other material in the custody or control of the Inspector General, Foreign Assistance, relating to any review, inspection, or audit arranged for, directed, or conducted by him, unless and until there has been furnished to the General Accounting Office or to such committee or subcommittee, as the case may be, (A) the document, paper, communication, audit, review, finding, recommendation, report, or other material so requested or (B) a certification by the President, personally, that he has forbidden the furnishing thereof pursuant to such request and his reason for so doing.

Short title.

This Act may be cited as the "Foreign Assistance and Related Agencies Appropriation Act, 1966."

Approved October 20, 1965.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 955 (Comm. on Appropriations) and No. 1103 (Comm. of Conference).
SENATE REPORT No. 708 (Comm. on Appropriations).
CONGRESSIONAL RECORD, Vol. 111 (1965):
Sept. 8: Considered and passed House.
Sept. 22: Considered in Senate.
Sept. 23: Considered and passed Senate, amended.
Oct. 1: House agreed to conference report.
Oct. 5: Senate agreed to conference report.

GPO 50-139

As amended through October 31, 1964. Originally enacted July 10, 1954, (68 Stat. 454)

Public Law 480 - 83d Congress
Chapter 469 - 2d Session
S. 2475

AN ACT

To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

SEC. 2. It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor. It is further the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the United States. (7 U.S.C. 1691)[1]

TITLE 1--SALES FOR FOREIGN CURRENCY[2]

SEC. 101.[3] In furtherance of this policy, the President is authorized to negotiate and carry out agreements with friendly nations or organizations of friendly nations to

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[1] The Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 387, approved December 16, 1963, amended Chapter 1 of Part III of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2370 (i)), to add subsection (i) to Section 620 of said Chapter 1, reading as follows:

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

"(1) the United States,

"(2) any country receiving assistance under this or any other Act, or

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

until the President determines that such military efforts or preparations have ceased and he reports to the Congress that he has received assurances satisfactory to him that such military efforts or preparations will not be renewed. This restriction may not be waived pursuant to any authority contained in this Act."

See note 41.

[2] Sec. 3, Public Law 962, 84th Congress, 70 Stat. 988, approved August 3, 1956, reads as follows:

"Sales of fresh fruit and the products thereof under title I of the Act shall be exempt from the requirements of the cargo preference laws (Public Resolution 17, Seventy-third Congress (15 U.S.C. 616a) and section 901 (b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241 (b))."

[3] Public Law 85-128, 71 Stat. 345, approved August 13, 1957 (7 U.S.C. 1704a), provides that: "Within sixty days after any agreement is entered into for the use of any foreign currencies, a full report thereon shall be made to the Senate and House of Representatives of the United States and to the Committees on Agriculture and Appropriations thereof."

Prepared for distribution by Foreign Agricultural Service, USDA.

provide for the sale of surplus agricultural commodities for foreign currencies. In negotiating such agreements the President shall--

(a) take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this Act will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;[4]

(b) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and from stocks owned by the Commodity Credit Corporation;

(c) give special consideration to utilizing the authority and funds provided by this Act, in order to develop and expand continuous market demand abroad for agricultural commodities, with appropriate emphasis on underdeveloped and new market areas;

(d) seek and secure commitments from participating countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of surplus agricultural commodities purchased under this Act, without specific approval of the President; and

(e) afford any friendly nation the maximum opportunity to purchase surplus agricultural commodities from the United States, taking into consideration the opportunities to achieve the declared policy of this Act and to make effective use of the foreign currencies received to carry out the purposes of this Act.

(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 in the respective countries, and which are not less favorable than the highest of exchange rates obtainable by any other nation;[5]

(g) require such foreign currencies to be convertible to dollars to the extent consistent with the effectuation of the purpose of this Act, but in any event to the extent necessary to permit that portion of such currencies made available for payment of United States obligations to be used to meet obligations or charges payable by the United States or any of its agencies to the government of the importing country or any of its agencies.[6] (7 U.S.C. 1701)

SEC. 102.[7] (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this

[4] The words "or normal patterns of commercial trade with friendly countries;" added by Public Law 85-931, 72 Stat. 1790, approved September 6, 1958.

[5] This subsection was added by Public Law 87-128, 75 Stat. 306, approved August 8, 1961, and revised by Section 403(a) of the Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 390, approved December 16, 1963, and by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

[6] Subsection (g) was added by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

[7] Sec. 8 of Public Law 85-931, 72 Stat. 1792, approved September 6,1958, provides as follows: "In carrying out the provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended, extra long staple cotton shall be made available for sale pursuant to the provisions of title I of the Act in the same manner as upland cotton or any other surplus agricultural commodity is made available, and products manufactured from upland or long staple cotton shall be made available for sale pursuant to the provisions of title I of the Act as long as cotton is in surplus supply, and no discriminatory or other conditions shall be imposed which will prevent or tend to interfere with their sale or availability for sale under the Act: *Provided*, That that portion of the sales price of such products which is financed as a sale for foreign currency under title I of the Act shall be limited to the estimated portion of the sales price of such products attributable to the raw cotton content of such products."

subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended.[8] The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897)[9] shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks. The commodity Credit Corporation shall finance ocean freight charges incurred pursuant to agreements entered into after December 31, 1964, only to the extent that such charges are higher (than would otherwise be the case) by reason of a requirement that the commodities be transported in United States flag vessels. Such agreements shall require the balance of such charges for transportation in United States vessels to be paid in dollars by the nations or organizations with whom such agreements are entered into.[10]

(b) In order to facilitate and maximize the use of private channels of trade in carrying out agreements entered into pursuant to this Act, the President may, under such regulations and subject to such safeguards as he deems appropriate, provide for the issuance of letters of commitment against funds or guaranties of funds supplied by the Commodity Credit Corporation and for this purpose accounts may be established on the books of any department, agency, or establishment of the Government, or on terms and conditions approved by the Secretary of the Treasury in banking institutions in the United States. Such letters of commitment, when issued, shall constitute obligations of the United States and moneys due or to become due thereunder shall be assignable under the Assignment of Claims Act of 1940.[11] Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds. (7 U.S.C. 1702)

SEC. 103. (a) For the purpose of making payment to the Commodity Credit Corporation to the extent the Commodity Credit Corporation is not reimbursed under section 105 for commodities disposed of and costs incurred under titles I and II of this Act, there are hereby authorized to be appropriated such sums as are equal to (1) the Corporation's investment in commodities made available for export under this title and title II of this Act, including processing, packaging, transportation, and handling costs, (2) all costs incurred by the Corporation in making funds available to finance the exportation of surplus agricultural commodities pursuant to this title and, (3) all Commodity Credit Corporation funds expended for ocean freight costs authorized under title II hereof for purposes of section 416 of the Agricultural Act of 1949, as amended. Any funds or other assets available to the Commodity Credit Corporation may be used in advance of such appropriation or payments, for carrying out the purposes of this Act. In presenting his budget, the President shall classify expenditures under this Act as expenditures for international affairs and finance rather than for agriculture and agricultural resources.[12]

(b) Agreements shall not be entered into under this title during the period beginning January 1, 1965, and ending December 31, 1966, which will call for appropriations to reimburse the Commodity Credit Corporation in a total amount in excess of $2,700,000,000 plus any amount by which agreements entered into in prior years have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less

[8] 7 U.S.C. 1427.

[9] 7 U.S.C. 1741.

[10] This subsection was revised by Public Law 25, 84th Congress, 69 Stat. 44, approved April 25, 1955. The last two sentences were added by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

[11] 31 U.S.C. 203; 41 U.S.C. 15.

[12] Section 103(a)(3) through the words "as amended" was added by Public Law 540, 84th Congress, 70 Stat. 188, approved May 28, 1956. Last sentence was added by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

than authorized for such prior years by this Act as in effect during such years: *Provided*, That agreements shall not be entered into during any calendar year of such period which will call for appropriations to reimburse the Commodity Credit Corporation in amounts in excess of $2,500,000,000.[13] (7 U.S.C. 1703)

SEC. 104. Notwithstanding Section 1415 of the Supplemental Appropriation Act, 1953,[14] or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies, including principal and interest from loan repayments, which accrue under this title for one or more of the following purposes:[15]

(a) To help develop new markets for United States agricultural commodities on a mutually benefiting basis. From sale proceeds and loan repayments under this title not less than the equivalent of 5 per centum of the total sales made each year under this title after the date of this amendment shall be set aside in the amounts and kinds of foreign currencies specified by the Secretary of Agriculture and made available in advance for use as provided by this subsection over such period of years as the Secretary of Agriculture determines will most effectively carry out the purpose of this subsection: *Provided*, That no such funds shall be allocated under this subsection after June 30, 1960, except as may be specified, from time to time, in appropriation acts.[16] Provision shall be made in sale and loan agreements for the convertibility of such amount of the proceeds thereof (not less than 2 per centum) as the Secretary of Agriculture determines to be needed to carry out the purpose of this subsection in those countries which are or offer reasonable potential of becoming dollar markets for United States agricultural commodities. Such sums shall be converted into the types and kinds of foreign currencies as the Secretary deems necessary to carry out the provisions of this subsection and such sums shall be deposited to a special Treasury account and shall not be made available or expended except for carrying out the provisions of this subsection. Notwithstanding any other provision of law, if sufficient foreign currencies for carrying out the purpose of this subsection in such countries are not otherwise available, the Secretary of Agriculture is authorized and directed to enter into

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[13] Section 103(b) effective January 1, 1965, as amended by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964. Previous authorizations were as follows:

Authority	*Approved*	*Amount added*	*Terminal date*
Public Law 480, 83rd Congress, 68 Stat. 454	July 10, 1954	$700 million	June 30, 1957
Public Law 387, 84th Congress, 69 Stat. 721	August 12, 1955	$800 million	June 30, 1957
Public Law 962, 84th Congress, 70 Stat. 988	August 3, 1956	$1.5 billion	June 30, 1957
Public Law 85-128, 71 Stat. 345	August 13, 1957	$1.0 billion	June 30, 1958
Public Law 85-931, 72 Stat. 1790	September 6, 1958	$2.25 billion	December 31, 1959
Public Law 86-341, 73 Stat. 606	September 21, 1959	$3.0 billion	December 31, 1961
Public Law 87-28, 75 Stat. 64	May 4, 1961	$2.0 billion	December 31, 1961
Public Law 87-128, 75 Stat. 306	August 8, 1961	$4.5 billion	December 31, 1964

The first three amendments to the original act expressed the authorization as a cumulative figure. Public Law 387, 84th Congress, 69 Stat. 721, amended the section to provide that "This limitation shall not be apportioned by year or by country, but shall be considered as an objective as well as a limitation, to be reached as rapidly as possible so long as the purposes of this Act can be achieved within the safeguards established." Public Law 85-931, 72 Stat. 1790, approved September 6, 1958, provided an authorization for the period beginning July 1, 1958, through December 31, 1959, of $2.25 billion "plus any amount by which agreements entered into in prior fiscal years have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than authorized for such prior fiscal years by this Act as in effect during such fiscal years." Provision for carryover of unused funds was contained in the authorizations provided by Public Law 86-341, 73 Stat. 606, and Public Law 87-28, 75 Stat. 64, but there was no such provision in Public Law 87-128, 75 Stat. 306. The provision is again included in section 103(b) of Public Law 480, 83rd Congress, as amended by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

[14] Section 1415 provides that "Foreign credits owed to or owned by the United States Treasury will not be available for expenditure by agencies of the United States after June 30, 1953, except as may be provided for annually in appropriation Acts and provisions for the utilization of such credits for purposes authorized by law are hereby authorized to be included in general appropriation Acts." Public Law 547, 82d Congress, 66 Stat. 637, approved July 15, 1952 (31 U.S.C. 724).

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[15] The words, "including principal and interest from loan repayments," were added by Pub-Law 87-128, 75 Stat. 306, approved August 8, 1961.

See also sec. 407 of the Act of September 1, 1954, as amended (5 U.S.C. 171z-1), which provides:

"In addition to family housing and community facilities otherwise authorized to be constructed or acquired by the Department of Defense, the Secretary of Defense is authorized, subject to the approval of the Director of the Bureau of the Budget, to construct, or acquire by lease or otherwise, family housing for occupancy as public quarters, and community facilities, in foreign countries through housing and community facilities projects which utilize foreign currencies to a value not to exceed $250,000,000 acquired pursuant to the provisions of the Agricultural Trade Development and Assistance Act of 1954 or through other commodity transactions of the Commodity Credit Corporation.

"The Department of Defense shall pay the Commodity Credit Corporation, from appropriations otherwise available for the payment of quarters allowances for military personnel and from appropriate allotments or rental charges for civilian personnel, amounts equal to the quarters allowances or allotments otherwise payable to or the rental charges collected from personnel occupying any housing constructed or acquired under authority of this section after deducting amounts chargeable for the maintenance and operation of such housing: *Provided*, That such payments shall not exceed the dollar equivalent of the value of the foreign currencies used for all such construction or acquisition."

See also Public Law 86-610, 74 Stat. 368, approved July 12, 1960, which authorizes, subject to section 1415 of the Supplemental Appropriation Act, 1953, the use of Title I foreign currencies to advance health science activities. For text of section 1415, see note 14 above.

[16] Sections 507 and 508 of the Public Works Appropriation Act, 1964, Public Law 88-257, 77 Stat. 856, approved December 31, 1963, provide as follows:

"Sec. 507. Pursuant to section 1415 of the Act of July 15, 1952 (66 Stat. 662), foreign credits (including currencies) owed to or owned by the United States may be used by Federal agencies for any purpose for which appropriations are made for the current fiscal year (including the carrying out of Acts requiring or authorizing the use of such credits), only when reimbursement therefor is made to the Treasury from applicable appropriations of the agency concerned: *Provided*, That such credits received as exchange allowances or proceeds of sales of personal property may be used in whole or part payment for acquisition of similar items, to the extent and in the manner authorized by law, without reimbursement to the Treasury.

Sec. 508. During the current fiscal year, any foreign currencies held by the United States which have been or may be reserved or set aside for specified programs or activities of any agency may be carried on the books of the Treasury in unfunded accounts."

These sections are also included in the Public Works Appropriation Act, 1965, Public Law 88-511, 78 Stat. 694, approved August 30, 1964.

agreements with such countries for the sale of surplus agricultural commodities in such amounts as the Secretary of Agriculture determines to be adequate and for the use of the proceeds to carry out the purpose of this subsection;[17]

(b) To purchase or contract to purchase, in such amounts as may be specified from time to time in appropriation acts, strategic or other materials for a supplemental United States stockpile of such materials as the President may determine from time to time. Such strategic or other materials acquired under this subsection shall be placed in the above named supplemental stockpile and shall be released therefrom only under the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act;[18]

(c) To procure equipment, materials, facilities, and services for the common defense including internal security;[19]

(d) For financing the purchase of goods or services for other friendly countries;

(e) For promoting balanced economic development and trade among nations, for which purposes currencies shall also be available to the maximum usable extent through and under the procedures established by such agency as the President shall direct for loans mutually agreeable to said agency and the country with which the agreement is made to United States business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries and for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products: *Provided, however,* That no such loans shall be made for the manufacture of any products to be exported to the United States in competition with products produced in the United States or for the manufacture or production of any commodity to be marketed in competition with United States agricultural commodities or the products thereof. Foreign currencies may be accepted in repayment of such loans.[20]

(f) To pay United States obligations abroad;

(g) For loans to promote multilateral trade and economic development, made through established banking facilities of the friendly nation from which the foreign currency was obtained or in any other manner which the President may deem to be appropriate. Strategic materials, services, or foreign currencies may be accepted in payment of such loans;

(h) For the financing of international educational exchange activities under the programs authorized by section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U.S.C. App. 1641 (b)) and for the financing in such amounts as may be specified from time to time in appropriation acts of programs for the interchange of persons under title II of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1446). In the allocation of funds as among the various purposes set forth in this section, a special effort shall be made to provide for the purposes of this subsection, including a particular effort

[17] All but the first sentence of subsection (a) was added by Public Law 86-341, 73 Stat. 606, approved September 21, 1959, and was further amended by Public Law 87-128, 75 Stat. 306, approved August 8, 1961.

Section 203 of Public Law 87-128, 75 Stat. 306, approved August 8, 1961 (5 U.S.C. 577), provides as follows: "Sec. 203. In the conduct of foreign market development programs, the Secretary of Agriculture is authorized to credit contributions from individuals, firms, associations, agencies, and other groups, and the proceeds received from space rentals, and sales of products and materials at exhibitions, to the appropriations charged with the cost of acquiring such space, products and materials."

[18] Amended by Public Law 86-341, 73 Stat. 606, approved September 21, 1959.

[19] Amended by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

[20] Amended by Public Law 85-128, 71 Stat. 345, approved August 13, 1957; by Public Law 87-195, 75 Stat. 463, approved September 4, 1961; and by Public Law 88-638, 78 Stat. 1035, approved October 8, 1964.

with regard to: (1) countries where adequate funds are not available from other sources for such purposes, and (2) countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years for such purposes, such special and particular effort to include the setting aside of such amounts from sale proceeds and loan repayments under this title, not in excess of $1,000,000 a year in any one country for a period of not more than five years in advance, as may be determined by the Secretary of State to be required for the purposes of this subsection;[21]

(i) For financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad: *Provided,* That not more than $5,000,000 may be allocated for this purpose during any fiscal year.[22]

(j) For providing assistance to activities and projects authorized by section 203 of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1448), but no foreign currencies which are available under the terms of any agreement for appropriation for the general use of the United States shall be used for the purposes of this subsection (j) without appropriation therefor;[23]

(k) To collect, collate, translate, abstract, and disseminate scientific and technological information and to conduct research and support scientific activities overseas including programs and projects of scientific cooperation between the United States and other countries such as coordinated research against diseases common to all of mankind or unique to individual regions of the globe, and to promote and support programs of medical and scientific research, cultural and educational development, health, nutrition, and sanitation: *Provided,* That foreign currencies shall be available for the purposes of this subsection (in addition to funds otherwise made available for such purposes) only in such amounts as may be specified from time to time in appropriation Acts;[24]

(l) For the acquisition by purchase, lease, rental or otherwise, of sites and buildings and grounds abroad, for United States Government use including offices, residence quarters, community and other facilities, and for construction, repair, alteration and furnishing of such buildings and facilities: *Provided,* That foreign currencies shall be available for the purposes of this subsection (in addition to funds otherwise made available for such purposes) in such amounts as may be specified from time to time in appropriation acts;[25]

(m) For financing in such amounts as may be specified from time to time in appropriation acts (A) trade fair participation and related activities authorized by section 3 of the International Cultural Exchange and Trade Fair Participation Act of 1956 (22 U.S.C. 1992), or section 212(B) of the Merchant Marine Act, 1936,[26] and (B) agricultural and horticultural fair participation and related activities;[25]

(n) For financing under the direction of the Librarian of Congress, in consultation with the National Science Foundation and other interested agencies, in such amounts as may be specified from time to time in appropriation acts, (1) programs outside the United States for the analysis and evaluation of foreign books, periodicals, and other materials to determine whether they would provide information of technical or scientific significance in the United States and whether such books, periodicals, and other materials are of cultural or educational significance;

[21] Amended by Public Law 85-931, 72 Stat. 1790, approved September 6, 1958; Public Law 726, 84th Congress, 70 Stat. 555, approved July 18, 1956; and by Public Law 85-141, 71 Stat. 355, approved August 14, 1957.

[22] Added by Public Law 726, 84th Congress, 70 Stat. 555, approved July 18, 1956.

[23] Added by Public Law 962, 84th Congress, 70 Stat. 988, approved August 3, 1956.

[24] Added by Public Law 85-477, 72 Stat. 261, approved June 30, 1958, and amended by Public Law 86-108, 73 Stat. 246, approved July 24, 1959, and by Public Law 86-341, 73 Stat. 606, approved September 21, 1959.

[25] Added by Public Law 85-931, 72 Stat. 1790, approved September 6, 1958.

(2) the registry, indexing, binding, reproduction, cataloging, abstracting, translating, and dissemination of books, periodicals, and related materials determined to have such significance; and (3) the acquisition of such books, periodicals, and other materials and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate;[25]

(o) For providing assistance, in such amounts as may be specified from time to time in appropriation acts, by grant or otherwise, in the expansion or operation in foreign countries of established schools, colleges, or universities founded or sponsored by citizens of the United States, for the purpose of enabling such educational institutions to carry on programs of vocational, professional, scientific, technological, or general education;[27]

(p) For supporting workshops in American studies or American educational techniques and supporting chairs in American studies;[27]

(q) For assistance to meet emergency or extraordinary relief requirements other than requirements for surplus food commodities: *Provided*, That not more than a total amount equivalent to $5,000,000 may be made available for this purpose during any fiscal year;[28]

(r) For financing the preparation, distribution, and exhibiting of audio-visual informational and educational materials, including Government materials, abroad: *Provided*, That not more than a total amount equivalent to $2,500,000 may be made available for this purpose during any fiscal year, but nothing in this subsection shall limit or affect the use of foreign currencies to finance the preparation, distribution, or exhibition of such materials in connection with trade fairs and other market development activities under subsection (a);[28]

(s) For the sale for dollars to American tourists under such terms and conditions as the President may prescribe;[29]

(t) "For sale to United States citizens as provided herein. In order to provide for the foreign currency needs of United States Citizens for travel or other purposes, the Secretary of the Treasury may make available for sale for United States dollars to such citizens, at United States embassies or other convenient locations, foreign currencies acquired by the United States through operations under the Foreign Assistance Act of 1961, as amended, the Mutual Security Act of 1954, as amended, or any Act repealed thereby, or the Agricultural Trade Development and Assistance Act of 1954, as amended, which (1) he determines to be in excess of the needs of departments and agencies of the United States for such currencies, and (2) are not prohibited from such use or committed to other uses by agreement heretofore entered into with another country. United States dollars received from the sale of foreign currencies under this subsection shall be deposited in the Treasury as miscellaneous receipts, except that in the case of any such foreign currencies acquired through operations under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, the United States dollars received from the sale of such foreign currencies shall be deposited to the account of the

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[26] Public Law 87-839, 76 Stat. 1074, approved October 18, 1962.

[27] Subsection (o), when added by Public Law 85-931, 72 Stat. 1790, approved September 6, 1958, also included the purpose authorized in subsection (p). Public Law 86-341, 73 Stat. 706, approved September 21, 1959, separated the original subsection (o) into subsections (o) and (p).

[28] Added by Public Law 86-341, 73 Stat. 606, approved September 21, 1959.

[29] Added by Public Law 87-128, 75 Stat. 306, approved August 8, 1961.

Commodity Credit Corporation and shall be treated as a reimbursement to Commodity Credit Corporation under section 105 of this Act.[30,31]

Provided, however, That section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for grants under subsections (d) and (e) and for payment of United States obligations involving grants under subsection (f) and to not less than 10 per centum of the foreign currencies which accrue under this title pursuant to agreements entered into on or before December 31, 1964 and to not less than 20 per centum in the aggregate of the foreign currencies which accrue pursuant to agreements entered into thereafter:[32] *Provided, however*, That the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purposes of this title: *Provided, however*, That no foreign currencies shall be available pursuant to subsections (k), (p), and (r), except in such amounts as may be specified from time to time in appropriation Acts.[33]

There is hereby established an advisory committee composed of the Secretary of Agriculture, the Director of the Bureau of the Budget, the Administrator of the Agency for International Development, the chairman and the ranking minority member of the House Committee on Agriculture, and the chairman and the ranking minority member of the Senate Committee on Agriculture and Forestry. Such Committee shall review from time to time the status and usage of foreign currencies which accrue under this title, and shall make recommendations to the President as to ways and means of assuring to the United States (1) the maximum benefit from the use of such currencies, making special reference to any such currencies which are excess to the normal requirements of United States agencies, and (2) the maximum return from sales made under this title. Such Committee shall make such other recommendations for improving this Act and its administration as such Committee may deem fit.

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[30] The provision beginning with "In order to" and ending with "miscellaneous receipts" was added by Section 301(d) of the Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 386, approved December 16, 1963, as subsection (b) to Section 612 of Chapter I of Part III of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2362 (b)).

Section 2 of Public Law 88-638, 78 Stat. 1035, approved October 8, 1964, redesignated subsection (b) of section 612 of the Foreign Assistance Act of 1961, as amended, as subsection (t) of section 104 of the Agricultural Trade Development and Assistance Act of 1954, as amended, and added the words, "For sale to United States citizens as provided herein," and the exception beginning with "except" and ending with "this Act".

[31] Section 301(c) of the Foreign Assistance Act of 1964, Public Law 88-633, 78 Stat. 1012, approved October 7, 1964, amended Section 612 of the Foreign Assistance Act of 1961, as amended, by adding the following new subsection (c):

"(c) Any Act of the Congress making appropriations to carry out programs under this or any other Act for United States operations abroad is hereby authorized to provide for the utilization of United States-owned excess foreign currencies to carry out any such operations authorized by law.

"The President shall take all appropriate steps to assure that, to the maximum extent possible, United States-owned excess foreign currencies are utilized, in lieu of dollars. As used in this subsection, the term 'excess foreign currencies' means foreign currencies or credits owned by or owed to the United States which are, under applicable agreements with the foreign country concerned, available for the use of the United States Government and are determined by the President to be excess to the normal requirements of departments and agencies of the United States for such currencies or credits and are not prohibited from use under this subsection by an agreement entered into with the foreign country concerned." (22 U.S.C. 2362)

[32] Public Law 88-638, 78 Stat. 1036, approved Octoger 8, 1964, amended this proviso by adding the phrase beginning with "Pursuant" ending with "thereafter".

For text of section 1415, see note 14 above.

[33] The final proviso added by Public Law 86-341, 73 Stat. 606, approved September 21, 1959, and amended by Public Law 87-128, 75 Stat. 306, approved August 8, 1961.

The committee shall be consulted with respect to: (1) policies relating to (a) loans under subsections (e) and (g) hereof, (b) the degree of convertibility to be required under section 101(g), and (c) the amount of currency to be reserved in sales agreements for loans to private industry under subsection (e) hereof; and (2) each proposal to establish an interest rate for dollar sales under title IV higher than the minimum provided in section 403.

No agreement or proposal to grant any foreign currencies (except as provided in subsection (c) of this section), or to use (except pursuant to appropriation Act) any principal or interest from loan repayments under this section, shall be entered into or carried out until the expiration of thirty days following the date on which such agreement or proposal is transmitted by the President to the Senate Committee on Agriculture and Forestry and to the House Committee on Agriculture, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session, and then only if, between the date of transmittal and the expiration of such period there has not been passed by either of the two Committees a resolution stating in substance that that Committee does not favor such agreement or proposal.

Any loan made under the authority of this section shall bear interest at such rate as the President may determine but not less than the cost of funds to the United States Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the United States having maturity comparable to the maturity of such loans, unless the President shall in specific instances upon the recommendation of the advisory committee herein established designate a different rate.[34] (7 U.S.C. 1704)

SEC. 105. Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 of this title, and any department or agency of the government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used. The President shall utilize foreign currencies received pursuant to this title in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States. (7 U.S.C. 1705).[35]

SEC. 106. As used in this Act, "surplus agricultural commodity" shall mean any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either privately or publicly owned, which is at the time of exportation or donation in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture. The Secretary of Agriculture is also authorized to determine the nations with whom agreements shall be negotiated, and to determine the commodities and quantities thereof which may be included in the negotiations with each country after advising with other agencies of Government affected and within broad policies laid down by the President for implementing this Act.[36] For the purposes of this title and title IV, the term 'surplus agricultural commodity' shall include any domestically produced fishery product (not including fish flour until approved by the Food and Drug Administration) if the Secretary of the Interior has determined that such product is at the time of exportation in excess of domestic requirements, adequate carryover, and anticipated exports for dollars.[37] (7 U.S.C. 1706).

SEC. 107. As used in this Act, "friendly nation" means any country other than (1) the U.S.S.R., or (2) any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement, or (3) for the purpose only of title I any nation or area dominated or controlled by a Communist government, or (4) for the purpose only of title I any nation which permits ships or aircraft under its registry to transport to or from Cuba (excluding United States installations in Cuba) any equipment, materials, or commodities, so long as Cuba is governed by the Castro regime. Notwithstanding any other Act, the President is authorized to enter into agreements for the sale of surplus agricultural commodities for dollars under title IV with nations which fall within the definition of 'friendly nation' for the purpose of that title. In the case of any such agreement which would be prohibited by any other Act but for the foregoing sentence the maximum payment period shall be five years, instead of twenty years.

The President is directed that no sales under this Act shall be made with any country if he finds such country is (a) an aggressor, in a military sense, against any country having diplomatic relations with the United States, or (b) using funds, of any sort, from the United States for purposes inimical to the foreign policies of the United States.[38] (7 U.S.C. 1707)

SEC. 108. The President shall make a report to Congress with respect to the activities carried on under this Act at least once each year and at such other times as may be appropriate and such reports shall include the dollar value, at the exchange rates in effect at the time of the sale, of the foreign currency for which commodities exported pursuant to section 102 (a) hereof are sold.[39] (7 U.S.C. 1708)

SEC. 109. No transactions shall be undertaken under authority of this title after December 31, 1966, except as required pursuant to agreements theretofore entered into pursuant to this title.[40] (7 U.S.C. 1709)

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[34] These last four paragraphs beginning with "There is hereby established" were added by Public Law 88-638, 78 Stat. 1036, approved October 8, 1964.

[35] Last sentence added by Section 403(b) of the Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 390, approved December 16, 1963.

[36] This sentence added by Public Law 387, 84th Congress, 69 Stat. 721, approved August 12, 1955. Public Law 87-128, 75 Stat. 306, approved August 8, 1961, amended the first sentence by inserting "at the time of exportation or donation" following "which is" in lieu of "or may reasonably be expected to be".

[37] This last sentence which was added by Section 403(c) of the Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 390, approved December 16, 1963, "shall not be effective for purposes of title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, until January 1, 1965."

[38] The language following the words "the world Communist movement" was added by Public Law 88-638, 78 Stat. 1036, approved October 8, 1964.

[39] Amended by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964, by substitution of "year" for "six months."

[40] Amended by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964, to extend the terminal date from December 31, 1964, to December 31, 1966.

TITLE II--FAMINE RELIEF AND OTHER ASSISTANCE[41,42]

SEC. 201. In order to enable the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples in meeting famine or other urgent or extraordinary relief requirements, the Commodity Credit Corporation shall make available to the President out of its stocks such surplus agricultural commodities (as defined in section 106 of title I) as he may request, for transfer (1) to any nation friendly to the United States in order to meet famine or other urgent or extraordinary relief requirements of such nation, and (2) to friendly but needy populations without regard to the friendliness of their government.[43] (7 U.S.C. 1721)

SEC. 202. In order to facilitate the utilization of surplus agricultural commodities in meeting the requirements of needy peoples, and in order to promote economic and community development in underdeveloped areas in addition to that which can be accomplished under title I of this Act, the President may authorize the transfer on a grant basis of surplus agricultural commodities from Commodity Credit Corporation stocks to assist programs undertaken with friendly governments or through voluntary relief agencies; *Provided*, That the President shall take reasonable precaution that such transfers will not displace or interfere with sales which might otherwise be made.[44] (7 U.S.C. 1722)

SEC. 203. Programs of assistance shall not be undertaken under this title during any calendar year beginning January 1, 1961, and ending December 31, 1964, which call for appropriations of more than $300,000,000 to reimburse the Commodity Credit Corporation for all costs incurred in connection with such programs (including the Corporation's investment in commodities made available), plus any amount by which programs of assistance undertaken in the preceding calendar year have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than were authorized for such purpose during such preceding year by this title as in effect during such preceding year. The President may make transfers through such agencies, including intergovernmental organizations, in such manner, and upon such terms and conditions as he deems appropriate; he shall make use of the facilities of voluntary relief agencies to the extent practicable. Such transfers may include delivery f.o.b. vessels in United States ports and, upon a determination by the President that it is necessary to accomplish the purposes of this title or of section 416 of the Agricultural Act of 1949, as amended, ocean freight charges from United States ports to designated ports of entry abroad, or, in the case of landlocked countries, transportation from United States ports to designated points of entry abroad, may be paid from funds available to carry out this title on commodities transferred pursuant hereto or donated under said section 416, and charges for general average contributions arising out of the ocean transport of commodities transferred pursuant hereto or donated under said section 416, section 308 of this Act or section 9 of the Act of September 6, 1958 (72 Stat. 1790) may be paid from such funds. In addition to other funds available for such purposes under any other Act, funds made available under this title may be used in an amount not exceeding $7,500,000 annually to purchase foreign currencies accruing under title I in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies, and the costs of construction or maintenance of any church owned or operated edifice or any other edifices to be used for sectarian purposes) designed to assure that commodities made available under this title or under title III are used to carry out more effectively the purposes for which such commodities are made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: *Provided, however*, That such funds shall be used only to supplement and not substitute for, funds normally available for such purposes from other non-United States Government sources. Funds required for ocean freight costs or for the purchase of foreign currencies authorized under this title may be transferred by the Commodity Credit Corporation to such other Federal agency as may be designated by the President.[45] (7 U.S.C. 1723)

SEC. 204. No programs of assistance shall be undertaken under the authority of this title after December 31, 1966.[46] (7 U.S.C. 1724)

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[41] Section 302(h) of the Foreign Assistance Act of 1963, Public Law 88-205, 77 Stat. 389, approved December 16, 1963, amended Chapter 2 of Part III of the Foreign Assistance Act of 1961, as amended, by adding at the end thereof a new section 638 (22 U.S.C. 2398), reading as follows:

"Sec. 638. Peace Corps Assistance.—No provision of this Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961, as amended; or the Export-Import Bank Act of 1945, as amended: or famine or disaster relief, including such relief through voluntary agencies, under title II of the Agricultural Trade Development and Assistance Act of 1954, as amended."

[42] Public Law 88-550, 78 Stat. 755, approved August 31, 1964, amended the Act of August 19, 1958, (Public Law 85-683, 72 Stat. 635) to read as follows:

"That at any time Commodity Credit Corporation has any grain available for donation pursuant to clause (3) or (4) of section 416 of the Agricultural Act of 1949, as amended, section 210 of the Agricultural Act of 1956, or title II of the Agricultural Trade Development and Assistance Act, as amended, the Corporation, in lieu of processing all or any part of such grain into human food products, may purchase such processed food products in quantities not to exceed the equivalent of the respective grain available for donation on the date of such purchase and donate such processed food products pursuant to clause (3) or (4) of such section 416, and to such section 210, and made such processed food products available to the President pursuant to such title II, and may sell, without regard to the provisions of section 407 of the Agricultural Act of 1949, as amended, a quantity of the grain equivalent to the processed food products so purchased: *Provided*, That no food product purchased pursuant to the authority contained herein shall constitute less than 50 per centum by weight of the grain from which processed, or contain any additive other than for normal vitamin enrichment, preservative, and bleaching purposes."

[43] Amended by Public Law 540, 84th Congress, 70 Stat. 188, approved May 28, 1956, and by Public Law 962, 84th Congress, 70 Stat. 988, approved August 3, 1956.

[44] Amended by Public Law 86-472, 74 Stat. 140, approved May 14, 1960; by Public Law 87-92, 75 Stat. 211, approved July 20, 1961; and by Public Law 88-205, 77 Stat. 390, approved December 16, 1963.

[45] Authorization provided by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964. Previous authorizations were as follows:

Authority	*Approved*	*Amount added*	*Terminal date*
Public Law 480, 83rd Congress, 68 Stat. 454	July 10, 1954	$300 million	June 30, 1957
Public Law 540, 84th Congress, 70 Stat. 188	May 28, 1956	$200 million	June 30, 1957
Public Law 85-129, 71 Stat. 345	August 13, 1957	$300 million	June 30, 1958
Public Law 86-341, 73 Stat. 606	September 21, 1959	$600 million	December 31, 1961
Public Law 87-128, 75 Stat. 306	August 8, 1961	$900 million	December 31, 1964

In Public Law 86-341, 73 Stat. 606, approved September 21, 1959, the first sentence provides: "Not more than $300,000,000 (including the Corporation's investment in such commodities) plus any amount by which transfers made in the preceding calendar year have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than could have been expended during such preceding year under this title as in effect during such preceding year shall be expended in any calendar year during the period January 1, 1960, and ending December 31, 1961, for all such transfers and for other costs authorized by this title." The first sentence, as amended by Public Law 87-128, 75 Stat. 306, approved August 8, 1961, changes the authorization from an expended basis to a program commitment basis beginning January 1, 1961. Other amendments to the wording of Section 203 were made by Public Law 540, 84th Congress, 70 Stat. 188, approved May 28, 1956; Public Law 86-472, 74 Stat. 140, approved May 14, 1960; Public Law 87-128, 75 Stat. 306, approved August 8, 1961; and by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964. Public Law 88-638 provides that the authorization of $400,000,000, plus uncommitted amounts for previous years, for the period of January 1, 1965, to December 31, 1966, shall not become effective until January 1, 1965.

[46] Amended by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964, to extend the terminal date from December 31, 1964, to December 31, 1966.

TITLE III--GENERAL PROVISIONS

SEC. 301. [This section amends Section 407 of the Agricultural Act of 1949]

SEC. 302. Section 416 of the Agricultural Act of 1949 is amended to read as follows:[47]

"SEC. 416. In order to prevent the waste of commodities whether in private stocks or acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) upon application, to make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials as authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in nonprofit summer camps for children, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served; and (4) to donate any such food commodities in excess of anticipated disposition under (1), (2), and (3) above to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of the Foreign Operations Administration or other appropriate department or agency of the Federal Government and intergovernmental organizations for use in the assistance of needy persons and in nonprofit school lunch programs outside the United States. In the case of (3) and (4) above the Secretary shall obtain such assurance as he deems necessary that the recipients thereof will not diminish their normal expenditures for food by reason of such donation. In order to facilitate the appropriate disposal of such commodities, the Secretary may from time to time estimate and announce the quantity of such commodities which he anticipates will become available for distribution under (3) and (4) above. The Commodity Credit Corporation may pay, with respect to commodities disposed of under this section, reprocessing, packaging, transporting, handling, and other charges accruing up to the time of their delivery to a Federal agency or to the designated State or private agency, in the case of commodities made available for use within the United States, or their delivery free alongside ship or free on board export carrier at point of export, in the case of commodities made available for use outside the United States. In addition, in the case of food commodities disposed of under this section, the Commodity Credit Corporation may pay the cost of processing such commodities into a form suitable for home or institutional use, such processing to be accomplished through private trade facilities to the greatest extent possible. For the purpose of this section the terms 'State' and 'United States' include the District of Columbia and any Territory or possession of the United States. The assistance to needy persons provided in (4) above shall, insofar as practicable, be directed toward community and other self-help activities designed to alleviate the causes of the need for such assistance."[48] (7 U.S.C. 1431)

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[47] See note 42 and appendix for other legislation affecting Section 416.

[48] Amended by Public Law 86-108, 73 Stat. 246, approved July 24, 1959; Public Law 85-483, 72 Stat. 286, approved July 2, 1958; Public Law 540, 84th Congress, 70 Stat. 188, approved May 28, 1956; Public Law 87-703, 76 Stat. 610, approved September 27, 1962; and by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964.

SEC. 303. The Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore construction programs. He is hereby directed to use every practicable means, in cooperation with other Government agencies, to arrange and make, through private channels, such barters or exchanges or to utilize the authority conferred on him by section 4 (h) of the Commodity Credit Corporation Charter Act, as amended, to make such barters or exchanges. In carrying out barters or exchanges authorized by this section, no restrictions shall be placed on the countries of the free world into which surplus agricultural commodities may be sold, except to the extent that the Secretary shall find necessary in order to take reasonable precautions to safeguard usual marketings of the United States and to assure that barters or exchanges under this Act will not unduly disrupt world prices of agricultural commodities or replace cash sales for dollars. The Secretary may permit the domestic processing of raw materials of foreign origin. The Secretary shall endeavor to cooperate with other exporting countries in preserving normal patterns of commercial trade with respect to commodities covered by formal multilateral international marketing agreements to which the United States is a party. Agencies of the United States Government procuring such materials, goods, or equipment are hereby directed to cooperate with the Secretary in the disposal of surplus agricultural commodities by means of barter or exchange. The Secretary is also directed to assist, through such means as are available to him, farmers' cooperatives in effecting exchange of agricultural commodities in their possession for strategic materials.[49] (7 U.S.C. 1692)

SEC. 304. (a) The President shall exercise the authority contained in title I of this Act (1) to assist friendly nations to be independent of trade with the Union of Soviet Socialist Republics or the Communist regime in China and with nations dominated or controlled by the Union of Soviet Socialist Republics or the Communist regime in China and (2) to assure that agricultural commodities sold or transferred thereunder do not result in increased availability of those or like commodities to unfriendly nations.[49,50]

(b) Nothing in this Act shall be construed as authorizing transactions under title I or title III with the Union of Soviet Socialist Republics or any of the areas dominated or controlled by the Communist regime in China.[51] (7 U.S.C. 1693)

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[49] Amended by Public Law 85-931, 72 Stat. 1790, approved September 6, 1958. Public Law 540, 84th Congress, 70 Stat. 200, approved May 28, 1956, as amended by Public Law 85-931, 72 Stat. 1791, approved September 6, 1958, and by Public Law 86-341, 73 Stat. 611, approved September 21, 1959 (7 U.S.C. 1856), provides that strategic and other materials acquired by the Commodity Credit Corporation as a result of barter or exchange of agricultural Commodities or products, unless acquired for the national stockpile or for other purposes, shall be transferred to the supplemental stockpile established by Section 104(b) of Public Law 480, 83rd Congress, and that no strategic or critical material shall be acquired by the Commodity Credit Corporation as a result of such barter or exchange except for such national stockpile, for such supplemental stockpile, for foreign economic or military aid or assistance programs, or for offshore construction programs, or to meet requirements of Government agencies.

[50] Amended by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964.

[51] Amended by Public Law 85-128, 71 Stat. 345, approved August 13, 1957.

SEC. 305. All Commodity Credit Corporation stocks donated abroad under title II of this Act and section 416 of the Agricultural Act of 1949, as amended, shall be clearly identified by appropriate marking on each package or container and insofar as practical in the language of the locality where such stocks are distributed as being furnished by the people of the United States of America and where available funds accruing under title I shall be used for this purpose.[52] (7 U.S.C. 1694)

SEC. 306. [This section authorizes a food stamp system for the distribution of surplus food commodities to needy persons in the United States during the period beginning February 1, 1960 and ending January 31, 1962.][53]

SEC. 307. Whenever the Secretary of Agriculture determines under section 106 of this Act that any food commodity is a surplus agricultural commodity, insofar as practicable he shall make such commodity available for distribution to needy families and persons in the United States in such quantities as he determines are reasonably necessary before such commodity is made available for sale for foreign currencies under title I of this Act.[53,54] (7 U.S.C. 1696)

SEC. 308. Notwithstanding any other provision of law, the Commodity Credit Corporation is hereby authorized--

(1) to dispose of its stocks of animal fats and edible oils or products thereof by donation, upon such terms and conditions as the Secretary of Agriculture deems appropriate, to nonprofit voluntary agencies registered with the Department of State, appropriate agencies of the Federal Government or international organizations, for use in the assistance of needy persons and in nonprofit school lunch programs outside the United States;[55]

(2) to purchase for donation as provided above such quantities of animal fats and edible oils and the products thereof as the Secretary determines will tend to maintain the support level for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program.

Commodity Credit Corporation may incur such additional costs with respect to commodities to be donated hereunder as it is authorized to incur with respect to food commodities disposed of under section 416 of the Agricultural Act of 1949, and may pay ocean freight charges from United States ports to designated ports of entry abroad.[53] (7 U.S.C. 1697)

TITLE IV--LONG-TERM SUPPLY CONTRACTS[53]

SEC. 401. The purpose of this title is to utilize surplus agricultural commodities and the products thereof produced in the United States to assist the economic development of friendly nations by providing long-term credit for purchases of surplus agricultural commodities for domestic consumption during periods of economic development so that the resources and manpower of such nations may be utilized more effectively for industrial and other domestic economic development without jeopardizing meanwhile adequate supplies of agricultural commodities for domestic use. It is also the purpose of this title to stimulate and increase the sale of surplus

[52] Amended by Public Law 86-341, 73 Stat. 606, approved September 21, 1959.

[53] Sections 306, 307, 308 and all of title IV were added by Public Law 86-341, 73 Stat. 606, approved September 21, 1959. Section 306 was not extended beyond January 31, 1962.

[54] Section 205(c) of Public Law 86-108, 73 Stat. 246, approved July 24, 1959, also provides that surplus food commodities or products thereof made available for transfer as a grant or as a sale for foreign currencies may also be made available to the maximum extent practicable to eligible domestic recipients pursuant to section 416 of the agricultural Act of 1949, as amended, (7 U.S.C. 1431), or to needy persons within the United States pursuant to clause (2) of section 32 of the Act of August 24, 1935, as amended, (7 U.S.C. 612c).

[55] This clause (1) was amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962.

agricultural commodities for dollars through long-term supply agreements and through the extension of credit for the purchase of such commodities, by agreements either with friendly nations or with the private trade, thereby assisting the development of the economies of friendly nations and maximizing dollar trade.[56] (7 U.S.C. 1731)

SEC. 402. In furtherance of this purpose, the President is authorized to enter into agreements with friendly nations, including financial institutions acting in behalf of such nations, under which the United States shall undertake to provide for delivery annually of certain quantities of such surplus agricultural commodities for periods of not to exceed ten years, pursuant to the terms and conditions set out in this title, providing such commodities are in surplus at the time delivery is to be made. In furtherance of the purpose of maximizing dollar sales through the private trade, the Secretary of Agriculture is authorized to enter into sales agreements with foreign and United States private trade under which he shall undertake to provide for the delivery of surplus agricultural commodities over such periods of time and under the terms and conditions set forth in this title. Any agreement entered into hereunder with the private trade shall provide for the furnishing of such security as the Secretary determines necessary to provide reasonable and adequate assurance of payment of the amount due for agricultural commodities sold pursuant to such agreement.[56] (7 U.S.C. 1732)

SEC. 403. Payment for such commodities shall be in dollars with interest at such rate as the Secretary may determine but not less than the minimum rate required by section 201 of the Foreign Assistance Act of 1961 for loans made under that section. Payment may be made in reasonable annual amounts over periods of not to exceed twenty years from the date of the last delivery of commodities in each calendar year under the agreement, except that the date for beginning such annual payment may be deferred for a period not later than two years after such date of last delivery, and interest shall be computed from the date of such last delivery.[57] (7 U.S.C. 1733)

SEC. 404. In carrying out the provisions of this title, the Secretary of Agriculture shall endeavor to maximize the sale of United States agricultural commodities taking such reasonable precautions as he determines necessary to avoid replacing any sales which the Secretary finds and determines would otherwise be made for cash dollars. (7 U.S.C. 1734)

SEC. 405. In the case of such agreements, the Secretary may enter into agreements with other friendly and historic supplying nations of such commodities for their participation in the supply and assistance program herein authorized on a proportionate and equitable basis.[58] (7 U.S.C. 1735)

SEC. 406. In carrying out this title, the provisions of sections 101 (b) and (c), 102, 103(a), 106, 107, and 108 of this Act shall be applicable to the extent not inconsistent with this title.[59] (7 U.S.C. 1736)

(For Footnote 53, see page 16)

[56] Amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962.

[57] Amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962, and by Public Law 88-638, 78 Stat. 1037, approved October 8, 1964.

The Foreign Assistance Act of 1964, Public Law 88-633, 78 Stat. 1009, approved October 7, 1964, amended section 201 of the Foreign Assistance Act of 1961 to provide that the minimum interest rate for development loans repayable in dollars shall be "...2½ per centum per annum commencing not later than ten years following the date on which the funds are initially made available under the loan, during which ten year period the rate of interest shall not be lower than 1 per centum per annum..."

[58] Amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962.

[59] Amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962.

APPENDIX

The following portions of this compilation are not a part of Public Law 480, 83rd Congress, 68 Stat. 454, approved July 10, 1954, as amended, but have a bearing on Section 416 of the Agricultural Act of 1949 which was amended by Section 302 of Title III of said Public Law 480, 83rd Congress.

[Notwithstanding any other provision of law (1) those areas under the jurisdiction or administration of the United States are authorized to receive from the Department of Agriculture for distribution on the same basis as domestic distribution in any State, Territory, or possession of the United States, without exchange of funds, such surplus commodities as may be available pursuant to clause (2) of section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), and section 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1431); and (2) the Commodity Credit Corporation is authorized to purchase products of oilseeds, and edible oils and fats and the products thereof in such form as may be needed for donation abroad as provided in the following sentence. Any such commodities or products if purchased shall be donated to nonprofit voluntary agencies registered with the Department of State, other appropriate agencies of the Federal Government or international organizations for use in the assistance of needy persons and in nonprofit school lunch programs outside the United States. Commodity Credit Corporation may incur such additional costs with respect to such oil as it is authorized to incur with respect to food commodities disposed of under section 416 of the Agricultural Act of 1949. Sec. 9. Public Law 85-931, 72 Stat. 1790, approved September 6, 1958, 7 U.S.C. 1431b] [60]

[(a) In order to insure the nutritional value of cornmeal, grits, rice, and white flour when such foods are made available for distribution under section 416(3) of the Agricultural Act of 1949 or for distribution to schools under the National School Lunch Act or any other Act, such foods shall be enriched so as to meet the standards for enriched cornmeal, enriched corn grits, enriched rice, or enriched flour, as the case may be, prescribed in regulations promulgated under the Federal Food, Drug, and Cosmetic Act; and in order to protect the nutritional value and sanitary quality of such enriched foods during transportation and storage such foods shall be packaged in sanitary containers. For convenience and ease in handling, the weight of any sanitary container when filled shall not exceed fifty pounds unless a larger container is requested by recipient agency. Nothing in this section shall prohibit the distribution of fortified parboiled rice which is substantially equal in nutritional value to that of enriched rice.

(b) The term "sanitary container" means any container of such material and construction as (1) will not permit the infiltration of foreign matter into the contents of such container under ordinary conditions of shipping and handling, and (2) will not, for a period of at least one year, disintegrate so as to contaminate the contents of the container, necessitating the washing of the contents prior to use. Sec. 201. Public Law 86-341, 73 Stat. 606, approved September 21, 1959, 7 U.S.C. 1431c] [61]

[In any school feeding programs undertaken hereafter outside the United States pursuant to section 416 of the Agricultural Act of 1949, as amended, section 308 of Public Law 480 (83rd Congress), as amended, and section 9 of the Act of September 6, 1958, as amended, the Secretary shall receive assurances satisfactory to him that, insofar as practicable, there will be student participation in the financing of such programs on the basis of ability to pay, and such programs shall be undertaken with the understanding that commodities will be available for those programs only in accordance with the provisions of such statutes and that commodities made available under section 416 of the Agricultural Act of 1949, as amended, will be available only in accordance with the priorities established in such section. Sec. 205. Public Law 87-703, 76 Stat. 611, approved September 27, 1962, 7 U.S.C. 1431d]

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[60] Amended by Public Law 87-703, 76 Stat. 610, approved September 27, 1962.
[61] Amended by Public Law 87-803, 76 Stat. 910, approved October 11, 1962.

GPO 884-169

Analysis of Appropriation Actions

Foreign Economic Assistance

(Dollars in millions)

Fiscal Year	Adjusted Appropriation Request*					Congressional Appropriation					Difference
	DL	Alliance	Contingency	Other	Total	DL	Alliance	Contingency	Other	Total	
1961	700	~~500~~ 600	275	1300	2875	600	600	250	1181	2631	-244
1962	1200	#	500	1197	2897	1113	#	275	927	2314	-583
1963	1250	600	300	1105	3255	975	525	250	854	2605	-650
1964	1060	850	300	910	3120	687	590	50	673	2000	-1120
1965	922	550	150	840	2462	774	510	99	812	2195	-267
1966	725	545	139	781	2190**	618	510	139	781	2048**	-142
1967	726	617	50	1117	2510	#	#	#	#	#	#

* Authorization figures, of course, would be higher

** Excludes presently anticipated supplemental of $375 million for supporting assistance

November 17, 1965

47c

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C.

September 9, 1965

Attached is a copy of the Foreign Assistance Act of 1961, as amended, effective September 6, 1965. It incorporates the amendments effected in that Act by the Foreign Assistance Act of 1965.

All new language inserted by the Foreign Assistance Act of 1965 is shown in italics.

The footnotes cannot be completed until passage of the 1966 Appropriation Act and have therefore been omitted. After passage of that Act they will be updated in the final version that appears as M. O. 101.

Thomas L. Farmer
General Counsel

Attachment

A-1. THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

Text of Public Law 87-195 [S. 1983], 75 Stat. 424, approved September 4, 1961, as amended by the Foreign Assistance Act of 1962, Public Law 87-565 [S. 2996], 76 Stat. 255, approved August 1, 1962; Public Law 87-793 [H.R. 7927], 76 Stat. 832, approved October 11, 1962; Public Law 88-205 [H.R. 7885], 77 Stat. 379, approved December 16, 1963; Public Law 88-426 [H.R. 11049], 78 Stat. 400, approved August 14, 1964; Public Law 88-448 [H.R. 7381], 78 Stat. 484, approved August 19, 1964; Public Law 88-633 [H.R. 11380], 78 Stat. 1009, approved October 7, 1964; Public Law 88-638 [S. 2687], 78 Stat. 1035, approved October 8, 1964, and Public Law 89-171 [H.R. 7750], 79 Stat. 653, approved September 6, 1965.

AN ACT To promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Foreign Assistance Act of 1961".[1]

PART 1

CHAPTER 1—POLICY [2]

SEC. 101.[3] SHORT TITLE.—*** [Repealed—1963]

SEC. 102.[4] STATEMENT OF POLICY.—It is the sense of the Congress that peace depends on wider recognition of the dignity and interdependence of men, and survival of free institutions in the United States can best be assured in a worldwide atmosphere of freedom.

To this end, the United States has in the past provided assistance to help strengthen the forces of freedom by aiding peoples of less developed friendly countries of the world to develop their resources and improve their living standards, to realize their aspirations for justice, education, dignity, and respect as individual human beings, and to establish responsible governments.

The Congress declares it to be a primary necessity, opportunity, and responsibility of the United States, and consistent with its traditions and ideals, to renew the spirit which lay behind these past efforts, and to help make a historic demonstration that economic growth and political democracy can go hand in hand to the end that an enlarged community of free, stable, and self-reliant countries can reduce world tensions and insecurity.

It is the policy of the United States to strengthen friendly foreign countries by encouraging the development of their free economic institutions and productive capabilities, and by minimizing or eliminating barriers to the flow of private investment capital.

It is the sense of the Congress that the institution of full investment guaranty programs under title III of chapter 2 of this part with all recipient countries would be regarded as a significant measure of self-help by such countries improving the climate for private investment both domestic and foreign.[5]

In addition, the Congress declares that it is the policy of the United States to support the principles of increased economic cooperation and trade among countries, freedom of the press, information, and religion, freedom of navigation in international waterways, and recognition of the right of all private persons to travel and pursue their lawful activities without discrimination as to race or religion. The Congress further declares that any distinction made by foreign nations between American citizens because of race, color, or religion in the granting of, or the exercise of, personal or other rights available to American citizens is repugnant to our principles.[6] In the administration of all parts of this Act these principles shall be supported in such a way in our relations with countries friendly to the United States which are in controversy with each other as to promote an adjudicaton of the issues involved by means of international law procedures available to the parties.[7]

Accordingly, the Congress hereby affirms it to be the policy of the United States to make assistance available, upon request, under this part in scope and on a basis of long-range continuity essential to the creation of an environment in which the energies of the peoples of the world can be devoted to constructive purposes, free of pressure and erosion by the adversaries of freedom. *It is the sense of the Congress that in furnishing assistance under this part excess personal property shall be utilized wherever practicable in lieu of the procurement of new items for United States-assisted projects and programs. It is the further sense of the Congress that assistance under this part shall be complemented by the furnishing under any other Act of surplus agricultural commodities and by disposal of excess property under this and other Acts.*

Also, the Congress reaffirms its conviction that the peace of the world and the security of the United States are endangered so long as international communism continues to attempt to bring under Communist domination peoples now free and independent and to keep under domination peoples once free but now subject to such domination. It is, therefore, the policy of the United States to continue to make available to other free countries and peoples, upon request, assistance of such nature and in such amounts as the United States deems advisable and as may be effectively used by free countries and peoples to help them maintain their freedom. Assistance shall be based upon sound plans and programs; be directed toward the social as well as economic aspects of economic development; be responsive to the efforts of the recipient countries to mobilize their own resources and help themselves; be cognizant of the external and internal pressures which hamper their growth; and shall emphasize long-range development assistance[8] as the primary instrument of such growth.

It is the sense of Congress that in the administration of these funds great attention and consideration should be given to those countries which share the view of the United States on the world crisis and which do not, as a result of United States assistance, divert their own economic resources to military propaganda efforts, supported by the Soviet Union or Communist China, and directed against the United States or against other countries receiving aid under this Act.[9]

The Congress further declares that in the administration of programs of assistance under this Act the highest practicable emphasis should be given to: programs providing for loans or loan guarantees for use by institutions and organizations in making repayable

low-interest rate loans to individuals in friendly foreign countries for the purchase of small farms, the purchase of homes, the establishment, equipment and strengthening of small independent business concerns, purchase of tools or equipment needed by individuals for carrying on an occupation or a trade or financing the opportunity for individuals to obtain practical education in vocational and occupational skills, and to those programs of technical assistance and development which will assist in carrying out and in preparing a favorable environment for such programs. While recognizing that special requirements, differing development needs and political conditions in various assisted countries will affect the priority of such programs and of each country's relative ability to implement them, it is further the sense of Congress that each such assisted country should be encouraged to give adequate recognition to such needs of the people in the preparation of national development programs.[10]

The Congress reaffirms its belief in the importance of regional organizations of free peoples for mutual assistance, such as the North Atlantic Treaty Organization,[11] the Organization for Economic Cooperation and Development, the European Economic Community, the Organization of American States,[12] the Colombo Plan, the South East Asia Treaty Organization,[13] the Central Treaty Organization,[14] and others, and expresses its hope that such organizations may be strengthened and broadened, and their programs of self-help and mutual cooperation may be made more effective in the protection of the independence and security of free people, and in the development of their economic and social well-being, and the safeguarding of their basic rights and liberties.

It is the sense of the Congress that, in the administration of programs of assistance under chapter 2 of this part, every possible precaution should be taken to assure that such assistance is not diverted to short-term emergency purposes (such as budgetary purposes, balance-of-payments purposes, or military purposes) or any other purpose not essential to the long-range economic development of recipient countries.[15]

The [16] Congress urges that all other countries (including private enterprise within such countries)[16] able to contribute join in a common undertaking to meet the goals stated in this part. 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.[17] It is the sense of Congress that, where feasible, the United States Government invite friendly nations to join in missions to consult with countries which are recipients of assistance under this part on the possibilities for joint action to assure the effective development of plans for the economic development of such recipient countries and the effective use of assistance provided them; and that the President may request the assistance of international financial institutions in bringing about the establishment of such missions.[18]

It is the sense of the Congress that assistance authorized by this Act should be extended to or withheld from the government of South Vietnam, in the discretion of the President, to further the objectives of victory in the war against communism and the return to their homeland of Americans involved in that struggle.[19]

It is the sense of the Congress that assistance under this or any other Act to any foreign country which hereafter permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property within

such country, should be terminated and should not be resumed until the President determines that appropriate measures have been taken by such country to prevent a recurrence thereof.

CHAPTER 2—DEVELOPMENT ASSISTANCE

TITLE I—DEVELOPMENT LOAN FUND

SEC. 201.[20] GENERAL AUTHORITY.—(a) The President shall establish a fund to be known as the "Development Loan Fund" to be used by the President to make loans pursuant to the authority contained in this title.

(b) The President is authorized to make loans payable as to principal and interest in United States dollars on such terms and conditions as he may determine, in order to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting long-range plans and programs designed to develop economic resources and increase productive capacities. In so doing, the President shall take into account (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,[21] (3) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities in furtherance of the purposes of this title, (4) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range objectives, (5) the extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures, and (6) the possible effects upon the United States economy, with special reference to areas of substantial labor surplus, of the loan involved.[22] Loans shall be made under this title only upon a finding of reasonable prospects of repayment.

(c) The authority of section 610 may not be used to decrease the funds available under this title, nor may the authority of section 614(a) be used to waive the requirements of this title.

(d) Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds (except funds loaned under section 205 and funds which prior to the date of enactment of the Foreign Assistance Act of 1964 [23] were authorized or committed to be loaned upon terms which do not meet the minimum terms set forth herein) be loaned at a rate of interest of less than 2½ per centum [24] per annum commencing not later than ten years following the date on which the funds are initially made available under the loan, during which ten-year period the rate of interest shall not be lower than 1 per centum [25] per annum, nor [26] higher than the applicable legal rate of interest of the country in which the loan is made.

(e)[27] In carrying out this title, the President shall not allocate, reserve, earmark, commit, or otherwise set aside, funds aggregating in excess of $100,000 for use in any country under this title unless (1) an application for such funds has been received for use in such country together with sufficient information and assurances to indicate reasonably

that the funds will be used in an economically and technically sound manner, or (2) the President determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside that it is in the national interest to use such funds pursuant to multilateral plans.

(f)[28] No assistance shall be furnished under this title for a project unless the President determines that such project will promote the economic development of the requesting country, taking into account the current human and material resource requirements of that country and the relationship between the ultimate objectives of the project and the overall economic development of the country, and that such project specifically provides for appropriate participation by private enterprise.

SEC. 202. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the purposes of this title $1,200,000,000 for the fiscal year 1962, $1,500,000,000 for the fiscal year 1963, $925,000,000 for the fiscal year 1964, and $1,500,000,000 for each of the next two succeeding fiscal years,[30] which sums shall remain available until expended: *Provided,* That any unappropriated portion of the amount authorized to be appropriated for any such fiscal year may be appropriated in any subsequent fiscal year during the above period in addition to the amount otherwise authorized to be appropriated for such subsequent fiscal year: *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 years ending June 30, 1965, and June 30, 1966, respectively, shall be available for loans made to encourage economic development through private enterprise.[31]

(b) Whenever the President determines that it is important to the advancement of United States interests and necessary in order to further the purposes of this title, and in recognition of the need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development assistance, he is authorized to enter into agreements committing, under the terms and conditions of this title, funds authorized to be appropriated under this title, subject only to the annual appropriation of such funds.

(c) Upon conclusion of each such agreement involving funds to be appropriated, the President shall notify the Foreign Relations and Appropriations Committees of the Senate and the Speaker of the House of Representatives of the provisions of such agreement, including the amounts of funds involved and undertakings of the parties thereto.[32]

(d) Except as otherwise provided in this part, the United States dollar assets of the corporate entity known as the Development Loan Fund which remain unobligated and not committed for loans repayable in foreign currencies on the date prior to the abolition of such Fund shall be available for use for purposes of this title.

SEC. 203.[33] FISCAL PROVISIONS.—All receipts from loans made under and in accordance with this title shall be available for use for the purposes of this title. Such receipts and other funds made available under this title for use for the purposes of this title shall remain available until expended.[34]

SEC. 204.[35] DEVELOPMENT LOAN COMMITTEE.—The President shall establish an interagency Development Loan Committee, consisting of such officers from such agencies of the United States Government as he may determine, which shall, under the direction

of the President, establish standards and criteria for lending operations under this title in accordance with the foreign and financial policies of the United States.[36] Except in the case of officers serving in positions to which they were appointed by the President by and with the advice and consent of the Senate, officers assigned to the Committee shall be so assigned by the President by and with the advice and consent of the Senate.

SEC. 205. *USE OF INTERNATIONAL LENDING ORGANIZATIONS.—In order to serve the purposes of this title and the policy contained in section 619, the President, after consideration of the extent of additional participation by other countries, may make available, in addition to any other funds available for such purposes, on such terms and conditions as he determines, not to exceed 15 per centum of the funds made available for this title to the International Development Association, the International Bank for Reconstruction and Development, or the International Finance Corporation for use pursuant to the laws governing United States participation in such institutions, if any, and the governing statutes thereof and without regard to section 201 or any other requirements of this or any other Act.*

SEC. 206. *REGIONAL DEVELOPMENT IN AFRICA.—The President is requested to seek and to take appropriate action, in cooperation and consultation with African and other interested nations and with international development organizations, to further and assist in the advancement of African regional development institutions, including the African Development Bank, with the view toward promoting African economic development.*

TITLE II—TECHNICAL COOPERATION AND DEVELOPMENT GRANTS[38]

SEC. 211.[39] GENERAL AUTHORITY.—(a) The President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting the development of human resources through such means as programs of technical cooperation and development. In so doing, the President shall take into account (1) whether the activity gives reasonable promise of contributing to the development of educational or other institutions and programs directed toward social progress, (2) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range development objectives, (3) the economic and technical soundness of the activity to be financed, (4) the extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures and a willingness to pay a fair share of the cost of programs under this title, (5) the possible adverse effects upon the United States economy, with special reference to areas of substantial labor surplus, of the assistance involved, and (6) the desirability of safeguarding the international balance of payments position of the United States.[40] If the President finds that assistance proposed to be furnished under this title would have a substantially adverse effect upon the United States economy, or a substantial segment thereof, the assistance shall not be furnished.[40]

(b) In countries and areas which are in the earlier stages of economic development, programs of development of education and human resources through such means as technical cooperation shall be emphasized, and the furnishing of capital facilities for pur-

poses other than the development of education and human resources shall be given a lower priority until the requisite knowledge and skills have been developed.

(c)[41] Not to exceed $1,000,000 of the funds made available for the purposes of this section in any fiscal year may be used for programs designed to promote the peaceful uses of atomic energy outside the United States and such programs may be carried out only in accordance with the requirements of this section.

SEC. 212.[42] AUTHORIZATION.—There is hereby authorized to be appropriated to the President for use beginning in the fiscal year *1966* to carry out the purposes of section 211 not to exceed *$210,000,000* which shall remain available until expended.

SEC. 213.[44] ATOMS FOR PEACE.— * * * [Repealed—1962]

SEC. 214.[45] AMERICAN SCHOOLS AND HOSPITALS ABROAD.—(a) The President is authorized to furnish [46] assistance, on such terms and conditions as he may specify, to schools and libraries outside the United States founded or sponsored by United States citizens and serving as study and demonstration centers for ideas and practices of the United States.

(b) The President is authorized,[47] notwithstanding the provisions of the Mutual Defense Assistance Control Act of 1951 (22 U.S.C. 1611 et seq.),[48] to furnish [49] assistance, on such terms and conditions as he may specify, to hospitals outside the United States founded or sponsored by United States citizens and serving as centers for medical *education* and research.

(c)[50] There is hereby authorized to be appropriated to the President for the purposes of this section, for the fiscal year *1966, $7,000,000,* to remain available until expended.[51]

SEC. 215.[52] LOANS TO SMALL FARMERS.—It is the policy of the United States and the purpose of this section to strengthen the economies of less developed friendly countries, and in friendly countries where the economy is essentially rural or based on small villages, to provide assistance designed to improve agricultural methods and techniques, to stimulate and encourage the development of local programs of self-help and mutual cooperation, particularly through loans of foreign currencies for associations of operators of small farms, formed for the purpose of joint action designed to increase or diversify agricultural productivity. The maximum unpaid balance of loans made to any association under this section may not exceed $25,000 at any one time; and the aggregate unpaid balance of all loans made under this section may not exceed $10,000,000 at any one time.

SEC. 216.[53] VOLUNTARY AGENCIES.—(a) In order to further the efficient use of United States voluntary contributions for relief and rehabilitation of friendly peoples, the President is authorized to use funds made available for the purposes of section 211 to pay transportation charges from United States ports or, in the case of excess or surplus property supplied by the United States, from foreign ports [54] to ports of entry abroad, or, in the case of landlocked countries, to points of entry in such countries, on shipments by the American Red Cross and United States voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid.

(b) Where practicable the President shall make arrangements with the receiving country for free entry of such shipments and for the making available by that country

of local currencies for the purpose of defraying the transportation cost of such shipments from the port of entry of the receiving country to the designated shipping point of the consignee.

SEC. 217.[55] USED EQUIPMENT.—The President is authorized to use funds made available for the purposes of section 211 to conduct a study and investigation to determine the feasibility of establishing programs for the furnishing to less developed friendly countries and areas of used tools, machinery, and other equipment to be donated by private enterprises, or acquired through normal channels of trade, and the extent to which such programs are likely to be utilized by and contribute to the economic development of the receiving country. The President shall submit to the Congress at the earliest practicable date a report of the results of such study and investigation, together with such recommendations for legislation as he deems advisable.[56]

TITLE III—INVESTMENT GUARANTIES

SEC. 221.[57] GENERAL AUTHORITY.—(a) In order to facilitate and increase the participation of private enterprise in furthering the development of the economic resources and productive capacities of less developed friendly countries and areas, the President is authorized to issue guaranties as provided in subsection (b) of this section of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any friendly country or area with the government of which the President has agreed to institute the guaranty program. The guaranty program authorized by this title shall be administered under broad criteria, and each project shall be approved by the President.

(*b*) *The President may issue guaranties to eligible United States investors—*

(1) assuring protection in whole or in part against any or all of the following risks:

(A) inability to convert into United States dollars other currencies, or credits in such currencies, received as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof,

(B) loss of investment, in whole or in part, in the approved project due to expropriation or confiscation by action of a foreign government, and

(C) loss due to war, revolution, or insurrection:

Provided, That the total face amount of the guaranties issued under this paragraph (1) outstanding at any one time shall not exceed *$5,000,000,000, and*

(2) where the President determines such action to be important to the furtherance of the purposes of this title, assuring against loss of any loan investment for housing projects with appropriate participation by the private investor in the loan risk and in accordance with the foreign and financial policies of the United States, or assuring against loss of not to exceed 75 per centum of any other investment due to such risks as the President may determine, upon such terms and conditions as the President may determine:[60] *Provided,* That guaranties issued under this paragraph (2) shall emphasize economic development projects furthering social progress and the development of small independent business enterprises: *Provided*

further, That no payment may be made under this paragraph (2) for any loss arising out of fraud or misconduct for which the investor is responsible: *Provided further,* That the total face amount of the guaranties issued under this paragraph (2) outstanding at any one time shall not exceed $300,000,000, ***and guaranties issued under this paragraph (2) for other than housing projects similar to those insured by the Federal Housing Administration, shall not exceed $175,000,000:***[62] *Provided further,* That this authority shall continue until June 30, *1967.*[63]

(c) No guaranty shall exceed the dollar value, as of the date of the investment, of the investment made in the project with the approval of the President plus ***earnings or profits actually accrued*** on said investment to the extent provided by such guaranty, nor shall any guaranty ***of an equity investment*** extend beyond twenty years from the date of issuance.

(d) The President shall make suitable arrangements for protecting the interests of the United States Government in connection with any guaranty issued under section 221(b), including arrangements with respect to the ownership, use, and disposition of the currency, credits, assets, or investment on account of which payment under such guaranty is to be made, and any right, title, claim, or cause of action existing in connection therewith.

SEC. 222.[64] GENERAL PROVISIONS.—(a) A fee shall be charged for each guaranty in an amount to be determined by the President. In the event the fee to be charged for a type of guaranty authorized under sections 221(b) and 224 [65] is reduced, fees to be paid under existing contracts for the same type of guaranty may be similarly reduced.

(b) All fees collected in connection with guaranties issued under sections 221(b) and 224,[66] under section 202(b) and 413(b)(4) of the Mutual Security Act of 1954, as amended,[67] and under section 111(b)(3) of the Economic Cooperation Act of 1948, as amended (22 U.S.C. 1509(b)(3)) (exclusive of fees for informational media guaranties heretofore or hereafter issued pursuant to section 1011 of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1442) and section 111(b)(3) of the Economic Cooperation Act of 1948, as amended), shall be available for meeting management and custodial costs incurred with respect to currencies or other assets acquired under guaranties made pursuant to sections 221(b) and 224[66] of this part, sections 202(b) and 413(b)(4) of the Mutual Security Act of 1954, as amended, and section 111(b)(3) of the Economic Cooperation Act of 1948, as amended (exclusive of informational media guaranties), ***and to pay the costs of investigating and adjusting (including costs of arbitration) claims under such guaranties,*** and shall be available for expenditure in discharge of liabilities under guaranties made pursuant to such sections, until such time as all such property has been disposed of and all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section.

(c) In computing the total face amount of guaranties outstanding at any one time for purposes of paragraph (1) of section 221(b), the President shall include the face amounts of outstanding guaranties theretofore issued pursuant to such paragraph, sections 202(b) and 413(b)(4) of the Mutual Security Act of 1954, as amended, and section 111(b)(3) of the Economic Cooperation Act of 1948, as amended, but shall exclude informational media guaranties.

(d)[68] Any payments made to discharge liabilities under guaranties issued under sections 221(b) and 224 of this part, sections 202(b) and 413(b)(4) of the Mutual Security Act of 1954, as amended, and section 111(b)(3) of the Economic Cooperation Act of 1948, as amended (exclusive of informational media guaranties), shall be paid first out of fees referred to in section 222(b) as long as such fees are available, and thereafter shall be paid out of funds, if any, realized from the sale of currencies or other assets acquired in connection with any payments made to discharge liabilities under such guaranties as long as such funds are available, and thereafter shall be paid out of funds heretofore appropriated for the purpose of discharging liabilities under the aforementioned guaranties, and thereafter out of funds realized from the sale of notes issued under section 413(b)(4)(F) of the Mutual Security Act of 1954, as amended, and section 111(c)(2) of the Economic Cooperation Act of 1948, as amended, and finally out of funds hereafter made available pursuant to section 222(f).

(e)[69] All guaranties issued prior to July 1, 1956, all guaranties issued under sections 202(b) and 413(b)(4) of the Mutual Security Act of 1954, as amended, and all guaranties heretofore or hereafter issued pursuant to this title shall be considered contingent obligations backed by the full faith and credit of the Government of the United States of America. Funds heretofore obligated under the aforementioned guaranties (exclusive of informational media guaranties) together with the other funds made available for the purposes of this title shall constitute a single reserve for the payment of claims in accordance with section 222(d) of this part.

(f)[70] There is hereby authorized to be appropriated to the President such amount, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.

(g)[71] In making a determination to issue a guaranty under section 221(b), the President shall consider the possible adverse effect of the dollar investment under such guaranty upon the balance of payments of the United States.

SEC. 223.[72] DEFINITIONS.—As used in this title—

(a) the term "investment" includes any contribution of capital commodities, services, patents, processes, or techniques in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital commodities and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made;

(b) the term "expropriation" includes but is not limited to any abrogation, repudiation, or impairment by a foreign government of its own contract with an investor, where such abrogation, repudiation, or impairment is not caused by the investor's own fault or misconduct, and materially adversely affects the continued operation of the project; *and*

(c) the term "eligible United States investors" means United States citizens, or corporations, partnerships, or other associations created under the laws of the United States or any State or territory and substantially beneficially owned by United States citizens, as well as foreign corporations, partnerships, or other associations wholly owned by one or more such United States citizens, corporations, partnerships, or other associations: Provided, That the eligibility of a

foreign corporation shall be determined without regard to any shares, in aggregate less than 5 per centum of the total of issued and subscribed share capital, required by law to be held by persons other than the United States owners.

SEC. 224. *HOUSING PROJECTS IN LATIN AMERICAN COUNTRIES.—(a) It is the sense of Congress that in order to stimulate private home ownership and assist in the development of stable economies in Latin America, the authority conferred by this section should be utilized for the purpose of assisting in the development in the American Republics of self-liquidating pilot housing projects, the development of institutions engaged in Alliance for Progress programs, including cooperatives, free labor unions, savings and loan type institutions, and other private enterprise programs in Latin America engaged directly or indirectly in the financing of home mortgages, the construction of homes for lower income persons and families, the increased mobilization of savings and the improvement of housing conditions in Latin America.*

(b) To carry out the purposes of subsection (a), the President is authorized to issue guaranties, on such terms and conditions as he shall determine, to eligible United States investors as defined in section 223 assuring against loss of loan investments made by such investors in—

(1) pilot or demonstration private housing projects in Latin America of types similar to those insured by the Federal Housing Administration and suitable for conditions in Latin America;

(2) Credit institutions in Latin America engaged directly or indirectly in the financing of home mortgages, such as savings and loan institutions and other qualified investment enterprises;

(3) housing projects in Latin America for lower income families and persons, which projects shall be constructed in accordance with maximum unit costs established by the President for families and persons whose incomes meet the limitations prescribed by the President;

(4) housing projects in Latin America which will promote the development of institutions important to the success of the Alliance for Progress, such as free labor unions, cooperatives, and other private enterprise programs; or

(5) housing projects in Latin America 25 per centum or more of the aggregate of the mortgage financing for which is made available from sources within Latin America and is not derived from sources outside Latin America, which projects shall, to the maximum extent practicable, have a unit cost of not more than $6,500.

(c) The total face amount of guaranties issued under this section outstanding at any one time shall not exceed $400,000,000: Provided, That no payment may be made under this section for any loss arising out of fraud or misconduct for which the investor is responsible: Provided further, That this authority shall continue until June 30, 1967.

TITLE IV—SURVEYS OF INVESTMENT OPPORTUNITIES

SEC. 231.[76] GENERAL AUTHORITY.—(a) In order to encourage and promote the undertaking by private enterprise of surveys of investment opportunities, other than

surveys of extraction opportunities, in less developed friendly countries and areas, the President is authorized to participate in the financing of such surveys undertaken by any person on such terms and conditions as he may determine: *Provided,* That his participation shall not exceed 50 per centum of the total cost of any such survey. The making of each such survey shall be approved by the President.

(b) In the event that a person who has undertaken a survey in accordance with this title determines, within a period of time to be determined by the President, not to undertake, directly or indirectly, the investment opportunity surveyed, such person shall turn over to the President a professionally acceptable technical report with respect to all matters explored. Such report shall become the property of the United States Government, and the United States Government shall be entitled to have access to, and obtain copies of, all underlying correspondence, memorandums, working papers, documents, and other materials in connection with the survey.

SEC. 232.[77] AUTHORIZATION.—There is hereby authorized to be appropriated to the President for use beginning in the fiscal year 1965 [78] to carry out the purposes of this title not to exceed $2,100,000,[78] which shall remain available until expended.

SEC. 233.[79] DEFINITIONS.—As used in this title—

(a) the term "person" means a citizen of the United States or any corporation, partnership, or other association substantially beneficially owned by United States citizens; and

(b) the term "survey of extraction opportunities" means any survey directed (i) to ascertaining the existence, location, extent, or quality of any deposit of ore, oil, gas or other mineral, or (ii) to determining the feasibility of undertaking operations for the mining or other extraction of any such mineral or for the processing of any such mineral to the stage of commercial marketability.

TITLE V—DEVELOPMENT RESEARCH

SEC. 241.[80] GENERAL AUTHORITY.—(a)[81] The President is authorized to use funds made available for this part to carry out programs of research into, and evaluation of, the process of economic development in less developed friendly countries and areas, into the factors affecting the relative success and costs of development activities, and into the means, techniques, and such other aspects of development assistance as he may determine, in order to render such assistance of increasing value and benefit.

(b)[81] Funds made available to carry out this section may be used to conduct research into the problems of population growth.

TITLE VI—ALLIANCE FOR PROGRESS [82]

SEC. 251.[83] GENERAL AUTHORITY.—(a) It is the sense of the Congress that the historic, economic, political and geographic relationships among the American peoples and Republics are unique and of special significance and that the Alliance for Progress offers great hope for the advancement of the welfare of the peoples of the Americas and the strengthening of the relationships among them. It is further the sense of Congress that vigorous measures by the countries and areas of Latin America to mobilize their own resources for economic development and to adopt reform measures to spread the benefits of economic progress among the people are essential to the success of the Alliance for Progress and to continued significant United States assistance thereunder. The President

is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of countries and areas in Latin America.

(b) Assistance furnished under this title shall be directed toward the development of human as well as economic resources. In furnishing assistance under this title, the President shall take into account (1) the principles of the Act of Bogota [84] and the Charter of Punta del Este,[85] and in particular the extent to which the recipient country or area is showing a responsiveness to the vital economic, political, and social concerns of its people and demonstrating a clear determination to take effective self-help measures; (2) the economic and technical soundness of the activity to be financed; (3) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range objectives; and (4) the possible effects upon the United States economy, with special reference to areas of substantial labor surplus, of the assistance involved. In making loans under this title from funds which are required to be used for loans payable as to principal and interest in United States dollars, the President shall take into account, in addition to the considerations named in the preceding sentence, 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), the capacity of the recipient country to repay the loan at a reasonable rate of interest,[86] and the efforts made by recipient nations to repatriate capital invested in other countries by their own citizens. The provisions of sections 201(d), 202(b), 202(c) and 204 shall be applicable to such loans, and they shall be made only upon a finding of reasonable prospects of repayment.

(c) The authority of section 614(a) may not be used to waive the requirements of this title with respect to funds made available for this title which are required to be used for loans payable as to principal and interest in United States dollars, and the authority of section 610 may be used to transfer such funds only to funds made available for title I of chapter 2 of part I.

(d) In order to carry out the policies of this Act and the purpose of this title, the President shall, when requested by a friendly country and when appropriate, assist in fostering measures of agrarian reform, including colonization and redistribution of land, with a view to insuring a wider and more equitable distribution of the ownership of land.

(e) The President shall not allocate, reserve, earmark, commit, or otherwise set aside, funds aggregating in excess of $100,000 for use in any country under this title unless (1) an application for such funds has been received for use in such country together with sufficient information and assurances to indicate reasonably that the funds will be used in an economically[87] and technically sound manner, or (2) the President determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside that it is in the national interest to use such funds pursuant to multilateral plans.

(f) In furnishing assistance under this title, consistently with and for the purposes of section 601(b)(4) of this Act, the agency primarily responsible for administering part I [88] or any other departments and agencies designated by the President shall provide such assistance as may be determined by the President to be necessary from time to time in order to make effective the efforts of the Commerce Committee for the Alliance for Progress, established under the Department of Commerce.

(g) [89] In order to carry out the policies of this Act, the President shall, when appropriate, assist in promoting the organization, implementation, and growth of the cooper-

ative movement in Latin America as a fundamental measure toward the strengthening of democratic institutions and practices and economic and social development under the Alliance for Progress.

SEC. 252.[90] AUTHORIZATION.—There is hereby authorized to be appropriated to the President for the purposes of this title, in addition to other funds available for such purposes, for use beginning in each of the fiscal years 1963, 1965,[91] and 1966, not to exceed $600,000,000 for each such fiscal year, and for use beginning in the fiscal year 1964, not to exceed $525,000,000,[92] which sums are authorized to remain available until expended and which, except for not to exceed $100,000,000 in each of the fiscal years 1963 and 1964 and $85,000,000 in fiscal year 1965 *and $75,000,000 in fiscal year 1966* of the funds appropriated pursuant to this section for use beginning in each such fiscal year,[93] shall be available only for loans payable as to principal and interest in United States dollars. In presenting requests to the Congress for authorizations for appropriations for fiscal years 1964 through 1966 to carry out other programs under this Act, the President shall also present the program proposed to be carried out from funds appropriated pursuant to the authorization contained in this section for the respective fiscal year. In order to effectuate the purposes and provisions of sections 102, 251, 601, and 602 of this Act, not less than 50 per centum of the loan funds appropriated pursuant to this section for the fiscal years ending June 30, 1965 and June 30, 1966, respectively, shall be available for loans made to encourage economic development through private enterprise.[94]

SEC. 253.[95] FISCAL PROVISIONS.—All receipts in United States dollars from loans made under this title and from loans made for the benefit of countries and areas of Latin America under title I of chapter 2 of part I of this Act, notwithstanding section 203, shall be available for use for loans payable as to principal and interest in United States dollars in furtherance of the purposes of this title.[96] All receipts in foreign currencies from loans made under this title or for nonmilitary assistance purposes under the Mutual Security Act of 1954, as amended, or any Act repealed thereby, shall be available, in addition to other funds available for such purposes, for loans on such terms and conditions as the President may specify to carry out the purposes of subsection (g) of section 251 of this title, and the President may, notwithstanding the provisions of this or any other Act, reserve such currencies in such amounts (not to exceed $25,000,000) as he shall determine to be necessary to provide for the programs authorized by said subsection (g).[97] Such receipts and other funds made available under this title for use for the purposes of this title shall remain available until expended.

TITLE VII—EVALUATION OF PROGRAMS[98]

SEC. 261.[99] The President may appoint a committee to review and evaluate the economic development program under this Act, and to report to the President and to the Congress its findings.

CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SEC. 301.[100] GENERAL AUTHORITY.—(a) When he determines it to be in the national interest, the President is authorized to make voluntary contributions on a grant basis to international organizations and to programs administered by such organizations on such terms and conditions as he may determine, in order to further the purposes of this part

(b) Contributions to the United Nations Expanded Program of Technical Assistance and the United Nations Special Fund for the calendar years succeeding 1961 may not exceed forty per centum of the total amount contributed for such purpose (including assessed and audited local costs) for each year.

(c) In determining whether or not to continue furnishing assistance for Palestine refugees in the Near East through contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the President shall take into account (1) whether Israel and the Arab host governments are taking steps toward the resettlement and repatriation of such refugees, and (2) the extent and success of efforts by the Agency and the Arab host governments to rectify the Palestine refugee relief rolls. *Contributions by the United States to the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the calendar year 1966 shall not exceed $15,200,000.*

SEC. 302.[101] AUTHORIZATION.—There is hereby authorized to be appropriated to the President for use, in addition to funds available under any other Act for such purposes, for the fiscal year *1966*[102] to carry out the purposes of this chapter not to exceed *$144,755,000.*[102] None of the funds available to carry out this chapter shall be contributed to any international organization or to any foreign government or agency thereof to pay the costs of developing or operating any volunteer program of such organization, government, or agency relating to the selection, training, and programing of volunteer manpower.[103]

SEC. 303.[104] INDUS BASIN DEVELOPMENT.—In the event that funds made available under this Act (other than part II) are used by or under the supervision of the International Bank for Reconstruction and Development in furtherance of the development of the Indus Basin through the program of cooperation among South Asian and other countries of the free world, which is designed to promote economic growth and political stability in South Asia, such funds may be used in accordance with requirements, standards, or procedures established by the Bank concerning completion of plans and cost estimates and determination of feasibility, rather than with requirements, standards, or procedures concerning such matters set forth in this or other Acts; and such funds may also be used without regard to the provisions of section 901(b) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241),[105] whenever the President determines that such provisions cannot be fully satisfied without seriously impeding or preventing accomplishment of the purposes of such programs: *Provided,* That compensating allowances are made in the administration of other programs to the same or other areas to which the requirements of said section 901(b) are applicable.

CHAPTER 4—SUPPORTING ASSISTANCE

SEC. 401.[106] GENERAL AUTHORITY.—The President is authorized to furnish assistance to friendly countries, organizations, and bodies eligible to receive assistance under this part on such terms and conditions as he may determine, in order to support or promote economic or political stability.

SEC. 402.[107] AUTHORIZATION.—There is hereby authorized to be appropriated to the President for use beginning in the fiscal year *1966*[108] to carry out the purposes of this chapter not to exceed *$369,200,000,* which shall remain available until expended. Of the funds made available for the fiscal year 1965 to carry out the purposes of this

chapter, not less than $200,000,000 shall be available solely for use in Vietnam, unless the President determines otherwise and promptly reports such determination to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives.[109]

CHAPTER 5—CONTINGENCY FUND

SEC. 451.[110] CONTINGENCY FUND.—(a) There is hereby authorized to be appropriated to the President for the fiscal year *1966*[111] not to exceed *$50,000,000*[111] for use by the President for assistance authorized by part I in accordance with the provisions applicable to the furnishing of such assistance, when he determines such use to be important to the national interest. ***In addition, there is hereby authorized to be appropriated to the President for use in Southeast Asia such sums, not to exceed $89,000,000, as may be necessary in the fiscal year 1966 for programs authorized by parts I and II of this Act.***

(b) The President shall provide quarterly reports to[112] the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives on the programming and the obligation[112] of funds under ***the first sentence of subsection (a).***

CHAPTER 6—ASSISTANCE TO COUNTRIES HAVING AGRARIAN ECONOMIES

SEC. 461.[113] ASSISTANCE TO COUNTRIES HAVING AGRARIAN ECONOMIES.—Wherever the President determines that the economy of any country is in major part an agrarian economy, emphasis shall be placed on programs which reach the people in such country who are engaged in agrarian pursuits or who live in the villages or rural areas in such country, including programs which will assist them in the establishment of indigenous cottage industries, in the improvement of agricultural methods and techniques, and which will encourage the development of local programs of self-help and mutual cooperation. In such country emphasis shall be placed also upon programs of community development which will promote stable and responsible governmental institutions at the local level.[114]

PART II

CHAPTER 1—POLICY[115]

SEC. 501.[116] SHORT TITLE.—* * * [Repealed—1963]

SEC. 502.[117] STATEMENT OF POLICY.—The Congress of the United States reaffirms the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except for individual or collective self-defense. The Congress hereby finds that the efforts of the United States and other friendly countries to promote peace and security continue to require measures of support based upon the principle of effective self-help and mutual aid. It is the purpose of this part to authorize measures in the common defense against internal and external aggression, including the furnishing of military assistance, upon request, to friendly countries and international organizations. In furnishing such military assistance, it remains the policy of the United States to continue to exert maximum efforts to achieve universal control of weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safeguards to protect complying countries against violation and evasion.

The Congress recognizes that the peace of the world and the security of the United States are endangered so long as international communism and the countries it controls continue by threat of military action, by the use of economic pressure, and by internal subversion, or other means to attempt to bring under their domination peoples now free and independent and continue to deny the rights of freedom and self-government to peoples and countries once free but now subject to such domination.

It is the sense of the Congress that an important contribution toward peace would be made by the establishment under the Organization of American States of an international military force.

In enacting this legislation, it is therefore the intention of the Congress to promote the peace of the world and the foreign policy, security, and general welfare of the United States by fostering an improved climate of political independence and individual liberty, improving the ability of friendly countries and international organizations to deter or, if necessary, defeat Communist or Communist-supported aggression, facilitating arrangements for individual and collective security, assisting friendly countries to maintain internal security, and creating an environment of security and stability in the developing friendly countries essential to their more rapid social, economic, and political progress. The Congress urges that all other countries able to contribute join in a common undertaking to meet the goals stated in this part.

Finally, the Congress reaffirms its full support of the progress of the members of the North Atlantic Treaty Organization [118] toward increased cooperation in political, military, and economic affairs. In particular, the Congress welcomes the steps which have been taken to promote multilateral programs of coordinated procurement, research, development, and production of defense articles and urges that such programs be expanded to the fullest extent possible to further the defense of the North Atlantic Area.

CHAPTER 2—MILITARY ASSISTANCE

SEC. 503.[119] GENERAL AUTHORITY.—The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

(a) acquiring from any source and providing (by loan, lease, sale, exchange, grant, or any other means) any defense article or defense service;

(b) making financial contributions to multilateral programs for the acquisition or construction of facilities for collective defense;

(c) providing financial assistance for expenses incident to participation by the United States Government in regional or collective defense organizations; [120]

(d) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a noncombatant nature, including those related to training or advice; and [120]

(e)[121] guarantying, insuring, coinsuring, and reinsuring any individual, corporation, partnership, or other association doing business in the United States against political and credit risks of nonpayment arising in connection with credit sales financed

by such individual, corporation, partnership or other association for defense articles and defense services procured in the United States by such friendly country or international organization.

SEC. 504.[122] AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for use beginning in fiscal year *1966*[123] to carry out the purposes of this part, not to exceed *$1,170,000,000,*[123] which shall remain available until expended. Of the funds made available for the fiscal year 1965 to carry out the purposes of this part, not less than $200,000,000 shall be available solely for use in Vietnam, unless the President determines otherwise and promptly reports such determination to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives.[124]

(b) In order to make sure that a dollar spent on military assistance to foreign countries is as necessary as a dollar spent for the United States military establishment, the President shall establish procedures for programming and budgeting so that programs of military assistance come into direct competition for financial support with other activities and programs of the Department of Defense.

SEC. 505.[125] UTILIZATION OF ASSISTANCE.—(a) Military assistance to any country shall be furnished solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, *or for the purpose of assisting foreign military forces in less developed friendly countries (or the voluntary efforts of personnel of the Armed Forces of the United States in such countries) to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort.*

(b) Except (1) to the extent necessary to fulfill prior commitments, or (2) for civic action assistance, or (3) to the extent that the President finds, with respect to any Latin American country, that the furnishing of military assistance under this Act is necessary to safeguard the security of the United States or to safeguard the security of a country associated with the United States in the Alliance for Progress against overthrow of a duly constituted government, and so informs the Congress, no further military assistance under any provision of this Act shall be furnished to any Latin American country.

SEC. 506.[128] CONDITIONS OF ELIGIBILITY.—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or

(C) use or permit the use of such articles for purposes other than those for which furnished;

(2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

(b) No defense articles shall be furnished on a grant basis to any country at a cost in excess of $3,000,000 in any fiscal year unless the President determines—

(1) that such country conforms to the purposes and principles of the Charter of the United Nations;

(2) that such defense articles will be utilized by such country for the maintenance of its own defensive strength, and the defensive strength of the free world;

(3) that such country is taking all reasonable measures, consistent with its political and economic stability, which may be needed to develop its defense capacities; and

(4) that the increased ability of such country to defend itself is important to the security of the United States.

(c)[129] The President shall regularly reduce and, with such deliberate speed as orderly procedure and other relevant considerations, including prior commitments, will permit, shall terminate all further grants of military equipment and supplies to any country having sufficient wealth to enable it, in the judgment of the President, to maintain and equip its own military forces at adequate strength, without undue burden to its economy.

(d)[129] Any country which hereafter uses defense articles or defense services furnished such country under this Act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into pursuant to any of such Acts shall be immediately ineligible for further assistance.

SEC. 507.[130] SALES.—(a) The President may furnish defense articles from the stocks of the Department of Defense and defense services to any friendly country or international organization, without reimbursement from funds made available for use under this part, if such country or international organization agrees to pay not less than [131] the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed three years after the delivery of the defense articles, or the provision of the defense services. *Notwithstanding the provisions of section 644(m)(2), nonexcess*

defense articles may be sold under this subsection at the standard price in effect at the time such articles are offered for sale to the purchasing country or international organization. For the purposes of this subsection, the value of excess defense articles shall be not less than (1) the value specified in section 644(m)(1) plus the scrap value, or (2) the market value, if ascertainable, whichever is the greater.

(b) The President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale to any friendly country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due: *Provided,* That the President may, when he determines it to be in the national interest, accept a dependable undertaking to make full payment within one hundred and twenty days after delivery of the defense articles, or the rendering of the defense services, and appropriations available to the Department of Defense may be used to meet the payments required by the contracts and shall be reimbursed by the amounts subsequently received from the country or international organization*: Provided further, That the President may, when he determines it to be in the national interest, enter into sales agreements with purchasing countries or international organizations which fix prices to be paid by the purchasing countries or international organizations for the defense articles or defense services ordered. Funds available under this part for financing sales shall be used to reimburse the applicable appropriations in the amounts required by the contracts which exceed the price so fixed, except that such reimbursement shall not be required upon determination by the President that the continued production of the defense article being sold is advantageous to the Armed Forces of the United States. Payments by purchasing countries or international organizations which exceed the amounts required by such contracts shall be credited to the account established under section 508. To the maximum extent possible, prices fixed under any such sales agreement shall be sufficient to reimburse the United States for the cost of the defense articles or defense services ordered. The President shall submit to the Congress promptly a detailed report concerning any fixed-price sales agreement under which the aggregate cost to the United States exceeds the aggregate amount required to be paid by the purchasing country or international organization.* No sales of unclassified defense articles shall be made to the government of any economically developed nation under the provisions of this subsection unless such articles are not generally available for purchase by such nations from commercial sources in the United States: *Provided, however,* That the Secretary of Defense may waive the provisions of this sentence when he determines that the waiver of such provisions is in the national interest.[133]

SEC. 508.[134] REIMBURSEMENTS.—Whenever funds made available for use under this part *have been or* are used to furnish military assistance on cash or credit terms, United States dollar repayments, including dollar proceeds derived from the sale of foreign currency repayments to any agency or program of the United States Government, *receipts received from the disposition of evidences of indebtedness and charges (including*

fees and premiums) or interest collected shall be credited to *a separate fund account* and shall be available until expended solely for the purpose of *financing sales and guaranties, including the overhead costs thereof,* and, notwithstanding any provision of law relating to receipts and credits accruing to the United States Government, repayments in foreign currency may be used to carry out this part.

SEC. 509.[135] EXCHANGES AND GUARANTIES.[136]—(a)[137] Defense articles or defense services transferred to the United States Government by a country or international organization as payment for assistance furnished under this part may be used to carry out this part, or may be disposed of or transferred to any agency of the United States Government for stockpiling or other purposes. If such disposal or transfer is made subject to reimbursement, the funds so received shall be credited to the appropriation, fund, or account funding the cost of the assistance furnished or to any appropriation, fund, or account currently available for the same general purpose.

(b)[138] In issuing guaranties, insurance, coinsurance, and reinsurance, the President may enter into contracts with exporters, insurance companies, financial institutions, or others, or groups thereof, and where appropriate may employ any of the same to act as agent in the issuance and servicing of such guaranties, insurance, coinsurance, and reinsurance, and the adjustment of claims arising thereunder. Fees and premiums shall be charged in connection with contracts of guaranty, insurance, coinsurance, and reinsurance *(excluding contracts with any agency of the United States Government).* Obligations shall be recorded against the funds available for credit sales under this part in an amount not less than 25 per centum of the contractual liability related to any guaranty, insurance, coinsurance, and reinsurance issued pursuant to this part and the funds so obligated together with fees and premiums shall constitute a single reserve for the payment of claims under such contracts. Any guaranties, insurance, coinsurance, and reinsurance issued pursuant to this part shall be considered contingent obligations backed by the full faith and credit of the United States of America.

SEC. 510.[139] SPECIAL AUTHORITY.—(a) During the fiscal year *1966,*[140] the President may, if he determines it to be vital to the security of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part II, subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year *1966*[140] shall not exceed $300,000,000. Prompt notice of action taken under this subsection shall be given to the Committees on Foreign Relations, Appropriations, and Armed Services of the Senate and the Speaker of the House of Representatives.[141]

(b) The Department of Defense is authorized to incur, in applicable appropriations, obligations in anticipation of reimbursements in amounts equivalent to the value of such orders under subsection (a) of this section. Appropriations to the President of such sums as may be necessary to reimburse the applicable appropriation, fund, or account for such orders are hereby authorized.

SEC. 511.[142] RESTRICTIONS ON MILITARY AID TO LATIN AMERICA.—(a) The value of grant programs of defense articles for American Republics, pursuant to any authority contained in this part other than section 507, in any fiscal year beginning with the fiscal year 1962, shall not exceed $55,000,000, of which *$25,000,000 may be used for assist-*

ance on a cost-sharing basis to an inter-American military force under the control of the Organization of American States: Provided, That the cost of defense articles supplied for use by elements of the Inter-American Peace Force in the Dominican Republic shall not be charged against the $55,000,000 limitation provided by this subsection.

(b) To the maximum extent feasible, military assistance shall be furnished to American Republics in accordance with joint plans (including joint plans relating to internal security problems) approved by the Organization of American States. The President shall submit semiannual reports to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate on the implementation of this subsection.

SEC. 512.[145] RESTRICTIONS ON MILITARY AID TO AFRICA.—No military assistance shall be furnished on a grant basis to any country in Africa, except for internal security requirements or for *civic action requirements,* unless the President determines otherwise and promptly reports such determination to the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives.[146] The value of grant programs of defense articles for African countries in fiscal year *1966,*[147] pursuant to any authority contained in this part other than section 507, shall not exceed $25,000,000.

SEC. 513.[148] CERTIFICATION OF RECIPIENT'S CAPABILITY.—(a) Except as provided in subsection (b) of this section, no defense article having a value in excess of $100,000 shall hereafter be furnished to any country or international organization under the authority of this Act (except under the authority of section 507) unless the chief of the appropriate military assistance advisory group representing the United States with respect to defense articles used by such country or international organization or the head of any other group representing the United States with respect to defense articles used by such country or international organization has certified in writing within six months prior to delivery that the country or international organization has the capability to utilize effectively such article in carrying out the purposes of this part.

(b) Defense articles included in approved military assistance programs may be furnished to any country or international organization for which the certification required by subsection (a) of this section cannot be made when determined necessary and specifically approved in advance by the Secretary of State (or, upon appropriate delegation of authority by an Under Secretary or Assistant Secretary of State) and the Secretary of Defense (or, upon appropriate delegation of authority by the Deputy Secretary or an Assistant Secretary of Defense). The Secretary of State, or his delegate, shall make a complete report to the Speaker of the House of Representatives and to the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each such determination and approval and the reasons therefor.[149]

PART III

CHAPTER 1—GENERAL PROVISIONS

SEC. 601.[150] ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress of the United States recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to economic prog-

ress and development. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other countries to increase the flow of international trade, to foster private initiative and competition, to encourage the development and use of cooperatives, credit unions, and savings and loan associations, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture, and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward economic strength of less developed friendly countries, through private trade and investment abroad, private participation in programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this subsection.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President shall—

(1) make arrangements to find, and draw the attention of private enterprise to, opportunities for investment and development in less-developed friendly countries and areas;

(2) accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable treatment in, friendly countries and areas participating in programs under this Act;

(3) seek, consistent with the national interest, compliance by other countries or areas with all treaties for commerce and trade and taxes, and take all reasonable measures under this Act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or area thereof in violation of any such treaty;[151]

(4) to the maximum extent practicable[152] carry out programs of assistance through private channels and to the extent practicable in conjunction with local private or governmental participation, including loans under the authority of section 201 to any individual, corporation, or other body of persons;[152]

(5)[153] take appropriate steps to discourage nationalization, expropriation, confiscation, seizure of ownership or control of private investment and discriminatory or other actions having the effect thereof, undertaken by countries receiving assistance under this Act, which divert available resources essential to create new wealth, employment, and productivity in those countries and otherwise impair the climate for new private investment essential to the stable economic growth and development of those countries; and

(6)[153] utilize wherever practicable the services of United States private enterprise (including, but not limited to, the services of experts and consultants in technical fields such as engineering).

(c)[154] (1) There is hereby established an Advisory Committee on Private Enterprise in Foreign Aid. The Advisory Committee shall carry out studies and make recommendations for achieving the most effective utilization of the private enterprise provisions of

this Act to the head of the agency charged with administering the program under part I of this Act, who shall appoint the Committee.

(2) Members of the Advisory Committee shall represent the public interest and shall be selected from the business, labor and professional world, from the universities and foundations, and from among persons with extensive experience in government. The Advisory Committee shall consist of not more than nine members, and one of the members shall be designated as chairman.

(3) Members of the Advisory Committee shall receive no compensation for their services but shall be entitled to reimbursement in accordance with section 5 of the Administrative Expenses Act of 1946 (5 U. S. C. 73b-2) for travel and other expenses incurred in attending meetings of the Advisory Committee.

(4) The Advisory Committee shall, if possible, meet not less frequently than once each month, shall submit such interim reports as the Committee finds advisable, and shall submit a final report not later than June 30, 1965,[155] whereupon the Committee shall cease to exist. Such reports shall be made available to the public and to the Congress.[156]

(5) The expenses of the Committee, which shall not exceed $50,000, shall be paid from funds otherwise available under this Act.

(d)[157] It is the sense of Congress that the Agency for International Development should continue to encourage, to the maximum extent consistent with the national interest, the utilization of engineering and professional services of United States firms (including, but not limited to, any corporation, company, partnership, or other association) or by an affiliate of such United States firms in connection with capital projects financed by funds authorized under this Act.

SEC. 602.[158] SMALL BUSINESS.—(a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the President shall assist American small business to participate equitably in the furnishing of commodities, defense articles, and services (including defense services) financed with funds made available under this Act—

(1) by causing to be made available to suppliers in the United States, and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with such funds;

(2) by causing to be made available to prospective purchasers in the countries and areas receiving assistance under this Act information as to such commodities, articles, and services produced by small independent enterprises in the United States; and

(3) by providing for additional services to give small business better opportunities to participate in the furnishing of such commodities, articles, and services financed with such funds.

(b) There shall be an Office of Small Business, headed by a Special Assistant for Small Business, in such agency of the United States Government as the President may direct, to assist in carrying out the provisions of subsection (a) of this section.

(c) The Secretary of Defense shall assure that there is made available to suppliers in the United States, and particularly to small independent enterprises, information with

respect to purchases made by the Department of Defense pursuant to part II, such information to be furnished as far in advance as possible.

SEC. 603.[159] SHIPPING ON UNITED STATES VESSELS.—The ocean transportation between foreign countries of commodities and defense articles purchased with foreign currencies made available or derived from funds made available under this Act or the Agricultural Trade Development and Assistance Act of 1954, as amended[160] (7 U.S.C. 1691 et seq.), and transfers of fresh fruit and products thereof under this Act, shall not be governed by the provisions of section 901(b) of the Merchant Marine Act of 1936, as amended[161] (46 U.S.C. 1241), or any other law relating to the ocean transportation of commodities on United States flag vessels.

SEC. 604.[162] PROCUREMENT.—(a) Funds made available under this Act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States,[163] and only if the price of any commodity procured in bulk is lower than the market price prevailing in the United States at the time of procurement, adjusted for differences in the cost of transportation to destination, quality, and terms of payment.[164]

(b) No funds made available under this Act shall be used for the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of purchase, adjusted for differences in the cost of transportation to destination, quality, and terms of payment.

(c) In providing for the procurement of any surplus agricultural commodity for transfer by grant under this Act to any recipient country in accordance with its requirements, the President shall, insofar as practicable and when in furtherance of the purposes of this Act, authorize the procurement of such surplus agricultural commodity only within the United States except to the extent that such surplus agricultural commodity is not available in the United States in sufficient quantities to supply emergency requirements of recipients under this Act.

(d) In providing assistance in the procurement of commodities in the United States, United States dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing prior to the outbreak of World War II: *Provided,* That in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased with funds provided hereunder and destined for such country shall be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

SEC. 605.[165] RETENTION AND USE OF *CERTAIN ITEMS AND FUNDS.*—(a) Any commodities and defense articles procured to carry out this Act shall be retained by, or upon reimbursement, transferred to, and for the use of, such agency of the United States Government as the President may determine in lieu of being disposed of to a foreign country or international organization, whenever in the judgment of the President the

best interests of the United States will be served thereby, or whenever such retention is called for by concurrent resolution. Any commodities or defense articles so retained may be disposed of without regard to provisions of law relating to the disposal of property owned by the United States Government, when necessary to prevent spoilage or wastage of such commodities or defense articles or to conserve the usefulness thereof. Funds realized from any disposal or transfer shall revert to the respective appropriation, fund, or account used to procure such commodities or defense articles or to the appropriation, fund, or account currently available for the same general purpose.

(b) Whenever commodities are transferred to the United States Government as repayment of assistance under this Act, such commodities may be used in furtherance of the purposes and within the limitations of this Act.

(c) Funds realized as a result of any failure of a transaction financed under authority of part I of this Act to conform to the requirements of this Act, or to applicable rules and regulations of the United States Government, or to the terms of any agreement or contract entered into under authority of part I of this Act, shall revert to the respective appropriation, fund, or account used to finance such transaction or to the appropriation, fund, or account currently available for the same general purpose.

(d) Funds realized by the United States Government from the sale, transfer, or disposal of defense articles returned to the United States Government by a recipient country or international organization as no longer needed for the purpose for which furnished shall be credited to the respective appropriation, fund, or account used to procure such defense articles or to the appropriation, fund, or account currently available for the same general purpose.

SEC. 606.[166] PATENTS AND TECHNICAL INFORMATION.—(a) Whenever, in connection with the furnishing of assistance under this Act—

(1) an invention or discovery covered by a patent issued by the United States Government is practiced within the United States without the authorization of the owner, or

(2) information, which is (A) protected by law, and (B) held by the United States Government subject to restrictions imposed by the owner, is disclosed by the United States Government or any of its officers, employees, or agents in violation of such restrictions,

the exclusive remedy of the owner, except as provided in subsection (b) of this section, is to sue the United States Government for reasonable and entire compensation for such practice or disclosure in the district court of the United States for the district in which such owner is a resident, or in the Court of Claims, within six years after the cause of action arises. Any period during which the United States Government is in possession of a written claim under subsection (b) of this section before mailing a notice of denial of that claim does not count in computing the six years. In any such suit, the United States Government may plead any defense that may be pleaded by a private person in such an action. The last paragraph of section 1498(a) of title 28 of the United States Code shall apply to inventions and information covered by this section.

(b) Before suit against the United States Government has been instituted, the head of the agency of the United States Government concerned may settle and pay any claim arising under the circumstances described in subsection (a) of this section. No claim may be paid under this subsection unless the amount tendered is accepted by the claimant in full satisfaction.

(c) Funds appropriated pursuant to this Act shall not be expended by the United States Government for the acquisition of any drug product or pharmaceutical product manufactured outside the United States if the manufacture of such drug product or pharmaceutical product in the United States would involve the use of, or be covered by, an unexpired patent of the United States which has not previously been held invalid by an unappealed or unappealable judgment or decree of a court of competent jurisdiction, unless such manufacture is expressly authorized by the owner of such patent.

SEC. 607.[167] FURNISHING OF SERVICES AND COMMODITIES.—Whenever the President determines it to be consistent with and in furtherance of the purposes of part I and within the limitations of this Act, any agency of the United States Government is authorized to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid. Such advances or reimbursements which are received under this section within one hundred and eighty days after the close of the fiscal year in which such services and commodities are delivered, may be credited to the current applicable appropriation, account, or fund of the agency concerned and shall be available for the purposes for which such appropriation, account, or fund is authorized to be used.

SEC. 608.[168] ADVANCE ACQUISITION OF PROPERTY.—(a) The President is authorized to maintain in a separate account, which shall, notwithstanding section 1210 of the General Appropriation Act, 1951 (64 Stat. 765), be free from fiscal year limitations, $5,000,000 of funds made available under section 212, which may be used to pay costs of acquisition, storage, renovation and rehabilitation, packing, crating, handling, transportation, and related costs of property classified as domestic or foreign excess property pursuant to the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 471 et seq.), or other property, in advance of known requirements therefor for use in furtherance of the purposes of part I: *Provided,* That the amount of property classified as domestic excess property pursuant to the Federal Property and Administrative Services Act of 1949, as amended, held at any one time pursuant to this section shall not exceed $15,000,000 in total original acquisition cost. Property acquired pursuant to the preceding sentence may be furnished (1) pursuant to any provision of part I for which funds are authorized for the furnishing of assistance, in which case the separate account established pursuant to this section shall be repaid from funds made available for such provision for all costs incurred, or (2) pursuant to section 607, in which case such separate account shall be repaid in accordance with the provisions of that section for all costs incurred.

(b) Property classified as domestic excess property under the Federal Property and Administrative Services Act of 1949, as amended, shall not be transferred to the agency primarily responsible for administering part I for use pursuant to the provisions of part I or section 607 unless (1) such property is transferred for use exclusively by an agency of the United States Government, or (2) it has been determined in the same manner as

provided for surplus property in section 203(j) of the Federal Property and Administrative Services Act of 1949, as amended, that such property is not needed for donation pursuant to that subsection. The foregoing restrictions shall not apply to the transfer in any fiscal year for use pursuant to the provisions of part I of amounts of such property with a total original acquisition cost to the United States Government not exceeding $45,000,000.

SEC. 609.[169] SPECIAL ACCOUNT.—(a) In cases where any commodity is to be furnished on a grant basis under chapter 4 of part I under arrangements which will result in the accrual of proceeds to the recipient country from the sale thereof, the President shall require the recipient country to establish a Special Account, and

(1) deposit in the Special Account, under such terms and conditions as may be agreed upon, currency of the recipient country in amounts equal to such proceeds;

(2) make available to the United States Government such portion of the Special Account as may be determined by the President to be necessary for the requirements of the United States Government: *Provided,* That such portion shall not be less than 10 per centum in the case of any country to which such minimum requirement has been applicable under any Act repealed by this Act; and

(3) utilize the remainder of the Special Account for programs agreed to by the United States Government to carry out the purposes for which new funds authorized by this Act would themselves be available: *Provided,* That whenever funds from such Special Account are used by a country to make loans, all funds received in repayment of such loans prior to termination of assistance to such country shall be reused only for such purposes as shall have been agreed to between the country and the United States Government.

(b) Any unencumbered balances of funds which remain in the Account upon termination of assistance to such country under this Act shall be disposed of for such purposes as may, subject to approval by Act of the Congress, be agreed to between such country and the United States Government.

SEC. 610.[170] TRANSFER BETWEEN ACCOUNTS.—(a)[171] Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available for any provision of this Act may be transferred to, and consolidated with, the funds made available for any other provision of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 20 per centum of the amount of funds made available for such provision.[172]

(b)[171] The authority contained in this section and in sections 451, 510, and 614 shall not be used to augment appropriations made available pursuant to sections 636(g)(1) and 637 or used otherwise to finance activities which normally would be financed from appropriations for administrative expenses.

SEC. 611.[173] COMPLETION OF PLANS AND COST ESTIMATES.—(a) No agreement or grant which constitutes an obligation of the United States Government in excess of $100,000 under section 1311 of the Supplemental Appropriation Act, 1955, as amended[174] (31 U.S.C. 200), shall be made for any assistance authorized under titles I, II, and VI[175] of chapter 2 and chapter 4 of part I—

(1) if such agreement or grant requires substantive technical or financial planning, until engineering, financial, and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost to the United States Government of providing such assistance, have been completed; and

(2) if such agreement or grant requires legislative action within the recipient country, unless such legislative action may reasonably be anticipated to be completed in time to permit the orderly accomplishment of the purposes of such agreement or grant.

(b) Plans required under subsection (a) of this section for any water or related land resource construction project or program shall include a computation of benefits and costs made insofar as practicable in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962,[176] with respect to such computations.

(c) To the maximum extent practicable, all contracts for construction outside the United States made in connection with any agreement or grant subject to subsection (a) of this section shall be made on a competitive basis.

(d) Subsection (a) of this section shall not apply to any assistance furnished for the sole purpose of preparation of engineering, financial, and other plans.

SEC. 612.[177] USE OF FOREIGN CURRENCIES.—(a)[178] Except as otherwise provided in this Act or other Acts, foreign currencies received either (1) as a result of the furnishing of nonmilitary assistance under the Mutual Security Act of 1954, as amended, or any Act repealed thereby, and unobligated on the date prior to the effective date of this Act, or (2) on or after the effective date of this Act, as a result of the furnishing of nonmilitary assistance under the Mutual Security Act of 1954, as amended, or any Act repealed thereby, or (3) as a result of the furnishing of assistance under part I, which are in excess of amounts reserved under authority of section 105(d) of the Mutual Educational and Cultural Exchange Act of 1961 [179] or any other Act relating to educational and cultural exchanges, may be sold by the Secretary of the Treasury to agencies of the United States Government for payment of their obligations outside the United States, and the United States dollars received as reimbursement shall be deposited into miscellaneous receipts of the Treasury. Foreign currencies so received which are in excess of the amounts so reserved and of the requirements of the United States Government in payment of its obligations outside the United States, as such requirements may be determined from time to time by the President, shall be available for the authorized purposes of part I in such amounts as may be specified from time to time in appropriation Acts.

(*b*)[181] Any Act of Congress making appropriations to carry out programs under this or any other Act for United States operations abroad is hereby authorized to provide for the utilization of United States-owned excess foreign currencies to carry out any such operations authorized by law.

As used in this subsection, the term "excess foreign currencies" means foreign currencies or credits owned by or owed to the United States which are, under applicable agreements with the foreign country concerned, available for the use of the United States Government and are determined by the President to be excess to the normal requirements of departments and agencies of the United States for such currencies or

credits and are not prohibited from use under this subsection by an agreement entered into with the foreign country concerned.

The President shall take all appropriate steps to assure that, to the maximum extent possible, United States-owned foreign currencies are utilized in lieu of dollars. Dollar funds made available pursuant to this Act shall not be expended for goods and services when United States-owned foreign currencies are available for such purposes unless the administrative official approving the voucher certifies as to the reason for the use of dollars in each case.

SEC. 613.[182] *ACCOUNTING, VALUATION, REPORTING, AND ADMINISTRATION OF FOREIGN CURRENCIES.*—(a) Under the direction of the President, the Secretary of the Treasury shall have responsibility for valuation and central accounting with respect to foreign credits (including currencies) owed to or owned by the United States. In order to carry out such responsibility the Secretary shall issue regulations binding upon all agencies of the Government.

(b) The Secretary of the Treasury shall have sole authority to establish for all foreign currencies or credits the exchange rates at which such currencies are to be reported by all agencies of the Government.

(c) Each agency or department shall report to the Secretary of the Treasury an inventory as of June 30, 1961, showing the amount of all foreign currencies acquired without payment of dollars on hand of each of the respective countries, and the Secretary of the Treasury shall consolidate these reports as of the same date and submit to the Congress this consolidated report broken down by agencies, by countries, by units of foreign currencies and their dollar equivalent. Thereafter, semiannually, similar reports are to be submitted by the agencies to the Treasury Department and then presented to the Congress by the Secretary of the Treasury.[183]

(d) In cases where assistance is to be furnished to any recipient country in furtherance of the purposes of this or any other Act on a basis which will result in the accrual of foreign currency proceeds to the United States, the Secretary of the Treasury shall issue regulations requiring that agreements, in respect of such assistance, include provisions for the receipt of interest income on the foreign currency proceeds deposited in authorized depositaries: Provided, That whenever the Secretary of State determines it not to be in the national interest to conclude arrangements for the receipt of interest income he may waive the requirement thereof: Provided further, That the Secretary of State, or his delegate, shall promptly make a complete report to the Congress on each such determination and the reasons therefor.

SEC. 614.[184] SPECIAL AUTHORITIES.—(a) The President may authorize in each fiscal year the use of funds made available for use under this Act and the furnishing of assistance under section 510 in a total amount not to exceed $250,000,000 and the use of not to exceed $100,000,000 for foreign currencies accruing under this Act or any other law, without regard to the requirements of this Act,[185] any law relating to receipts and credits accruing to the United States, any Act appropriating funds for use under this Act, or the Mutual Defense Assistance Control Act of 1951 [186] (22 U.S.C. 1611 et seq.), in furtherance of any of the purposes of such Acts, when the President determines that such

authorization is important to the security of the United States. Not more than $50,000,000 of the funds available under this subsection may be allocated to any one country in any fiscal year.

(b) Whenever the President determines it to be important to the national interest, he may use funds available for the purposes of chapter 4 of part I in order to meet the responsibilities or objectives of the United States in Germany, including West Berlin, and without regard to such provisions of law as he determines should be disregarded to achieve this purpose.

(c) The President is authorized to use amounts not to exceed $50,000,000 of the funds made available under this Act pursuant to his certification that it is inadvisable to specify the nature of the use of such funds, which certification shall be deemed to be a sufficient voucher for such amounts.[187]

SEC. 615.[188] CONTRACT AUTHORITY.—Provisions of the Act authorizing the appropriation of funds shall be construed to authorize the granting in any appropriation Act of authority to enter into contracts, within the amounts so authorized to be appropriated, creating obligations in advance of appropriations.

SEC. 616.[189] AVAILABILITY OF FUNDS.—Except as otherwise provided in this Act, funds shall be available to carry out the provisions of this Act as authorized and appropriated to the President each fiscal year.

SEC. 617.[190] TERMINATION OF ASSISTANCE.—Assistance under any provision of this Act may, unless sooner terminated by the President, be terminated by concurrent resolution. Funds made available under this Act shall remain available for a period not to exceed twelve months from the date of termination of assistance under this Act for the necessary expenses of winding up programs related thereto.

SEC. 618.[191] USE OF SETTLEMENT RECEIPTS.—United States dollars directly paid to the United States under the Agreement Between the United States of America and Japan Regarding the Settlement of Postwar Economic Assistance to Japan[192] may be appropriated or otherwise made available to the President in any appropriation Act, within the limitations of part I of this Act, to carry out the provisions of that part.

SEC. 619.[193] ASSISTANCE TO NEWLY INDEPENDENT COUNTRIES.—Assistance under part I of this Act to newly independent countries shall, to the maximum extent appropriate in the circumstances of each case, be furnished through multilateral organizations or in accordance with multilateral plans, on a fair and equitable basis with due regard to self-help.

SEC. 620.[194] *PROHIBITIONS AGAINST FURNISHING ASSISTANCE.*—(a)(1)[195] No assistance shall be furnished under this Act to the present government of Cuba; nor shall any such assistance be furnished to any country which furnishes assistance to the present government of Cuba unless the President determines that such assistance is in the national interest of the United States.[196] As an additional means of implementing and carrying into effect the policy of the preceding sentence, the President is authorized to establish and maintain a total embargo upon all trade between the United States and Cuba.

(2)[197] Except as may be deemed necessary by the President in the interest of the United States, no assistance shall be furnished under this Act to any government of Cuba,

nor shall Cuba be entitled to receive any quota authorizing the importation of Cuban sugar into the United States or to receive any other benefit under any law of the United States, until the President determines that such government has taken appropriate steps according to international law standards to return to United States citizens, and to entities not less than 50 per centum beneficially owned by United States citizens, or to provide equitable compensation to such citizens and entities for property taken from such citizens and entities on or after January 1, 1959, by the Government of Cuba.

(3)[197] No funds authorized to be made available under this Act (except under section 214) shall be used to furnish assistance to any country which has failed to take appropriate steps, not later than 60 days after the date of enactment of the Foreign Assistance Act of 1963—

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

(i) any items of economic assistance,

(ii) any items which are, for the purposes of title I of the Mutual Defense Assistance Control Act of 1951, as amended,[198] arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, or items of primary strategic significance used in the production of arms, ammunition, and implements of war, or

(iii) any other equipment, materials, or commodities,

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

(B) to prevent ships or aircraft under its registry from transporting any equipment, materials, or commodities from Cuba (other than from United States installations in Cuba) so long as Cuba is governed by the Castro regime.[199]

(b) No assistance shall be furnished under this Act to the government of any country unless the President determines that such country is not dominated or controlled by the international Communist movement.

(c)[200] No assistance shall be provided under this Act to the government of any country which is indebted to any United States citizen or person for goods or services furnished or ordered where (i) such citizen or person has exhausted available legal remedies, which shall include arbitration, or (ii) the debt is not denied or contested by such government, or (iii) such indebtedness arises under an unconditional guaranty of payment given by such government, or any predecessor government, directly or indirectly, through any controlled entity: *Provided,* That the President does not find such action contrary to the national security.

(d) No assistance shall be furnished under section 201 of this Act for construction or operation of any productive enterprise in any country where such enterprise will compete with United States enterprise unless such country has agreed that it will establish appropriate procedures to prevent the exportation for use or consumption in the United States of more than twenty per centum of the annual production of such facility during the life of the loan. In case of failure to implement such agreement by the other contracting party, the President is authorized to establish necessary import controls to effectuate the agreement. The restrictions imposed by or pursuant to this subsection may be

waived by the President where he determines that such waiver is in the national security interest.

(e)[201] (1)[202] 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—

(A)[203] 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

(B)[203] 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

(C)[203] has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,

and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange, equivalent to the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and no other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection.

Upon request of the President (within seventy days after such action referred to in subparagraphs (A), (B), or (C) of paragraph (1)[204] of this subsection), the Foreign Claims Settlement Commission of the United States (established pursuant to Reorganization Plan No. 1 of 1954, 68 Stat. 1279) is hereby authorized to evaluate expropriated property, determining the full value of any property nationalized, expropriated, or seized, or subject to discriminatory or other actions as aforesaid, for purposes of this subsection and to render an advisory report to the President within ninety days after such request. Unless authorized by the President, the Commission shall not publish its advisory report except to the citizen or entity owning such property. There is hereby authorized to be appropriated such amount, to remain available until expended, as may be necessary from time to time to enable the Commission to carry out expeditiously its functions under this subsection.[205]

(2)[206] Notwithstanding any other provision of law, no court in the United States shall decline on the ground of the federal act of state doctrine to make a determination on the merits giving effect to the principles of international law in a case in which a claim or title or other right *to property* is asserted by any party including a foreign state (or a party claiming through such state) based upon (or traced through) a confiscation or

other taking after January 1, 1959, by an act of that state in violation of the principles of international law, including the principles of compensation and the other standards set out in this subsection: ***Provided,*** That this subparagraph shall not be applicable (1) in any case in which an act of a foreign state is not contrary to international law or with respect to a claim of title or other right ***to property*** acquired pursuant to an irrevocable letter of credit of not more than 180 days duration issued in good faith prior to the time of the confiscation or other taking, or (2) in any case with respect to which the President determines that application of the act of state doctrine is required in that particular case by the foreign policy interests of the United States and a suggestion to this effect is filed on his behalf in that case with the court.

(f)[207] No assistance shall be furnished under this Act, as amended, (except section 214(b)) to any Communist country.[208] This restriction may not be waived pursuant to any authority contained in this Act unless the President finds and promptly reports to Congress that: (1) such assistance is vital to the security of the United States; (2) the recipient country is not controlled by the international Communist conspiracy; and (3) such assistance will further promote the independence of the recipient country from international communism.[209] For the purposes of this subsection, the phrase "Communist country" shall include specifically, but not be limited to, the following countries:

Peoples Republic of Albania,
Peoples Republic of Bulgaria,
Peoples Republic of China,
Czechoslovak Socialist Republic,
German Democratic Republic (East Germany),
Estonia,
Hungarian Peoples Republic,
Latvia,
Lithuania,
North Korean Peoples Republic,
North Vietnam,
Outer Mongolia-Mongolian Peoples Republic,
Polish Peoples Republic,
Rumanian Peoples Republic,
Tibet,
Federal Peoples Republic of Yugoslavia,
Cuba, and
Union of Soviet Socialist Republics (including its captive constituent republics)[210].

(g)[211] Notwithstanding any other provision of law, no monetary assistance shall be made available under this Act to any government or political subdivision or agency of such government which will be used to compensate owners for expropriated or nationalized property and, upon finding by the President that such assistance has been used by any government for such purpose, no further assistance under this Act shall be furnished to such government until appropriate reimbursement is made to the United States for sums so diverted.

(h)[211] The President shall adopt regulations and establish procedures to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries.

(i)[212] No assistance shall be provided under this or any other Act, and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954,[213] to any country which the President determines is engaging in or preparing for aggressive military efforts directed against—

(1) the United States,

(2) any country receiving assistance under this or any other Act, or

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

until the President determines that such military efforts or preparations have ceased and he reports to the Congress that he has received assurances satisfactory to him that such military efforts or preparations will not be renewed.[214] This restriction may not be waived pursuant to any authority contained in this Act.

(j)[215] No assistance under this Act shall be furnished to Indonesia unless the President determines that the furnishing of such assistance is essential to the national interest of the United States. 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 any assistance furnished to Indonesia under this Act.[216]

(k)[217] Until the enactment of the Foreign Assistance Act of 1965 [218] or other general legislation, during the calendar year 1965,[218] authorizing additional appropriations to carry out programs of assistance under this Act, no assistance shall be furnished under this Act to any country for construction 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)[217] No assistance shall be provided under this Act after December 31, *1966*, 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)[217] No assistance shall be furnished on a grant basis under this Act to any economically developed nation capable of sustaining its own defense burden and economic growth, except (1) to fulfill firm commitments made prior to July 1, 1963, or (2) additional orientation and training expenses under part II hereof during each [219] fiscal year [219] in an amount not to exceed $500,000.[219]

(n) In view of the aggression of North Vietnam, the President shall consider denying assistance under this Act to any country which has failed to take appropriate steps, not later than sixty days after the date of enactment of the Foreign Assistance Act of 1965—

(A) to prevent ships or aircraft under its registry from transporting to North Vietnam—

(i) any items of economic assistance,

(ii) any items which are, for the purposes of title I of the Mutual Defense Assistance Control Act of 1951, as amended, arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, or items of primary strategic significance used in the production of arms, ammunition, and implements of war, or

(iii) any other equipment, materials, or commodities; and

(B) to prevent ships or aircraft under its registry from transporting any equipment, materials, or commodities from North Vietnam.

(o) In determining whether or not to furnish assistance under this Act, consideration shall be given to excluding from such assistance any country which hereafter seizes, or imposes any penalty or sanction against, any United States fishing vessel on account of its fishing activities in international waters. The provisions of this subsection shall not be applicable in any case governed by international agreement to which the United States is a party.

CHAPTER 2—ADMINISTRATIVE PROVISIONS

SEC. 621.[220] EXERCISE OF FUNCTIONS.—[221]The President may exercise any functions conferred upon him by this Act through such agency or officer of the United States Government as he shall direct. The head of any such agency or such officer may from time to time promulgate such rules and regulations as may be necessary to carry out such functions, and may delegate authority to perform any such functions, including, if he shall so specify, the authority successively to redelegate any of such functions to any of his subordinates. In providing technical assistance under this Act, the head of any such agency or such officer shall utilize, to the fullest extent practicable, goods and professional and other services from private enterprise on a contract basis. In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs.[222]

SEC. 622.[223] COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission. The Chief of the diplomatic mission shall make sure that recommendations of such representatives pertaining to military assistance *(including any civic action and sales program)* are coordinated with political and economic considerations, and his comments shall accompany such recommendations if he so desires.

(c) Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance programs authorized

by this Act, including but not limited to determining whether there shall be a military assistance program *(including any civic action and sales program)* for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby.

SEC. 623.[224] THE SECRETARY OF DEFENSE.—(a) In the case of assistance under part II of this Act, the Secretary of Defense shall have primary responsibility for—

(1) the determination of military end-item requirements;

(2) the procurement of military equipment in a manner which permits its integration with service programs;

(3) the supervision of end-item use by the recipient countries;

(4) the supervision of the training of foreign military personnel;

(5) the movement and delivery of military end-items; and

(6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense.

SEC. 624.[225] STATUTORY OFFICERS.—(a) The President may appoint, by and with the advice and consent of the Senate, twelve officers in the agency primarily responsible for administering part I, *** [Repealed—1964]

(1) *** [Repealed—1964]

(2) *** [Repealed—1964]

(3) *** [Repealed—1964][226] and in the selection of one of such persons due consideration shall be given to persons qualified as professional engineers.

(b) Within the limitations established by subsection (a) of this section, the President may fix the rate of compensation, and may designate the title of, any officer appointed pursuant to the authority contained in that subsection. The President may also fix the order of succession among the officers provided for in subsection (a) of this section in the event of the absence, death, resignation, or disability *of one or more of said officers.*

(c) Any person who was appointed by and with the advice and consent of the Senate, to any statutory position authorized by any provision of law repealed by section 642(a) and who is serving in one of such positions at the time of transfer of functions pursuant to subsections (c) and (d) of section 621, may be appointed by the President to a comparable position authorized by subsection (a) of this section on the date of the establishment of the agency primarily responsible for administering part I, without further action by the Senate.

(d)[228] (1) In addition to the officers provided for in subsection (a) of this section, there shall be in the Department of State an officer with the title of "Inspector General, Foreign Assistance," who shall be appointed by the President, by and with the advice and consent of the Senate. In addition, there shall be one Deputy Inspector General, Foreign Assistance, who shall be appointed by the President by and with the advice and consent of the Senate,[229] and two Assistant Inspector Generals, Foreign Assistance, who shall be appointed by the President, and such other personnel as may be required to carry out the functions vested in the Inspector General, Foreign Assistance, by this subsection. Notwithstanding any other provisions of law, such of the personnel employed under

the authority of section 533A of the Mutual Security Act of 1954, as amended, as the Inspector General, Foreign Assistance, may designate, and such of the property, records, and funds of the office established by such section 533A as the Inspector General, Foreign Assistance, may deem necessary, may be transferred to the office of the Inspector General, Foreign Assistance.[230]

(2) The Inspector General, Foreign Assistance, shall report directly to the Secretary of State and shall have the following duties and responsibilities:

(A) He shall arrange for, direct or conduct such reviews, inspections and audits of programs being conducted under part I of this Act and of the Peace Corps, and programs being conducted by United States Government agencies under *the Latin American Development Act, as amended,* as he considers necessary for the purpose of ascertaining the efficiency and the economy of their administration, their consonance with the foreign policy of the United States, and the attainment of their objectives.

(B) For the purpose of ascertaining the extent to which programs of assistance being carried out under part II of this Act and the Agricultural Trade Development and Assistance Act of 1954, as amended, are in consonance with the foreign policy of the United States, are aiding in the attainment of the objectives of this Act, and are being carried out consistently with the responsibilities with respect thereto of the respective United States chiefs of missions and of the Secretary of State, as well as the efficiency and the economy with which such responsibilities are discharged, he shall arrange for, direct or conduct such reviews, inspections and audits of programs of assistance under part II of this Act and the Agricultural Trade Development and Assistance Act of 1954, as amended, as he considers necessary.

(3) The Inspector General, Foreign Assistance, shall maintain continuous observation and review of programs with respect to which he has responsibilities under paragraph (2) of this subsection for the purpose of—

(A) determining the extent to which such programs are in compliance with applicable laws and regulations;

(B) making recommendations for the correction of deficiencies in, or for improving the organization, plans or procedures of, such programs; and

(C) evaluating the effectiveness of such programs in attaining United States foreign policy objectives and reporting to the Secretary of State with respect thereto.

(4) In order to eliminate duplication and to assure full utilization of existing data, the Inspector General, Foreign Assistance, shall, in carrying out his duties under this Act, give due regard to the audit, investigative and inspection activities of the various agencies, including those of the General Accounting Office and of the military Inspectors General.

(5) For the purpose of aiding in carrying out his duties under this Act, the Inspector General, Foreign Assistance, shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material of the agencies of the United States Government administering part I or II of this Act, and *the Latin American Development Act, as amended,* the Peace Corps or the Agricultural Trade Development and Assistance Act of 1954, as amended. All agencies of the United States Government

shall cooperate with the Inspector General, Foreign Assistance, and shall furnish assistance upon request to the Inspector General, Foreign Assistance, in aid of his responsibilities.

(6) The Inspector General, Foreign Assistance, shall have authority to suspend all or any part of any project or operation (but not a country program) with respect to which he has conducted or is conducting an inspection, audit or review provided he first has given written notice to the Secretary of State. Any such suspension shall remain effective until such program or part thereof is ordered resumed by the Inspector General, Foreign Assistance, or by the Secretary of State. This paragraph shall not apply to part II of this Act, and with respect to the Agricultural Trade Development and Assistance Act of 1954, as amended, shall apply only to projects and operations administered by the Secretary of State.

(7) Expenses of the Inspector General, Foreign Assistance, with respect to programs under part I or II of this Act, and *the Latin American Development Act, as amended,* and the Peace Corps shall be charged to the appropriations made to carry out such programs, and with respect to programs under the Agricultural Trade Development and Assistance Act of 1954, as amended, shall be charged to funds available under the authority of this Act: *Provided,* That such appropriations shall not be charged with such expenses after the expiration of a thirty-five day period which begins on the date the General Accounting Office, or any committee of the Congress, or any duly authorized subcommittee thereof, charged with considering legislation, appropriations, or expenditures under the Act, has delivered to the Office of the Secretary of State a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report, or other material which relates to the operation or activities of the Inspector General, Foreign Assistance, unless and until there has been furnished to the General Accounting Office, or to such committee, or subcommittee, as the case may be, (A) the document, paper, communication, audit, review, finding, recommendation, report, or other material so requested, or (B) a certification by the President personally that he has forbidden the furnishing thereof pursuant to such request and his reason for so doing.[233] The waiver authority in section 614(a) of this Act and the provisions of section 634(c) of this Act shall not apply to this subsection. Such expenses shall not exceed $2,000,000 in any fiscal year. The Inspector General, Foreign Assistance, may make expenditures (not in excess of $2,000 in any fiscal year) of a confidential nature when he finds that such expenditures are in aid of inspections, audits or reviews under this subsection. A certificate of the amount of each such expenditure, the nature of which it is considered inadvisable to specify, shall be made by the Inspector General, Foreign Assistance, and every such certificate shall be deemed a sufficient voucher for the amount therein specified.[234]

SEC. 625.[235] EMPLOYMENT OF PERSONNEL.—(a) Any agency or officer of the United States Government carrying out functions under this Act is authorized to employ such personnel as the President deems necessary to carry out the provisions and purposes of this Act.

(b) Of the personnel employed in the United States to carry out part I or coordinate part I and part II, not to exceed one hundred and ten [236] may be appointed, compensated or removed without regard to the provisions of any law, of whom not to exceed fifty-one may be compensated at rates higher than those provided for grade 15 of the general

schedule established by the Classification Act of 1949, as amended (5 U.S.C. 1071 et seq.), but not in excess of the highest rate of grade 18 of such general schedule:[237] *Provided,* That, under such regulations as the President shall prescribe, officers and employees of the United States Government who are appointed to any of the above positions may be entitled, upon removal from such position, to reinstatement to the position occupied at the time of appointment or to a position of comparable grade and salary. Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

(c) Of the personnel employed in the United States to carry out part II, not to exceed eight may be compensated at rates higher than those provided for grade 15 of the general schedule established by the Classification Act of 1949, as amended, but not in excess of the highest rate of grade 18 of such general schedule.[238] Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

(d) For the purpose of performing functions under this Act outside the United States the President may—

(1) employ or assign persons, or authorize the employment or assignment of officers or employees by agencies of the United States Government, who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946, as amended[239] (22 U.S.C. 801 et seq.), together with allowances and benefits thereunder; and persons so employed or assigned shall be entitled, except to the extent that the President may specify otherwise in cases in which the period of employment or assignment exceeds thirty months, to the same benefits as are provided by section 528 of that Act for persons appointed to the Foreign Service Reserve, and the provisions of section 1005 of that Act shall apply in the case of such persons, except that policymaking officials shall not be subject to that part of section 1005 of that Act which prohibits political tests; and

(2) utilize such authority, including authority to appoint and assign personnel for the duration of operations under this Act, contained in the Foreign Service Act of 1946, as amended, as the President deems necessary to carry out functions under this Act; and such provisions of the Foreign Service Act of 1946, as amended, as the President deems appropriate shall apply to personnel appointed or assigned under this paragraph, including in all cases the provisions of section 528 of that Act: *Provided, however,* That the President may by regulation make exceptions to the application of section 528 in cases in which the period of the appointment or assignment exceeds thirty months: *Provided further,* That Foreign Service Reserve officers appointed or assigned pursuant to this paragraph shall receive within-class salary increases in accordance with such regulations as the President may prescribe: *Provided further,* That, whenever the President determines it to be important for the purposes of this Act, the President may initially assign personnel under this paragraph for duty within the United States for a period not to exceed two years for the purpose of preparation for assignment outside the United States; however, the

authority contained in this proviso may not be exercised with respect to the assignment to such duty of more than *forty* persons at any one time.[240]

(e) The President is authorized to prescribe by regulation standards or other criteria for maintaining adequate performance levels for personnel appointed or assigned pursuant to paragraph (2) of subsection (d) of this section and section 527(c)(2) of the Mutual Security Act of 1954, as amended, and may, notwithstanding any other law, but subject to an appropriate administrative appeal, separate employees who fail to meet such standards or other criteria, and also may grant such personnel severance benefits of one month's salary for each year's service, but not to exceed one year's salary at the then current salary rate of such personnel.

(f) Funds provided for in agreements with foreign countries for the furnishing of services under this Act with respect to specific projects shall be deemed to be obligated for the services of personnel employed by agencies of the United States Government (other than the agencies primarily responsible for administering part I or part II of this Act) as well as personnel not employed by the United States Government.[241]

(g) The principles regarding foreign language competence set forth in section 578 of the Foreign Service Act of 1946, as amended [242] (22 U.S.C. 801), shall be applicable to personnel carrying out functions under this Act and the Secretary of State shall make appropriate designations and standards for such personnel.

(h) Notwithstanding any other provision of law, officers and employees of the United States Government performing functions under this Act shall not accept from any foreign country any compensation or other benefits. Arrangements may be made by the President with such countries for reimbursement to the United States Government or other sharing of the cost of performing such functions.

(i) To the maximum extent practicable officers and employees performing functions under this Act abroad shall be assigned to countries and positions for which they have special competence, such as appropriate language and practical experience.

(j)[243] The President may appoint or assign a United States citizen to be representative of the United States to the Inter-American Committee on the Alliance for Progress and, in his discretion, may terminate such appointment or assignment, notwithstanding any other provision of law. Such person may be compensated at a rate not to exceed that authorized for a chief of mission, class 2, within the meaning of the Foreign Service Act of 1946, as amended.[244]

SEC. 626.[245] EXPERTS, CONSULTANTS, AND RETIRED OFFICERS.—(a) Experts and consultants or organizations thereof may, as authorized by section 15 of the Act of August 2, 1946, as amended (5 U.S.C. 55a), be employed for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of $100 [246] per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence at the applicable rate prescribed in the standardized Government travel regulations, as amended from time to time. Contracts for such employment with such organizations, employment of personnel as experts and consultants, not to exceed ten in number, contracts for such employment of retired military personnel with specialized research and development experience, not to exceed ten in number, and contracts for such employment

of retired military personnel with specialized experience of a broad politico-military nature, not to exceed five in number, may be renewed annually.

(b)[247] Service of an individual as an expert or consultant under subsection (a) of this section shall not [248] be considered as employment or holding of office or position bringing such individual within the provisions of section 13 of the Civil Service Retirement Act, as amended (5 U.S.C. 2263),[249] section 872 of the Foreign Service Act of 1946, as amended,[250] or any other law limiting the reemployment of retired officers or employees or governing the simultaneous receipt of compensation and retired pay or annuities, subject to section 201 of the Dual Compensation Act.[251]

(c) Persons of outstanding experience and ability may be employed without compensation by any agency of the United States Government for the performance of functions under this Act in accordance with the provisions of section 710(b) of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2160(b)), and regulations issued thereunder.

SEC. 627.[253] DETAIL OF PERSONNEL TO FOREIGN GOVERNMENT.—Whenever the President determines it to be in furtherance of the purposes of this Act, the head of any agency of the United States Government is authorized to detail or assign any officer or employee of his agency to any office or position with any foreign government or foreign government agency, where acceptance of such office or position does not involve the taking of an oath of allegiance to another government or the acceptance of compensation or other benefits from any foreign country by such officer or employee.

SEC. 628.[254] DETAIL OF PERSONNEL TO INTERNATIONAL ORGANIZATIONS.—Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any agency of the United States Government is authorized to detail, assign, or otherwise make available to any international organization any officer or employee of his agency to serve with, or as a member of, the international staff of such organization, or to render any technical, scientific, or professional advice or service to, or in cooperation with, such organization.

SEC. 629.[255] STATUS OF PERSONNEL DETAILED.—(a) Any officer or employee, while assigned or detailed under section 627 or 628 of this Act, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority, and other benefits as such, an officer or employee of the United States Government and of the agency of the United States Government from which detailed or assigned and he shall continue to receive compensation, allowances, and benefits from funds appropriated to that agency or made available to that agency under this Act.

(b) Any officer or employee assigned, detailed, or appointed under section 627, 628, 631, or 624(d)[256] of this Act is authorized to receive under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946, as amended [257] (22 U.S.C. 1131). The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 1765 of the Revised Statutes (5 U.S.C. 70).

SEC. 630.[258] TERMS OF DETAIL OR ASSIGNMENT.—Details or assignments may be made under section 627 or 628 of this Act or section 408 of the Mutual Security Act of 1954, as amended [259]—

(1) without reimbursement to the United States Government by the foreign government or international organization;

(2) upon agreement by the foreign government or international organization, to reimburse the United States Government for compensation, travel expenses, *benefits* and allowances, or any part thereof, payable to the officer or employee concerned during the period of assignment or detail; and such reimbursements (including foreign currencies) shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, *benefits* or allowances, or to the appropriation, fund, or account currently available for such purposes;

(3) upon an advance of funds, property, or services by the foreign government or international organization to the United States Government accepted with the approval of the President for specified uses in furtherance of the purposes of this Act; and funds so advanced may be established as a separate fund in the Treasury of the United States Government, to be available for the specified uses, and to be used for reimbursement of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the foreign government or international organization; or

(4) subject to the receipt by the United States Government of a credit to be applied against the payment by the United States Government of its share of the expenses of the international organization to which the officer or employee is detailed or assigned, such credit to be based upon the compensation, travel expenses, *benefits* and allowances, or any part thereof, payable to such officer or employee during the period of detail or assignment in accordance with section 629.

SEC. 631.[260] MISSIONS AND STAFFS ABROAD.—(a) The President may maintain special missions or staffs outside the United States in such countries and for such periods of time as may be necessary to carry out the purposes of this Act. Each such special mission or staff shall be under the direction of a chief.

(b) The chief and his deputy of each special mission or staff carrying out the purposes of part I shall be appointed by the President, and may, notwithstanding any other law, be removed by the President at his discretion. Such chief shall be entitled to receive (1) in cases approved by the President, the same compensation and allowances as a chief of mission, class 3, or a chief of mission, class 4, within the meaning of the Foreign Service Act of 1946, as amended,[261] or (2) compensation and allowances in accordance with section 625(d), as the President shall determine to be appropriate.

(c)[262] The President may appoint any United States citizen who is not an employee of the United States Government or may assign any United States citizen who is a United States Government employee to serve as Chairman of the Development Assistance Committee or any successor committee thereto of the Organization for Economic Cooperation and Development upon election thereto by members of said Committee, and, in his discretion, may terminate such appointment or assignment, notwithstanding any other provision of law. Such person may receive such compensation and allowances as are authorized by the Foreign Service Act of 1946, as amended, not to exceed those authorized for a chief of mission, class 2, within the meaning of said Act, as the President may determine. Such person may also, in the President's discretion, receive any other benefits

and perquisites available under this Act to chiefs of special missions or staffs outside the United States established under this section.

(d) Wherever practicable, especially in the case of the smaller programs, assistance under this Act shall be administered under the direction of the Chief of the United States Diplomatic Mission by the principal economic officer of the mission in the case of assistance under part I, and by the senior military officer of the mission in the case of assistance under part II.

SEC. 632.[263] ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The President may allocate or transfer to any agency of the United States Government any part of any funds available for carrying out the purposes of this Act, including any advance to the United States Government by any country or international organization for the procurement of commodities, defense articles, or services (including defense services). Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

(b) Any officer of the United States Government carrying out functions under this Act may utilize the services (including defense services) and facilities of, or procure commodities and defense articles from, any agency of the United States Government as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury.

(c) In the case of any commodity, service, or facility procured from any agency of the United States Government to carry out part I, reimbursement or payment shall be made to such agency from funds available to carry out such part. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposing agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts, from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning or disposing agency determines that such replacement is not necessary, any funds received in payment therefor shall be deposited into the Treasury as miscellaneous receipts.

(d) Except as otherwise provided in sections 507 and 510, reimbursement shall be made to any United States Government agency, from funds available for use under part II, for any assistance furnished under part II from, by, or through such agency. Such reimbursement shall be in an amount equal to the value (as defined in section 644(m)) of the defense articles or of the defense services (other than salaries of members of the Armed Forces of the United States), or other assistance furnished, plus expenses arising from or incident to operations under part II. The amount of such reimbursement shall be credited to the current applicable appropriations, funds, or accounts of such agency.

(e) In furnishing assistance under this Act, accounts may be established on the books of any agency of the United States Government or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States,

(1) against which letters of commitment may be issued which shall constitute recordable obligations of the United States Government, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended (second and third paragraphs of 31 U.S.C. 203 and 41 U.S.C. 15), and (2) from which disbursements may be made to, or withdrawals may be made by, recipient countries or agencies, organizations, or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of funds of the United States Government: *Provided,* That such expenditures for commodities, defense articles, services (including defense services), or facilities procured outside the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

(f) Credits made by the Export-Import Bank of Washington with funds allocated thereto under subsection (a) of this section or under section 522(a) of the Mutual Security Act of 1954, as amended, shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945, as amended (12 U.S.C. 635e).

(g) Any appropriation or account available to carry out provisions of part I may initially be charged in any fiscal year, within the limit of available funds, to finance expenses for which funds are available in other appropriations or accounts under part I: *Provided,* That as of the end of such fiscal year such expenses shall be finally charged to applicable appropriations or accounts with proper credit to the appropriations or accounts initially utilized for financing purposes: *Provided further,* That such final charge to applicable appropriations or accounts shall not be required in the case of expenses (other than those provided for under section 637(a)) incurred in furnishing assistance by the agency primarily responsible for administering part I where it is determined that the accounting costs of identifying the applicable appropriation or account to which such expenses should be charged would be disproportionate to the advantage to be gained.

SEC. 633.[264] WAIVERS OF CERTAIN LAWS.—(a) Whenever the President determines it to be in furtherance of the purposes of this Act, the functions authorized under this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended (50 U.S.C. App. 1211 et seq.)), regulating the making, performance, amendment, or modification of contracts and the expenditure of funds of the United States Government as the President may specify.[265]

(b) The functions authorized under part II may be performed without regard to such provisions as the President may specify of the joint resolution of November 4, 1939 (54 Stat. 4), as amended.

(c) Notwithstanding the provisions of sections 3544(b) and 8544(b) of title 10 of the United States Code, personnel of the Department of Defense may be assigned or detailed to any civil office to carry out this Act.

SEC. 634.[266] REPORTS AND INFORMATION.[267]—(a) The President shall, while funds made available for the purposes of this Act remain available for obligation, transmit

to the Congress after the close of each fiscal year a report concerning operations in that fiscal year under this Act. Each such report shall include information on the operation of the investment guaranty program and on progress under the freedom of navigation and nondiscrimination declaration contained in section 102.[268]

(b) The President shall, in the reports required by subsection (a) of this section, and in response to requests from Members of the Congress or inquiries from the public, make public all information concerning operations under this Act not deemed by him to be incompatible with the security of the United States. In the case of each loan made from the Development Loan Fund established pursuant to section 201(a) the President shall make public appropriate information about the loan, including information about the borrower, the nature of the activity being financed, and the economic development objectives being served by the loan.

(c) None of the funds made available pursuant to the provisions of this Act shall be used to carry out any provision of this Act in any country or with respect to any project or activity, after the expiration of the thirty-five-day period which begins on the date the General Accounting Office or any committee of the Congress charged with considering legislation, appropriations or expenditures under this Act, has delivered to the office of the head of any agency carrying out such provision, a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report, or other material in its custody or control relating to the administration of such provision in such country or with respect to such project or activity, unless and until there has been furnished to the General Accounting Office, or to such committee, as the case may be, (1) the document, paper, communication, audit, review, finding, recommendation, report, or other material so requested, or (2) a certification by the President that he has forbidden the furnishing thereof pursuant to request and his reason for so doing.[269]

(d) At the end of each fiscal year,[270] the President shall notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of all actions taken during the fiscal year [270] under this Act which resulted in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act or any Act appropriating funds pursuant to authorizations contained in this Act, or which resulted in obligations or reservations greater by 50 per centum or more than the proposed obligations or reservations included in such presentation for the program concerned, and in his notification the President shall state the justification for such changes. There shall also be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, a comparison of the current fiscal year programs and activities with those presented to the Congress in the previous year and an explanation of any substantial changes.[271] In addition, the President shall promptly notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of any determination under section 303, 610, 614(a), or 614(b).

(e) The President shall include in his recommendations to the Congress for programs under this Act for each fiscal year a specific plan for each country receiving bilateral

grant economic assistance whereby, wherever practicable, such grant economic assistance shall be progressively reduced and eventually terminated.

SEC. 635.[272] GENERAL AUTHORITIES.—(a) Except as otherwise specifically provided in this Act, assistance under this Act may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment (including repayment in foreign currencies or by transfer to the United States Government of commodities) as may be determined to be best suited to the achievement of the purposes of this Act, and shall emphasize loans rather than grants wherever possible.

(b) The President may make loans, advances, and grants to, make and perform agreements and contracts with, or enter into other transactions with, any individual, corporation, or other body of persons, friendly government or government agency, whether within or without the United States, and international organizations in furtherance of the purposes and within the limitations of this Act.

(c) It is the sense of Congress that the President, in furthering the purposes of this Act, shall use to the maximum extent practicable the services and facilities of voluntary, nonprofit organizations registered with, and approved by, the Advisory Committee on Voluntary Foreign Aid.

(d) The President may accept and use in furtherance of the purposes of this Act, money, funds, property, and services of any kind made available by gift, devise, bequest, grant, or otherwise for such purpose.

(e) Any agency of the United States Government is authorized to pay the cost of health and accident insurance for foreign participants in any program of furnishing technical information and assistance administered by such agency while such participants are absent from their homes for the purpose of participation in such program.

(f) Alien participants in any program of furnishing technical information and assistance under this Act may be admitted to the United States if otherwise qualified as nonimmigrants under section 101(a)(15) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101(a)(15)), for such time and under such conditions as may be prescribed by regulations promulgated by the Secretary of State and the Attorney General.[273]

(g) In making loans *and sales* under this Act, the President—

(1) may issue letters of credit and letters of commitment;

(2) may collect or compromise any obligations assigned to, or held by, and any legal or equitable rights accruing to him, and, as he may determine, refer any such obligations or rights to the Attorney General for suit or collection;

(3) may acquire and dispose of, upon such terms and conditions as he may determine, any property, including any instrument evidencing indebtedness or ownership (provided that equity securities may not be directly purchased although such securities may be acquired by other means such as by exercise of conversion rights or through enforcement of liens or pledges or otherwise to satisfy a previously incurred indebtedness), and guarantee payment against any such instrument;

(4) may determine the character of, and necessity for, obligations and expenditures of funds used in making such loans and the manner in which they shall be

incurred, allowed, and paid, subject to provisions of law specifically applicable to corporations of the United States Government; and

(5) shall cause to be maintained an integral set of accounts which shall be audited by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions as provided by the Government Corporation Control Act, as amended (31 U.S.C. 841 et seq.).

(h) A contract or agreement which entails commitments for the expenditure of funds[274] available under titles II, V, and VI[274] of chapter 2 of part I and under part II may, subject to any future action of the Congress, extend at any time for not more than five years.

(i) Claims arising as a result of investment guaranty operations may be settled, and disputes arising as a result thereof may be arbitrated with the consent of the parties, on such terms and conditions as the President may direct. Payment made pursuant to any such settlement, or as a result of an arbitration award, shall be final and conclusive notwithstanding any other provision of law.

(j) The provisions of section 955 of title 18 of the United States Code shall not apply to prevent any person, including any individual, partnership, corporation, or association, from acting for, or participating in, any operation or transaction arising under this Act, or from acquiring any obligation issued in connection with any operation or transaction arising under this Act.

(k)[275] Any cost-type contract or agreement (including grants) entered into with a university, college, or other educational institution for the purpose of carrying out programs authorized by part I may provide for the payment of the reimbursable indirect costs of said university, college, or other educational institution on the basis of predetermined fixed-percentage rates applied to the total, or an element thereof, of the reimbursable direct costs incurred.

SEC. 636.[276] PROVISIONS ON USES OF FUNDS.—(a) Appropriations for the purposes of or pursuant to this Act (except for part II), allocations to any agency of the United States Government, from other appropriations, for functions directly related to the purposes of this Act, and funds made available for other purposes to the agency primarily responsible for administering part I, shall be available for:

(1) rent of buildings and space in buildings in the United States, and for repair, alteration, and improvement of such leased properties;

(2) expenses of attendance at meetings concerned with the purposes of such appropriations or of this Act, including (notwithstanding the provisions of section 9 of Public Law 60-328 (31 U.S.C. 673)) expenses in connection with meetings of persons whose employment is authorized by section 626;

(3) contracting with individuals for personal services abroad: *Provided,* That such individuals shall not be regarded as employees of the United States Government for the purpose of any law administered by the Civil Service Commission;

(4) purchase, maintenance, operation, and hire of aircraft: *Provided,* That aircraft for administrative purposes may be purchased only as specifically provided for in an appropriation or other Act;

(5) purchase and hire of passenger motor vehicles: *Provided,* That, except as may otherwise be provided in an appropriation or other Act, passenger motor vehicles for administrative purposes outside the United States may be purchased for replacement only, and such vehicles may be exchanged or sold and replaced by an equal number of such vehicles, and the cost, including exchange allowance, of each such replacement shall not exceed $3,500 in the case of an automobile for the chief of any special mission or staff outside the United States established under section 631: *Provided further,* That passenger motor vehicles, other than one for the official use (without regard to the limitations contained in section 5 of Public Law 63-127, as amended (5 U.S.C. 78(c)(2)) and section 201 of Public Law 85-468 (5 U.S.C. 78a-1)) of the head of the agency primarily responsible for administering part I, may be purchased for use in the United States only as may be specifically provided in an appropriation or other Act;

(6) entertainment (not to exceed $25,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act);

(7) exchange of funds without regard to section 3651 of the Revised Statutes (31 U.S.C. 543) and loss by exchange;

(8) expenditures (not to exceed $50,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act) of a confidential character other than entertainment: *Provided,* That a certificate of the amount of each such expenditure, the nature of which it is considered inadvisable to specify, shall be made by the head of the agency primarily responsible for administering part I or such person as he may designate, and every such certificate shall be deemed a sufficient voucher for the amount therein specified;[277]

(9) insurance of official motor vehicles or aircraft acquired for use in foreign countries;

(10) rent or lease outside the United States for not to exceed ten years of offices, buildings, grounds, and quarters, including living quarters to house personnel, and payments therefor in advance; maintenance, furnishings, necessary repairs, improvements, and alterations to properties owned or rented by the United States Government or made available for use to the United States Government outside the United States; and costs of fuel, water, and utilities for such properties;

(11) expenses of preparing and transporting to their former homes, or, with respect to foreign participants engaged in any program under part I, to their former homes or places of burial, and of care and disposition of, the remains of persons or members of the families of persons who may die while such persons are away from their homes participating in activities carried out with funds covered by this subsection;

(12) purchase of uniforms;

(13) payment of per diem in lieu of subsistence to foreign participants engaged in any program under part I while such participants are away from their homes in countries other than the United States, at rates not in excess of those prescribed by the standardized Government travel regulations, notwithstanding any other provision of law;

(14) use in accordance with authorities of the Foreign Service Act of 1946, as amended[278] (22 U.S.C. 801 et seq.), not otherwise provided for;

(15) ice and drinking water for use outside the United States;

(16) services of commissioned officers of the Coast and Geodetic Survey, and for the purposes of providing such services the Coast and Geodetic Survey may appoint not to exceed twenty commissioned officers in addition to those otherwise authorized;

(17) expenses in connection with travel of personnel outside the United States, including travel expenses of dependents (including expenses during necessary stopovers while engaged in such travel), and transportation of personal effects, household goods, and automobiles of such personnel when any part of such travel or transportation begins in one fiscal year pursuant to travel orders issued in that fiscal year, notwithstanding the fact that such travel or transportation may not be completed during the same fiscal year, and cost of transporting automobiles to and from a place of storage, and the cost of storing automobiles of such personnel when it is in the public interest or more economical to authorize storage.

(b) Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, for printing and binding without regard to the provisions of any other law, and for expenditures outside the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of funds of the United States Government as may be necessary to accomplish the purposes of this Act.

(c) Notwithstanding any other law, not to exceed $3,000,000 of the funds available for assistance under this Act (other than title I of chapter 2 of part I) may be used in any fiscal year (in addition to funds available for such use under other authorities in this Act) to construct or otherwise acquire outside the United States (1) essential living quarters, office space, and necessary supporting facilities for use of personnel carrying out activities authorized by this Act, and (2) schools (including dormitories and boarding facilities) and hospitals for use of personnel carrying out activities authorized by this Act, United States Government personnel, and their dependents. In addition, funds made available for assistance under this Act (other than title I of chapter 2 of part I) may be used, notwithstanding any other law, to equip, staff, operate, and maintain such schools and hospitals.

(d) Not to exceed $1,500,000 of the funds available for assistance under this Act (other than title I of chapter 2 of part I) may be used in any fiscal year to provide assistance, on such terms and conditions as are deemed appropriate, to schools established, or to be established, outside the United States whenever it is determined that such action would be more economical or would best serve the interests of the United States in providing for the education of dependents of personnel carrying out activities authorized by this Act and dependents of United States Government personnel, in lieu of acquisition or construction pursuant to subsection (c) of this section.

(e) Funds available under this Act (other than title I of chapter 2 of part I) may be used to pay costs of training United States citizen personnel employed or assigned pursuant to section 625(d)(2) (through interchange or otherwise) at any State or local unit of government, public or private nonprofit institution, trade, labor, agricultural,

or scientific association or organization, or commercial firm; and the provisions of Public Law 84-918 (7 U.S.C. 1881 et seq.) may be used to carry out the foregoing authority notwithstanding that interchange of personnel may not be involved or that the training may not take place at the institutions specified in that Act. Such training shall not be considered employment or holding of office under *section 301 of the Dual Compensation Act (5 U.S.C. 3105)*, and any payments or contributions in connection therewith may, as deemed appropriate by the head of the agency of the United States Government authorizing such training, be made by private or public sources and be accepted by any trainee, or may be accepted by and credited to the current applicable appropriation of such agency: *Provided, however,* That any such payments to any employee in the nature of compensation shall be in lieu, or in reduction, of compensation received from the United States Government.

(f) Funds made available under section 212 may be used for expenses (other than those provided for under section 637(a)) to assist in carrying out functions under title I of chapter 2 of part I, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691 et seq.), and under the *Latin American Development Act, as amended* (22 U.S.C. 1942 et seq.), performed by the agency primarily responsible for administering part I.

(g) Funds made available for the purposes of part II shall be available for—

(1) administrative, extraordinary (not to exceed $300,000 in any fiscal year), and operating expenses;

(2) reimbursement of actual expenses of military officers detailed or assigned as tour directors in connection with orientation visits of foreign military personnel, in accordance with the provisions of section 3 of the Travel Expense Act of 1949, as amended (5 U.S.C. 836), applicable to civilian officers and employees; and

(3) maintenance, repair, alteration, and furnishing of United States-owned facilities in the District of Columbia or elsewhere for the training of foreign military personnel, without regard to the provisions of section 3733 of the Revised Statutes (41 U.S.C. 12) or other provision of law requiring a specific authorization or specific appropriation for such public contracts.

(h)[279] In carrying out programs under this Act, the President shall take all appropriate steps to assure that, to the maximum extent possible, (1) countries receiving assistance under this Act contribute local currencies to meet the cost of contractual and other services rendered in 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.

SEC. 637.[280] ADMINISTRATIVE EXPENSES.—(a) There is hereby authorized to be appropriated to the President for the fiscal year *1966*[281] not to exceed *$54,240,000* for necessary administrative expenses of the agency primarily responsible for administering part I.

(b) There is hereby authorized to be appropriated[282] such amounts as may be necessary from time to time for administrative expenses which are incurred for functions of the Department of State under this Act and unrepealed provisions of the Mutual Security Act of 1954, as amended, or for normal functions of the Department of State which relate to such functions.[283]

SEC. 638.[284] PEACE CORPS ASSISTANCE.—No provision of this Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended;[285] the Mutual Educational and Cultural Exchange Act of 1961, as amended,[286] or the Export-Import Bank Act of 1945, as amended.

SEC. 639. *FAMINE AND DISASTER RELIEF.—No provision of this Act shall be construed to prohibit assistance to any country for famine or disaster relief.*

SEC. 640. *MILITARY SALES.—Except as otherwise provided in part II of this Act, no provision of this Act shall be construed to prohibit the sale, exchange, or the guaranty of a sale, of defense articles or defense services to any friendly country or international organization if the President shall have found, pursuant to section 503, that the assisting of such country or organization will strengthen the security of the United States and promote world peace.*

CHAPTER 3—MISCELLANEOUS PROVISIONS

SEC. 641.[289] EFFECTIVE DATE AND IDENTIFICATION OF PROGRAMS.—This Act shall take effect on the date of its enactment. Programs under this Act shall be identified appropriately overseas as "American Aid".

SEC. 642. STATUTES REPEALED.—(a) There are hereby repealed—

(1) Reorganization Plan Numbered 7 of 1953;[290]

(2) the Mutual Security Act of 1954, as amended (except sections 402, 408, 414, 417, 502(a), 502(b), 514, 523(d), and 536);

(3) section 12 of the Mutual Security Act of 1955;[292]

(4) sections 12, 13, and 14 of the Mutual Security Act of 1956;[293]

(5) section 503 of the Mutual Security Act of 1958;[294]

(6) section 108 of the Mutual Security Appropriation Act, 1959;[295]

(7) section 501(a), chapter VI, and sections 702 and 703 of the Mutual Security Act of 1959, as amended,[296] and

(8) section 604 and chapter VIII of the Mutual Security Act of 1960.[297]

(b) References in law to the Acts, or provisions of such Acts, repealed by subsection (a) of this section shall hereafter be deemed to be references to this Act or appropriate provisions of this Act.

(c) The repeal of the Acts listed in subsection (a) of this section shall not be deemed to affect amendments contained in such Acts to Acts not named in that subsection.

SEC. 643.[298] SAVING PROVISIONS.—(a) Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law repealed by section 642(a) shall continue in full force and effect until modified by appropriate authority.

(b) Wherever provisions of this Act establish conditions which must be complied with before use may be made of authority contained in, or funds authorized by, this Act, compliance with, or satisfaction of, substantially similar conditions under Acts listed in section 642(a) or Acts repealed by those Acts shall be deemed to constitute compliance with the conditions established by this Act.

(c) Funds made available pursuant to provisions of law repealed by section 642(a)(2) shall, unless otherwise authorized or provided by law, remain available for their original purposes in accordance with the provisions of law orginally applicable thereto, or in accordance with the provisions of law currently applicable to those purposes.

(d)[299] * * * [Repealed—1962]

SEC. 644.[300] DEFINITIONS.—As used in this Act—

(a) "Agency of the United States Government" includes any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment of the United States Government.

(b) "Armed Forces" of the United States means the Army, Navy, Air Force, Marine Corps, and Coast Guard.

(c) "Commodity" includes any material, article, supply, goods, or equipment used for the purposes of furnishing nonmilitary assistance.

(d) "Defense article" includes—

(1) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war;

(2) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance;

(3) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this subsection; or

(4) any component or part of any article listed in this subsection; but

shall not include merchant vessels or, as defined by the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011), source material, byproduct material, special nuclear material, or atomic weapons.

(e) "Defense information" includes any document, writing, sketch, photograph, plan, model, specification, design, prototype, or other recorded or oral information relating to any defense article or defense service, but shall not include Restricted Data and formerly Restricted Data as defined by the Atomic Energy Act of 1954, as amended.

(f) "Defense service" includes any service, test, inspection, repair, training including orientation [301]; training aid, publication, or technical or other assistance, including the transfer of limited quantities of defense articles for test, evaluation, or standardization purposes, or defense information used for the purposes of furnishing military assistance.

(g) "Excess defense articles" mean the quantity of defense articles owned by the United States Government, *and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order,* which is in excess of the mobilization reserve at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations under this Act.

(h) "Function" includes any duty, obligation, power, authority, responsibility, right, privilege, discretion, or activity.

(i) "Mobilization reserve" means the quantity of defense articles determined to be required, under regulations prescribed by the President, to support mobilization of the

Armed Forces of the United States Government in the event of war or national emergency.

(j) "Officer or employee" means civilian personnel and members of the Armed Forces of the United States Government.

(k) "Services" include any service, repair, training of personnel, or technical or other assistance or information used for the purposes of furnishing nonmilitary assistance.

(l) "Surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either publicly or privately owned, which is in excess of domestic requirements, adequate carry-over, and anticipated exports for United States dollars, as determined by the Secretary of Agriculture.

(m) "Value" means—

(1) with respect to excess defense articles, the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying such articles;

(2) with respect to nonexcess defense articles delivered from inventory to countries or international organizations [302] under this Act, the standard price in effect at the time such articles are dropped from inventory by the supplying agency. *Such standard price shall be the same price (including authorized reduced prices)* used for transfers or sales of such articles in or between the Armed Forces of the United States Government, or, where such articles are not transferred or sold in or between the Armed Forces of the United States, the gross cost to the United States Government adjusted as appropriate for condition and market value; and

(3) with respect to nonexcess defense articles delivered from new procurement to countries or international organizations [302] under this Act, the contract of production costs of such articles.

Military assistance *and sales* programs and orders shall be based upon the best estimates of stock status and prevailing prices; reimbursements to the supplying agency shall be made on the basis of the stock status and prices determined pursuant to this section. Notwithstanding the foregoing provisions of this section, the Secretary of Defense may prescribe regulations authorizing reimbursements to the supplying agency based on negotiated prices for aircraft, vessels, plant equipment, and such other major items as he may specify: *Provided,* That such articles are not excess at the time such prices are negotiated: *Provided further,* That such prices are negotiated at the time firm orders are placed with the supplying agency.

SEC. 645.[303] UNEXPENDED BALANCES.—Unexpended balances of funds made available pursuant to this Act, the Mutual Security Act of 1954, as amended or *the Latin American Development Act, as amended,*[304] are hereby authorized to be continued available for the general purposes for which appropriated,[305] 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.

SEC. 646.[306] CONSTRUCTION.—If any provision of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the

remainder of this Act, and of the applicability of such provision to other circumstances or persons shall not be affected thereby.

SEC. 647.[307] DEPENDABLE FUEL SUPPLY.—It is of paramount importance that long-range economic plans take cognizance of the need for a dependable supply of fuels, which is necessary to orderly and stable development and growth, and that dependence not be placed upon sources which are inherently hostile to free countries and the ultimate well-being of economically underdeveloped countries and which might exploit such dependence for ultimate political domination. The agencies of government in the United States are directed to work with other countries in developing plans for basing development programs on the use of the large and stable supply of relatively low cost fuels available in the free world.

SEC. 648.[308] SPECIAL AUTHORIZATION FOR USE OF FOREIGN CURRENCIES.—Subject to the provisions of section 1415 of the Supplemental Appropriation Act, 1953, the President is authorized, as a demonstration of good will on the part of the people of the United States for the Polish and Italian people, to use foreign currencies accruing to the United States Government under this or any other Act, for assistance on such terms and conditions as he may specify, in the repair, rehabilitation, improvement, and maintenance of cemeteries in Italy serving as the burial place of members of the armed forces of Poland who died in combat in Italy during World War II.

SEC. 649. *LIMITATION ON AGGREGATE AUTHORIZATION FOR USE IN FISCAL YEAR 1966.—Notwithstanding any other provision of this Act, the aggregate of the total amounts authorized to be appropriated for use during the fiscal year 1966 for furnishing assistance and for administrative expenses under this Act shall not exceed $3,360,000,000.*

PART IV *** [Repealed—1962][309]

Office of the General Counsel
September 8, 1965

American motto. Let us make sure that familiarity has not made them meaningless for us.

We carry the torch of freedom as a sacred trust for all mankind. We do not believe that God intended the light that He created to be put out by men.

Soon we will be celebrating one of our holidays, one that typifies for me much of what we mean by the American freedom. That will be Halloween. On that evening I would particularly like to be, of course, with my grandchildren, for Halloween is one of those times when we Americans actually encourage the little individuals to be free to do things rather as they please. I hope you and your children have a gay evening and let's all give a little prayer that their childish pranks will be the only kind of mischief with which we Americans must cope. But it can be a confident kind of a prayer too, for God has made us strong and faith has made and kept us free.

Good night.

NOTE: The President's remarks, recorded on film, were part of a television program carried on all four national networks between 9:00 and 11:00 p.m.

306 ¶ Letter to the President of the Council of Ministers of Viet-Nam Regarding Assistance for That Country. *October* 25, 1954

[Released October 25, 1954. Dated October :, 1954]

Dear Mr. President:

I have been following with great interest the course of developments in Viet-Nam, particularly since the conclusion of the conference at Geneva. The implications of the agreement concerning Viet-Nam have caused grave concern regarding the future of a country temporarily divided by an artificial military grouping, weakened by a long and exhausting war and faced with enemies without and by their subversive collaborators within.

Your recent requests for aid to assist in the formidable project of the movement of several hundred thousand loyal Vietnamese citizens away from areas which are passing under a *de facto* rule and political ideology

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which they abhor, are being fulfilled. I am glad that the United States is able to assist in this humanitarian effort.

We have been exploring ways and means to permit our aid to Viet-Nam to be more effective and to make a greater contribution to the welfare and stability of the Government of Viet-Nam. I am, accordingly, instructing the American Ambassador to Viet-Nam to examine with you in your capacity as Chief of Government, how an intelligent program of American aid given directly to your Government can serve to assist Viet-Nam in its present hour of trial, provided that your Government is prepared to give assurances as to the standards of performance it would be able to maintain in the event such aid were supplied.

The purpose of this offer is to assist the Government of Viet-Nam in developing and maintaining a strong, viable state, capable of resisting attempted subversion or aggression through military means. The Government of the United States expects that this aid will be met by performance on the part of the Government of Viet-Nam in undertaking needed reforms. It hopes that such aid, combined with your own continuing efforts, will contribute effectively toward an independent Viet-Nam endowed with a strong government. Such a government would, I hope, be so responsive to the nationalist aspirations of its people, so enlightened in purpose and effective in performance, that it will be respected both at home and abroad and discourage any who might wish to impose a foreign ideology on your free people.

Sincerely,

DWIGHT D. EISENHOWER

His Excellency Ngo Dinh Diem
President of the Council of Ministers
Saigon, Viet-Nam

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The Investment Tax Credit Bill: Addendum on Agriculture

The proposed investment tax credit bill does not include the growing of agricultural products among activities eligible for the tax credit. The general reason for the exclusion is to avoid increased production of world market crops, such as coffee, which are already in oversupply, as well as to avoid additional competition with U. S. agricultural production, in commodities such as cotton and garden vegetables. An ancillary reason for the exclusion is the difficulty of distinguishing, in the application of the tax credit, between legitimate agricultural enterprise and undesirable land speculation so prevalent in the LDC's. Although the exclusion of agricultural production is broadly inconsistent with our understanding of the growing food requirements of the LDC's, the practical reasons for the exclusion are good ones. Inclusion of agricultural production would probably jeopardize seriously the chances of passage of the bill.

Although direct agricultural production is not eligible for the tax credit, important activities related to agriculture are covered. Processing and marketing of agricultural products, at both the wholesale and retail levels, are included. Moreover, activities complementary to agriculture including the production and marketing of fertilizer, are included.

In this latter respect, the proposed bill contains what may be a technical defect. Section 983(b)(1)(A) of the bill specifically excludes from the benefits of the credit the extraction and smelting of ores and minerals, as well as the refining of hydrocarbons. Because some fertilizers are derived by the processing of natural gas, this section might be interpreted as excluding such fertilizers from the tax credit. This language can be amended without difficulty in order to prevent this misinterpretation.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

50

NOV 20 1965

MEMORANDUM FOR MR. BUNDY

Subject: The Hays bill and AID

Staff have prepared the attached memorandum on (a) the history and status of the Hays bill, and (b) its application to AID in the light of AID's long-standing personnel problems. Please note particularly section V of the staff memorandum. The Hays bill is not a panacea for AID's management problems.

A determination by the President to use the authorities contained in the House bill could have the following long-run advantages in management of AID:

1. Amalgamation of the personnel systems of State, USIA, and AID for both overseas and domestic personnel.

2. A consolidated recruiting, promotion, assignment, performance evaluation, and selection-out system, operating under generally uniform regulations.

3. Early removal of most of the present classified civil servants from the AID program (and complete removal over time).

4. Elimination of the personnel inequities caused by side-by-side existence of a Civil Service and a Foreign Service personnel system.

5. Establishment of a firmer basis for the development of a career merit system for all permanent AID employees.

6. Establishment of a firmer basis for differentiating between purely temporary reserve officers appointed for specific assignments and personnel who can expect full careers.

7. Greater interchange possibilities for personnel in AID, State, and USIA, thus making it possible to put the best qualified person in any position in the three agencies.

8. Presidential appointment with Senate confirmation (with resulting elimination of "second-class citizenship") of career AID personnel. (This is particularly important for senior officers overseas.)

9. Establishment of a rational basis for seeking to remove the existing statutory limitation which restricts Washington assignment of AID's Foreign Service Reserve Officers.

10. Availability of earlier retirement when needed in the interest of a vigorous and more youthful service.

11. Provision of badly needed additional benefits for Foreign Service personnel serving under dangerous conditions.

12. Selection out for Foreign Service Staff employees (clerks, stenographers, communications personnel, administrative technicians, et cetera).

The chief disadvantage in giving permanent career status to a substantial number of AID's personnel is that it might imply permanence of the foreign assistance program. However, we believe that there will continue to be a need for such personnel in the conduct of our Foreign Affairs regardless of whether the AID program is continued in its present form.

Another disadvantage, from the management point of view, in the bill as passed by the House is an unclear application of veterans preference (written in as a "policy of the Congress"). Veterans preference is clearly incompatible with the basic concepts of a rank-in-man system, with selection out for failure to meet appropriate standards of competition within class.

We expect to present recommendations to the Senate Committee to correct this and other undesirable features of the bill.

(signed) Charles L. Schultze
Charles L. Schultze
Director

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

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MEMORANDUM: The Hays Bill and AID

I. The Hays Bill. H. R. 6277, the "Foreign Service Act Amendments of 1965," introduced by Wayne Hays of Ohio and passed by the House of Representatives, September 9, would provide the legal basis for widespread changes in the personnel systems of the State Department, AID, and USIA.

The central purpose of the bill is to provide a single Foreign Service personel system to accommodate the personnel needs, domestic as well as overseas, of the State Department, AID, and USIA. Greater flexibility of assignment within the foreign affairs agencies and free interchange of personnel among them are main objectives. Appointments, promotions, and selection-out of personnel will be based on the principle of competitive evaluation.

Some of the features of the bill applicable to AID problems are:

(1) A new category of professional career officers, called Foreign Affairs Officers, who would serve in the Foreign Service without time limitation, primarily for service in this country.

(2) Authority for the President to transfer Civil Service employees of the State Department, AID, and USIA to the Foreign Service with their consent and without screening or loss of compensation into Foreign Service categories.

(3) Elimination of restrictions on the periods of service of Foreign Service personnel in the headquarters of Government agencies.

(4) Extension of selection-out provisions, now limited to Foreign Service Officers, to all officers and employees of the Foreign Service.

(5) Benefits for Foreign Service personnel serving under dangerous or extraordinary conditions.

II. Current situation. As passed by the House, a number of amendments were made in the bill, some technical, some to compromise objections raised by employee organizations and veterans' groups.

During House consideration of the bill, AID played a passive role. No AID witnesses presented testimony, and the Committee did not consider the specifics of the bill's impact on AID.

Senator Fulbright has now sent letters to the State Department, AID, USIA, the Civil Service Commission, and the Bureau of the Budget requesting reports on the Hays bill and indicating Senate Committee consideration early in the next session. We have had a meeting of representatives of those agencies and will coordinate the replies. As the bill now moves toward Senate consideration, AID expects to be more active in presenting its views in the Senate.

III. AID's personnel needs and problems. AID requires two distinct categories of manpower:

(1) A relatively small core group of career professionals in Washington and overseas to manage the program on a long-term basis, plus a larger group of long-term staff support and service personnel.

(2) A constantly shifting, widely varying group of technical specialists who are professionally current and who can be quickly secured on a non-career basis.

In fulfilling these requirements, AID has the following problems:

(1) Difficulties in recruiting and developing competent, middle and higher level program managers because

of the controversial and unsettled life of the agency, AID's poor public image, and uncertain career expectations.

(2) Difficulties in recruiting good, short-term professional specialists who must be able to move back and forth between AID and private jobs to maintain and develop their professional competence.

(3) Poor personnel management. AID has not used its currently available authorities in an effective, consistent manner.

- Existing selection-out authority for Foreign Reserve Officers has been used only in the last two years.

- Foreign Service Reserve appointments without time limitations have been given too indiscriminately.

- Neither promotions, assignments, nor training has been purposefully directed toward improving staff competence or maximizing current staff availabilities and capabilities.

IV. Effect of the Hays Bill on AID. The Hays bill could have significant impact on AID personnel management in the following respects:

1. Development of a formal career merit system for all permanent AID employees, overseas and in Washington. Qualified AID personnel pursuing professional careers, mainly abroad, would become Foreign Service Officers. These Officers would be appointed by the President with Senate confirmation, thus eliminating certain aspects of "second-class status" at posts overseas. Similarly, the bill would provide for Presidential appointment and Senate confirmation for persons appointed to classes 1, 2, and 3

of the Foreign Affairs Officer (FAO) category for career professional service mainly in Washington. There would also be FAO's of lower rank, Foreign Service Reserve Officers appointed for short terms and Foreign Service Staff Officers and employees. All would have personnel rank and be subject to the same merit principles with respect to appointment, promotion and selection-out. These provisions would facilitate the recruitment, retention and advancement to senior management positions of more capable people by providing for better career planning and development and higher status and prestige of AID service.

2. Greater interchange of personnel among the State Department, USIA and AID, within a unified service. This would facilitate better use of available skills, offer improved opportunities for the individual officers to have a greater variety and challenge in assignments, bring about more equitable treatment of personnel of the three agencies, and permit greater sharing among the agencies of personnel services, such as recruiting, common regulations, promotion panels, etc.

3. A progressive elimination of the dual foreign service - civil service personnel systems in the agency. All civil service personnel now in AID could opt for transfer to appropriate Foreign Service categories, and all future appointments would be made only to the Foreign Service. The existence of the dual systems -- one based on the rank in the job principle and the other on rank in man -- is the cause of many inequities and the source of many personnel management headaches.

4. Selection-out of personnel who fail to meet the required standard of performance. With the progressive shift of civil service personnel to Foreign Service categories, selection-out procedures would be more widely applicable to AID personnel.

5. Earlier retirement. The bill would permit a large number of AID personnel to become participants in the Foreign Service Retirement and Disability System, with the more advantageous benefits of early retirement. This would attract some older personnel into retirement and promote a vigorous, more youthful service.

6. Expanded benefits for Foreign Service personnel serving under dangerous or extraordinary conditions. The bill contains more liberal sick leave, increased differential allowances in trouble-spot situations, compassionate travel payments, and extended hospitalization. AID personnel in Viet Nam and other areas would especially benefit from these provisions.

V. Conclusions. The Hays Bill would merely provide the legal framework for improvements in AID's personnel under a broad system serving three agencies. It would not assure these improvements. Only vigorous and effective administration can do that, and personnel administration has been one of the major weaknesses of AID and its predecessors.

The Hays Bill would not protect AID from the sagging morale and performance and the self-protective attitudes that come from constant and frequently uniformed criticisms, any more than the Foreign Service Act of 1946 protected the State Department from the attacks of the 1950's.

Even under the best of circumstances the potential benefits of the Hays Bill would be realized gradually, and the results would be difficult to trace or measure with any precision. In short, the Hays Bill is a desirable and needed piece of legislation, but it is not a panacea and should not be represented as such.

When the Hays Bill is enacted, there will be major problems in launching the broader system serving all three agencies - problems that will require continuing high level attention.

Attachments:

(1) Joint Staats-Macy memorandum for the President of April 29, 1965, recommending actions to impove foreign affairs personnel.

(2) The President's letters of May 6, 1965, to the President of the Senate, the Speaker of the House, and the Secretary of State, outlining a program "to strengthen the personnel capabilities of all the foreign affairs agencies of the Government."

50b

APR 29 1965

MEMORANDUM FOR THE PRESIDENT

Subject: Improvements in the career personnel system in foreign affairs agencies

For the past four years, studies have been under way on how to strengthen the career personnel system for the agencies concerned with foreign affairs, primarily State Department, AID, and USIA. We have now reached agreement on three recommendations to you for action at this time.

These actions will carry out your commitment in the Foreign Aid Message of January 14, 1965, indicating that, "... we expect to do so [improve AID's personnel structure and obtain the highest possible quality of its staff] in the context of a program which is designed to strengthen the personnel capabilities of all the foreign affairs agencies of Government."

We believe these actions--taken together--represent one of the most significant forward steps in the history of the career foreign service.

The actions which we recommend for approval are:

1. Enactment of amendments to the Foreign Service Act to establish a unified foreign affairs personnel system.

Attached are identical letters to the Speaker and the President of the Senate endorsing legislation which would accomplish the following major objectives:

(a) Establish a single foreign affairs personnel system to cover the three foreign affairs agencies--State Department, AID, and USIA and, when appropriate, personnel of other agencies engaged in foreign affairs.

(b) Eliminate the dual foreign service-civil service personnel systems for these agencies, but provide a transitional period of three years during which civil service employees can decide to transfer to the new system or shift to other employment.

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(c) Establish a new category of professional career officers in the foreign service primarily for service in the U. S. This category is to be designated Foreign Affairs Officers. They would have personal rank and be subject to the same merit principles as foreign service officers. Classes 1 to 3 are to be appointed by the President by and with the advice and consent of the Senate; others would be appointed by the President or by the Secretary of State.

(d) Eliminate restrictions on the periods of service of Foreign Service personnel in the headquarters of Government agencies.

(e) Facilitate transfer into the Foreign Service by reducing the time requirements for service in other agencies prior to transfer into the Foreign Service.

(f) Liberalize leave benefits, overseas differentials and allowances, and travel expenses of employees and dependents if assigned to an area of unusual danger of injury or illness directly due to hostile activity, such as in Vietnam.

Congressman Wayne Hays has been considering a bill along these lines which he developed in cooperation with the State Department. Hays expects to have further hearings, particularly to deal with the concern expressed by the veterans organizations and the civil service employee organizations about the loss of veterans preference and Civil Service protection, both of which are inherent in the shift of the civil service employees to the foreign affairs personnel system. (The State Department is also meeting with these organizations and is hopeful that this concern can be eliminated or greatly diminished.)

Chairman Morgan and Hays are understood to be in agreement on the proposed legislation and both will welcome a letter to the Congress on the subject. Attached are separate transmittal letters for your signature to Morgan and Hays which we think will be helpful.

While the Senate Committee has had informal discussions of the matter, it has not had hearings. Senator Fulbright is generally receptive to the proposal and would likewise welcome your formal recommendation. We understand the Senate Committee will not take up the legislation formally until the House acts upon it.

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2. Approve an Executive order to facilitate shifting Foreign Service personnel to the Civil Service.

Attached is the Executive order which has the approval of all the agencies concerned. It will permit present and former foreign service personnel who desire civil service employment to receive competitive status and appointment, without examination, to civil service positions. The minimum requirement for career conditional status is one year of nontemporary service immediately prior to separation followed by civil service appointment within three years.

3. Request the Secretary of State to assume leadership over the unified Foreign Service.

Attached is a letter to the Secretary of State requesting him to take overall leadership in seeking enactment of the proposed legislation, in carrying out the provisions of the Executive order, and in other efforts to improve the administration of the Foreign Service.

Because the Director General of the Foreign Service--now designated by the Secretary of State--would have an enlarged interagency role as a result of the enactment of the proposed legislation, your letter requests that prior to making such appointments in the future, the Secretary consult with other agency heads concerned and obtain the President's approval.

Recommendation

We recommend that you approve the attached: (1) Letters to the Speaker and the President of the Senate, (2) Executive order, (3) Letter to the Secretary of State.

The above have the concurrence of the Secretary of State, the Acting Administrator of AID, the Director of USIA, and McGeorge Bundy.

We suggest that the letters and the Executive order be made public at the same time. If a background press briefing is desired, we suggest that Deputy Under Secretary Crockett join us for this purpose.

(Signed) ELMER B. STAATS

Deputy Director, Bureau of the Budget

(Signed) JOHN W. MACY, JR.

Chairman, U. S. Civil Service Commission

Attachments

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FOR RELEASE TO A.M. PAPERS, FRIDAY, MAY 7, 1965

50-C

Office of the White House Press Secretary

THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTERS FROM THE PRESIDENT TO THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, AND THE SECRETARY OF STATE

May 6, 1965

Dear Mr. President: (Dear Mr. Speaker:)

In my message of January 14, 1965, to the Congress relative to foreign aid, I stated that we would develop "a program which is designed to strengthen the personnel capabilities of all the foreign affairs agencies of the Government."

As part of this program, I have already taken certain important steps. On April 13, 1965, I transmitted for the advice and consent of the Senate a list of 760 USIA career officers for appointment as Foreign Service Officers. By this action, we take a big step towards a unified and flexible career Foreign Service of the United States better equipped to meet the pressing needs of modern diplomacy. Today I have signed an Executive Order "Providing for the Appointment in the Competitive Service of Certain Present and Former Officers and Employees of the Foreign Service." This will permit qualified Foreign Service personnel to obtain appointments to Civil Service positions without re-examination. This will assist me in placing the right man in the right job.

The appointment of U.S. Information Agency officers as Foreign Service Officers and the signing of this order are two steps in the plan to improve and strengthen the administration of personnel employed in the agencies whose business is foreign affairs. Additional reforms will require legislation. Towards this end, there is pending in the House of Representatives a measure (H.R. 6277) to provide much needed Amendments to the Foreign Service Act of 1946. That bill has been ably developed by Congressman Wayne Hays of Ohio, Chairman of the House Subcommittee on State Department Organization and Foreign Operations, following discussions with Administration officials. Enactment of a bill along the lines of the Hays bill is another vital step.

I urge the Congress to enact amendments to the Foreign Service Act this year. I say "this year," so that the Secretary of State and I, and the other officials, can get on with the task of providing the very best personnel system we can produce for foreign affairs.

Our ability to seize the opportunities and to use our vast resources to further the aims of the United States foreign policy must in large measure rest on the dedication and capabilities of people involved in our foreign activities. In no other area of governmental activity is it more vital to our national interest to develop and retain a corps of well-qualified men and women. It must also attract the outstanding youth of today so that tomorrow's work will be in capable hands.

more

The new system we seek to establish will be based on the following principles:

(a) There will be a single Foreign Affairs Personnel system, broad enough to accommodate the personnel needs -- domestic as well as overseas -- of the Department of State, the Agency for International Development, and the U. S. Information Agency, and to cover appropriate personnel of other agencies engaged in foreign affairs.

(b) This system must be fully responsive to Presidential requirements and the changing conditions in our foreign relations.

(c) Although certain basic policies and perquisites will be applied to all members of the system, full recognition will be given to the differences between the various categories of personnel and their respective conditions of service.

(d) The heads of the participating agencies will be responsible for implementing personnel policies and for the management control of their own personnel.

(e) Free interchange of personnel among the foreign affairs agencies and between these agencies and the other departments and agencies of the Executive Branch will be sought.

(f) Maximum flexibility will be sought in the assignment process to enable management to meet unique requirements and crisis conditions with maximum efficiency and at a minimum cost.

(g) Increased coordination with the Civil Service system will be provided by closer liaison with the Civil Service Commission on various personnel activities.

(h) Appointments, promotions and selection-out of personnel will be based on the principle of competitive evaluation.

To carry out these principles, legislation is needed to do a number of things. Among these are:

(1) Provide a new category of professional career officers who would serve in the Foreign Service without time limitation, primarily for service in this country. This category should be called Foreign Affairs Officers. They should have personal rank and be subject to the same merit principles with respect to appointment, promotion, and selection-out as the other categories. Provision should be made for Foreign Affairs Officers of classes 1, 2, and 3 to be appointed by the President, by and with the advice and consent of the Senate, and those of classes 4 through 8 to be appointed by the President alone or by the Secretary of State when directed by the President.

(2) Provide a transitional period of three years during which civil service employees of the foreign affairs agencies may decide to become participants in the new system without screening and without loss of compensation. Those who do not wish to participato will be assisted in obtaining suitable employment in other Government agencies. But after the transitional period the dual Foreign Service-Civil Service personnel systems of the foreign affairs agencies would be ended, and only the unified Foreign Service would apply. The Secretary of State will be responsible for its overall management.

(3) Eliminate restrictions on the periods of service of Foreign Service personnel in the headquarters of Government agencies.

(4) Reduce the requirements regarding length of service in other Government agencies prior to establishing eligibility for appointment into the Foreign Service Officer classes 1 through 7.

(5) Eliminate present restrictions on reappointments of Foreign Service Reserve officers.

(6) Permit extension of selection-out and severance pay provisions, now limited to Foreign Service officers, to all officers and employees of the Foreign Service.

To meet the present-day realities of service abroad, legislation also is needed to provide important changes in benefits available to Foreign Service personnel. These have been made necessary by trouble-spot situations of service, such as in the Congo or in Viet-Nam. It is only right that we properly and compassionately look after the men and women whom we must send to such places to do our Government's business. These changes are:

-- Amendment to the Annual and Sick Leave Act to permit continuation of employees in duty status if they incur injury or illness arising from a hostile act in line of duty or stemming from the fact that they were located abroad.

-- Amendment to the Overseas Differentials and Allowances Act to permit increasing the differential from the present limit of 25% to a limit of 50% when an employee is assigned duty in a foreign area where there is unusual danger of injury directly due to hostile activity.

-- Amendment to the Foreign Service Act, Section 911, to permit the payment of travel expenses of employees and dependents when warranted by extraordinary conditions, or circumstances involving unusual personal hardship.

Representatives of the Department of State, the Civil Service Commission, and others are prepared to explain the Administration's position on this measure and to help in any way they can.

Sincerely,

LYNDON B. JOHNSON

Honorable Hubert H. Humphrey
President of the Senate
Washington, D.C.

Honorable John W. McCormack
Speaker of the
House of Representatives
Washington, D.C.

The following letter sent to the Secretary of State:

May 6, 1965

Dear Mr. Secretary:

I have today written the enclosed letters to the Congress regarding our program for strengthening the personnel capabilities of all the foreign affairs agencies of the Government. I have also signed the Executive Order "Providing for the Appointment in the Competitive Service of Certain Present and Former Officers and Employees of the Foreign Service."

These documents emphasize the need for legislative action this year. I ask you and other interested officials to do all you can to assure timely enactment.

It is important in the management of foreign affairs that you and I have the improved legal framework for foreign affairs personnel that the proposed amendments to the Foreign Service Act will provide. I fully support the objectives of the proposed foreign affairs personnel program and would appreciate it if you would assume responsibility for its full development and implementation.

I also ask that you work with the Civil Service Commission and the Bureau of the Budget in undertaking necessary and adequate consultations with representatives of affected employee groups. We must be sure to protect the legitimate interests of everyone involved. It is very important that both officers and memberships of employee organizations understand what reforms we are attempting to bring about.

I shall expect you to insure that personnel policies and actions of the Department, AID, and USIA are guided by uniform standards and criteria. Perhaps this could be accomplished through continued use of the Board of the Foreign Service, including on it representatives of AID and USIA. I shall expect the continued fair administration of the Foreign Service, with due regard to the principles of merit, that has been the mark of that Service since its modernization under the Rogers Act in 1924.

Because the proposed amendments will expand the coverage of the Foreign Service Act to additional employees of agencies other than the Department of State, a broadened interagency role will result for those involved in the administration of the Act. Accordingly, while the Director General of the Foreign Service will continue to be appointed by the Secretary of State, I would believe it appropriate that, when any future appointment to that position is proposed, you consult with the heads of other agencies participating in the foreign affairs personnel system and obtain the President's approval before the appointment is made.

Our continued high goal is to get the very best people we can to do the work of this Government. Work in foreign affairs is particularly important. It must be so managed with such skill and dedication as to assure success in our relations with other countries.

I have the highest appreciation of the abilities and devotion of all those who are now working in the foreign affairs field. Enactment of a legal framework unifying them into a single foreign affairs personnel system will enhance their total usefulness to their country. I am confident the new Foreign Service will make us better able to fulfill America's role throughout the world.

Sincerely,

LYNDON B. JOHNSON

Honorable Dean Rusk
Secretary of State
Washington, D.C.

more

EXECUTIVE ORDER

- - - - - - - -

PROVIDING FOR THE APPOINTMENT IN THE COMPETITIVE SERVICE OF CERTAIN PRESENT AND FORMER OFFICERS AND EMPLOYEES OF THE FOREIGN SERVICE

By virtue of the authority vested in me by section 1753 of the Revised Statutes and the Civil Service Act (22 Stat. 403), and as President of the United States, it is hereby ordered as follows:

Sec. 1. Under regulations and conditions prescribed by the Civil Service Commission, a present or former officer or employee of the Foreign Service may be appointed in the competitive service if he:

(a) Is qualified for the position in the competitive service;

(b) Was appointed in the Foreign Service under authority of the Foreign Service Act of 1946, as amended, or legislation that supplements or replaces that Act;

(c) Served in the Foreign Service under an unlimited, career-type appointment and, immediately before his separation from that appointment, he completed at least one year of continuous service under one or more nontemporary appointments in the Foreign Service which may include the service that made him eligible for his career-type appointment; and

(d) Is appointed within 3 years after his separation from the Foreign Service, or he completed at least 3 years of substantially continuous service under one or more nontemporary appointments in the Foreign Service immediately before his separation from the unlimited, career-type appointment in that Service which may include the service that made him eligible for such appointment, or he is entitled to preference under section 2 of the Veterans' Preference Act of 1944, as amended.

Sec. 2. (a) Except as provided in paragraph (b) of this section, a person appointed under Section 1 of this Order becomes a career conditional employee.

(b) A person appointed under Section 1 of this Order becomes a career employee when he:

(1) Has completed at least 3 years of substantially continuous service under one or more nontemporary appointments in the Foreign Service immediately before his separation from the unlimited, career-type appointment in that Service which may include the service that made him eligible for such appointment;

(2) Is appointed to a position in the competitive service required by law or Executive order to be filled on a permanent or career basis; or

(3) Has completed the service requirement for career tenure in the competitive service.

For the purpose of subparagraph (3) of this paragraph, service in the Foreign Service is creditable in meeting the service requirement only if the person concerned is appointed to a nontemporary position in the competitive service under Section 1 of this Order within 30 days after his separation from the Foreign Service.

Sec. 3. A person appointed to a nontemporary position in the competitive service under Section 1 of this Order acquires a competitive status automatically on appointment.

Sec. 4. Any law, Executive order, or regulation that would disqualify an applicant for appointment in the competitive service shall also disqualify a person for appointment under Section 1 of this Order.

Sec. 5. For the purpose of this order, a person is deemed to be an officer or employee in the "Foreign Service" if he was appointed in any agency under authority of the Foreign Service Act of 1946, as amended, or legislation that supplements or replaces that Act.

LYNDON B. JOHNSON

THE WHITE HOUSE,

May 6, 1965.

# # #

3936

Mr Bundy
Rec'd. 9/11

51

September 10, 1965

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. McGEORGE BUNDY
THE WHITE HOUSE

Subject: Rooney Amendment to the Foreign Aid Appropriation Bill

Senator Pastore said today that he would not be able to carry simple deletion of the Rooney Amendment from the Foreign Aid Appropriation Bill. He was willing to try out the State Department's suggested fall-back (patterned on §620(n) of the Foreign Aid authorizing legislation) and thought he could secure its acceptance if one change were made. This change would consist of substituting "assistance should be denied" in place of "the President should consider denying assistance".

We replied that our preference, of course, was for no amendment at all and, in regard to the fall-back, we saw no reason for departing from the language already approved in §620(n) of the authorizing legislation. However, if Senator Pastore felt it necessary to make the change in language indicated above, we could go along. It remains a sense-of-the Congress provision. Moreover, the Administration must be satisfied that a recipient country is not taking appropriate steps before the sense-of-the-Congress expression applies to the situation.

As a footnote, I might add that the first part of the Rooney Amendment -- relating to §107(a) in the Foreign Aid Appropriation Bill -- applies to the sale, furnishing, or carriage of Battle-Act items and other items "of strategic significance to the conduct of war, including petroleum products."

Leonard C. Meeker

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E.O. 12356, Sec. 3.4
NLJ 93-321
By lnp, NARA, Date 2-7-94

~~CONFIDENTIAL~~

17 March 1965

MEMORANDUM FOR MR. BUNDY

SUBJECT: Foreign Aid

1. The following thoughts stem from Monday's staff meeting discussions. The problem of obtaining dollars from Congress, and making proper use of dollars seems to remain the key to our relations with lesser developed areas. (Now compounded by the gold flow situation.) It is apparent that we need a major breakthrough in our approach to foreign aid.

2. Under present procedures, the people of the United States think of foreign aid as strictly a give-away in spite of the fact that a high percentage is in the form of interest-bearing loans. Instead of breaking the foreign aid bill into separate military and economic sections as Senator Fulbright desires, it might be better to have a foreign aid bill consisting purely of grants, both military and economic. A separate bill could be entitled Foreign Loans, or perhaps better, Free World Loans. Still a third program might be established entitled, Free World Barter Agreements.

3. Under this arrangement the foreign aid that would be identified as "give away" would be only the grant program, which would have chiefly a military orientation. With regard to the loan program, it might be possible to get no interest loans approved if the distinction between loans and grants were emphasized.

4. As to a barter program, I know this smacks of centralized planning and Soviet methods, but it still might be worth consideration. It seems to have the following advantages:

a. Long term agreement can provide the same effect as loans with less obvious debtor status for the recipient and with the possibility of avoiding the interest question.

b. Can provide the same results as tariff preference without the difficulties involved in the latter.

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E.O. 12356, Sec. 3.4
NLJ 93-318
By ig, NARA, Date 5-12-95

c. Would not result in gold flow.

d. Might help to better utilize surplus commodities.

R. C. BOWMAN

Foreign Aid

53

January 30, 1965

TO THE PRESIDENT

FROM Douglass Cater

I just had lunch with Oscar Cox who, as you know, is a valuable man of ideas here in Washington. In fact he was the one who originally suggested to Fulbright the use of counterpart funds for education purposes which led to the Fulbright scholarships.

Cox is now eager to promote a scheme to re-orient the Foreign Aid Program and, incidently, to lure back Fulbright as a major supporter.

Cox believes, that, in keeping with your domestic emphasis on education, the Foreign Aid Program this year should make a significant turn toward education as its number one priority. It should turn away from the status projects - steel mills, etc. - which are costly and win little popular support among the masses. He believes that by emphasizing education - with very little statutory change in the authorizing legislation - Fulbright could be won over again. His diagnosis is that Fulbright suffers from a feeling of not being sufficiently consulted by Rusk, Bell, et al.

Cox proposes that you ask Rusk to hold a meeting with Fulbright, Harry MacPherson and Frank Keppel to consult about how to give the Foreign Aid Program this new additional thrust. I believe that Cox's thinking on the subject of foreign aid is quite useful. If you are interested either Bundy or I might try to explore the matter further.

Yes _____ No _____

foreign Aid

Mr Bundy

54

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MEMORANDUM FOR FRANCIS BATOR January 7, 1965

To develop Bob Komer's point that the foreign aid message is too defensive, we're afraid it bases our request for aid on three false premises. First, Congress will only have to tolerate aid a little bit longer because success ends the need for aid (e. g. it only took us 10 years to do the job in Taiwan). Second, the number of countries we aid is dropping (e. g. 86 in 1963, 72 next year) and by inference will continue. Third, the amount of money needed has declined and, by inference, will continue as we consolidate further.

The facts are that we don't foresee any end to aid, even though we may be able to drop a few successful clients from the list. We don't foresee aiding fewer countries, but more--especiallyiin Africa where even AID strategy has reversed itself just in the past few months to accept a more active role. Finally, we should probably be talking about more money, not less (as your Task Force recommended).

This down-and-out pitch may be shrewd congressional tactics this year. The problem is that Congress will believe it. So instead of arguing the case for aid, we're feeding the belief that it's a stopgap business that we can get out of over the next decade or so. This year's shrewdness deepens next year's grave.

Harold H. Saunders

cc: Mr. Bundy

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E.O. 12356, Sec. 3.4
NLJ 93-318
By ig, NARA, Date 5-12-95

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Jim Bird ✓ Mr. Bundy

55

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

DEC 31 1964

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR: The Honorable Bill Moyers
The White House

If my information is correct, we are approaching a consensus in the Executive Branch on a foreign aid authorization bill along the lines of the attached summary.

Under normal circumstances, we should now, with the concurrence of the President, be checking out this approach with the appropriate Congressional leaders.

Under present circumstances, I assume we should hold up on any discussions with Congressional leaders until the situation with respect to Senator Fulbright is somewhat clearer.

DEB

David E. Bell

Attachment

55a

Proposed Structure of Foreign Aid Authorization Bill
89th Congress, 1st Session

1. Single bill. A single bill would be proposed, covering all programs (economic and military) now authorized under the Foreign Assistance Act of 1961, as amended.

2. Four-Year Authorization Request. The Congress would be asked to authorize appropriations for all funding categories for a four-year period as follows:

   a. FY 1966. Authorizations for FY 1936 for Development Loans and the Alliance for Progress already exist and need no change. For all other funding categories, authorization would be sought for FY 1966 at the budget request level approved by the President.

   b. FY 1967-1969. Open authorizations for all funding categories would be proposed for these three years.

   Note: Appropriations would of course continue to be requested annually for all funding categories. No Treasury borrowing authority would be requested.

3. Authorization for Investment Guaranty Programs. Increased ceilings (no appropriations needed) for the issuance of Investment Guaranties through FY 1969 would be requested as follows:

   a. Specific Risk Investment Guaranties. Raise the present $2.5 billion ceiling by $1.25 billion for each fiscal year, FY 1966-FY 1969.

   b. Extended Risk Guaranties. Increase present ceiling of $300 million through FY 1966 to $500 million through FY 1969.

   c. Latin American Housing Guaranties. Increase present total issuing authority of $250 million through FY 1966 to $450 million through FY 1969.

December 31, 1964

6089

Foreign Aid

56

~~CONFIDENTIAL~~ (when with attachment)

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

OFFICE OF
THE ADMINISTRATOR

DEC 9 1964

MEMORANDUM FOR: The Honorable Bill Moyers
The White House

Attached is our "Brief" on the subject of foreign aid.

There are several issues in it which deserve discussion. One in particular - the question of what form of legislation the President should request - requires fairly urgent consideration. I believe that State, Defense and AID would be the key participants, apart from the White House-Executive Office complex.

Dave

David E. Bell

Attachment

562

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON

DEC 9 1964

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

SUBJECT: New Directions in Foreign Aid

For at least the next decade, strong U.S. economic and military assistance programs will be required to support our foreign policy in Latin America, Africa, and Asia. Two key problems grip those continents: (1) the attempt by the Russian and Chinese Communists to seize control of the developing countries, an attempt which is accentuated at the present time by the competition between Moscow and Peiping for leadership of the international Communist movement, and (2) the necessity for the developing countries to overcome poverty, ill-health, and obsolete social and economic patterns. Effective foreign aid programs are essential to deal with these conditions and achieve the U.S. objective of a dynamic and peaceful world community of open societies.

This memorandum outlines the principal issues needing consideration in looking ahead to the foreign aid program over the next few years. We comment on the principal points about aid that are raised by the President's Task Force on Foreign Economic Policy, as well as a number of other issues.

This memorandum has been prepared by the Agency for International Development, with the benefit of comments from the Department of State, Treasury, Defense, and Agriculture. It discusses (1) the prospective requirements for aid, (2) the legislative framework, and (3) current major program issues.

1. Requirements for Aid

a. Economic Assistance - The most important conclusion of the President's Task Force is that more aid, not less, will be required for the next few years. The Executive Branch agencies agree.

This is especially evident in Latin America, but true as well of Africa and parts of Asia, as more of the developing countries organize themselves better and adopt stronger self-help policies, which will enable them to use

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NLJ 93-315
By [illegible], NARA, Date 1/29/04

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- and to justify - larger aid from outside. (e.g., Brazil under the Castello Branco government is tackling its problems seriously, and therefore qualifying for major assistance, as Brazil under the Goulart government did not.)

It is plainly in our own interest to provide more aid when it can be used well. With respect to developing countries that are ready to sacrifice and work hard, the best and cheapest aid policy - for the U.S. and for other donors - is to give them maximum help, which will lead to economic independence, and the end of the need for aid, in the shortest possible time.

It is difficult to estimate how fast aid requirements will rise. Over the past ten years, economic aid from advanced countries to the developing countries of Asia, Africa, and Latin America rose from $2.0 billion to $6.5 billion per year. About 60 percent came from the United States. On the average, output in the developing countries rose by 4.2 percent per year, which was significantly higher than their population growth rates of perhaps 2.5 percent per year.

During this period, several countries - notably Greece, Taiwan, Israel, Mexico, Venezuela - made enough economic progress to end the need for further concessional economic aid. Several other countries - notably India, Pakistan, Iran, Thailand - made substantial progress.

Looking ahead, AID estimates that economic aid requirements are likely to rise on the order of 5 to 10 percent per year between now and 1970, based on a realistic anticipation of self-help performance by recipient countries. Assuming that the aid programs of other advanced countries rise proportionately, this would mean that expenditures under the U.S. bilateral aid program might need to rise roughly in the following way:

($ billions)

	1963	1965	1970 low	1970 high
Ex-Im Bank (net)	.1	.1	.2	.5
P.L. 480	1.4	1.5	1.7	2.1
AID (net)	1.8	2.2	2.5	3.2
Other (including Peace Corps)	.1	.1	.2	.2
	3.4	3.9	4.6	6.0

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The President's Task Force considers that this rate of growth in aid will not support a rate of economic growth in the developing countries which is adequate to satisfy the political dynamics of those countries. Furthermore, the Task Force believes it would be possible, by a more generous and aggressive aid policy, to expand the investment capacity of the developing countries more rapidly than AID anticipates. On these assumptions, the Task Force would urge that the United States plan for a larger growth in economic aid than AID now foresees as necessary.

This difference of judgment about future requirements probably need not be resolved at present. The Task Force has not urged a different budget proposal for FY 66 than AID has submitted to the Budget Bureau, and we believe the Task Force would agree with the following recommendations.

> Recommendations: (1) That the United States continue to relate its aid for development to strict standards of self-help by recipient countries, recognizing that this will require some increase in economic aid over the next few years, particularly in Latin America but also in Africa and Asia; (2) that the United States vigorously seek to help raise the managerial competence and investment capacity of developing countries.

b. Military Assistance - Since 1960, outlays for military aid (and for directly related supporting economic assistance) have fallen markedly.

Military assistance appropriations have been reduced from $1.8 billion in 1961 to $1.055 billion in 1965. Grant military aid to Western Europe has been phased out except for the completion of small remaining commitments. The budget proposal for FY 1966 is based on "normal" military aid requirements of $1 billion plus $170 million for unusual combat requirements in Vietnam and Laos.

Supporting Assistance, which amounted in 1961 to $1.1 billion, has been terminated altogether in such countries as Taiwan, Greece, Iran, Pakistan, and Turkey, where U.S. economic aid has been shifted to a development basis. Present commitments are about $400 million annually, with three-fifths going to Southeast Asia.

Future requirements depend heavily on unpredictable events in Southeast Asia, and there is no basis for projecting a clear trend.

> Recommendation: That the United States continue to provide military and economic supporting assistance for the security efforts of countries striving to maintain their freedom, recognizing that this may require funds of the present order of magnitude for the next four years.

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2. Legislative Framework

Next spring's legislative presentation should certainly stress the successful themes of the past year: continued emphasis on a tight, "bare bones" budget, and continued emphasis on strong self-help standards and getting developing countries into a position in which they will no longer need aid. We would also like to urge the earliest possible beginning for the Congressional consideration of aid legislation; the Executive Branch will be prepared for hearings by February 1.

Beyond these points, there are important issues to be considered regarding the legislative framework of foreign aid programs.

For the last dozen years, the economic and military assistance programs have been authorized annually in a single bill and funds have been appropriated for them annually in a single bill. This is a very difficult legislative framework, which requires maximum Congressional time and energy, and results in minimum stability and continuity for the aid programs. With the gain in Congressional strength for the Administration following the November election, the question arises whether this legislative framework can and should be improved.

Three possible changes have been suggested.

a. Multi-year Authorization - Great advantages would be achieved if multi-year authorizations could be enacted for all parts of the aid program, as they have been in the past for some parts, (e.g., development lending was authorized for five years in the 1961 Act). Congress would presumably be unwilling to enact permanent authorizations, but a four-year authorization would not seem unreasonable in view of the obvious requirements of U.S. foreign policy. Such an authorization would provide a far stronger basis of stability and continuity for operating the aid programs, would accomplish a great saving of time and energy for both Congress and the Executive Branch, and would provide a strong base from which to continue pressing other advanced countries to enlarge their aid programs.

Arguments against a four-year authorization are the possibility that changing requirements may force the President to ask for annual amendments in the statute, thus losing the benefit of the multi-year authorization, and the possible unwillingness of the authorizing committees to abandon their annual legislative control of aid policy.

Chairman Morgan and Senator Fulbright have indicated that they would support a four-year authorization proposal, although both expressed skepticism about the likelihood of obtaining it in full.

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Recommendation: That in view of its great advantages, the President make a major effort to obtain four-year authorizations for economic and military assistance, in amounts which will cover the probable annual changes in the different categories of aid, and with an arrangement under which the Executive Branch will present to the authorizing committees each year a full report on their current aid plans and programs. Annual appropriations would continue to be requested.

b. Separate Legislation for Military and Economic Assistance - The Executive Branch has frequently desired in the last dozen years to split off military aid from economic aid legislation. The principal advantage this would have is to eliminate some of the confusion in the public mind regarding our foreign assistance by permitting the Administration to emphasize the role of military assistance not as "foreign aid" but as an integral part of our own defense effort. In addition, it would replace a large legislative target with two smaller ones.

This proposal has always been strongly opposed by the leadership of the House Foreign Affairs Committee and of the House. The proposal was blocked at the last minute in 1961 by Speaker Rayburn, and the opposition of the House leadership a year ago was the principal factor leading the President to decide against the proposal at that time. The argument of the House leaders has always been that they need to have military assistance combined with economic assistance in the same bill in order to carry a satisfactory economic aid authorization. A part of the opposition by the House Foreign Affairs Committee may stem from a fear of losing jurisdiction over the military assistance legislation.

Senator Fulbright favors separate legislation. Chairman Morgan opposes it.

Recommendation: That in view of the risk to House passage of economic aid legislation, the President propose a combined aid bill as in the past. Secretary McNamara differs with this recommendation, believing that the advantages of separate bills are substantial, the risks to economic aid legislation are low, and that, especially if jurisdiction over the military bill is left in the Foreign Affairs Committee, the price in lost good will of the split will not be great.

c. Fragmenting Aid Legislation - Senator Fulbright proposed a year ago and continues to propose today fragmenting the aid legislation into as many pieces as possible. Thus he would not only split off military aid legislation. He would also abandon altogether U.S. bilateral programs of development lending and technical assistance, and channel all U.S. funds for such purposes through the World Bank and other international organizations. He would channel supporting assistance through the State Department. He would thus end up with at least three aid bills, perhaps more.

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On the merits, these proposals run contrary to U.S. interests. It would be detrimental to U.S. objectives if Felipe Herrera were administering all the U.S. funds for the Alliance and Tom Mann were administering none of them. Likewise in Africa and Asia, we need a major bilateral aid program to accomplish U.S. objectives in developing countries. (We should continue our policy of steadily enlarging the amount of money we contribute to international aid agencies, but this is an entirely different policy from one of abandoning our bilateral aid program altogether.)

In terms of legislative strategy it is difficult to see what Fulbright's proposals would accomplish. The Congress would probably spend more, not less, time on aid if it had to pass several aid bills instead of one (or at most two). Moreover, unlike Fulbright, the majority in the Congress prefers bilateral to multilateral aid, and an effort to transfer the present bilateral programs to a multilateral basis would undoubtedly result in a major reduction in the total funds made available.

> Recommendation: For these reasons we strongly recommend against Senator Fulbright's position, while recognizing that he has thus far been unwilling to accept leadership on behalf of the Administration for aid legislation on any other terms. We believe this matter requires the President's early consideration.

3. Program Issues

In addition to the general issues outlined above, the following specific issues need consideration.

1. Food supplies and population growth. Food supplies in developing countries are not keeping up with rising demands brought by growing populations and rising incomes. Very serious food shortages could develop in a few years time unless strong action is taken.

The fundamental response to this problem must be to help bring about greater agricultural production in the developing countries. U.S. surplus food cannot meet the demand, even though substantially increased food aid is necessary and desirable.

Therefore, we must clearly place new and heavier emphasis on technical and other assistance to agricultural production in developing countries, drawing more heavily on the resources of the Department of Agriculture, the cooperatives, the Land-Grant Universities and American industry.

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Recommendation: That the President continue to stress in his public statements the need for the U.S. to help other countries expand their food production. We face opposition, led by Representative Whitten, to aid for agriculture in developing countries based on exaggerated fears of interference with potential U.S. agricultural exports, and it is important to state the Administration position clearly.

It is also necessary for developing countries to face the many problems stemming from rising rates of population growth, and more and more of them are doing so. As developing countries adopt their own population policies and programs, the question arises in what ways and to what extent the U.S. should assist.

Public and religious opinion at home and abroad have become increasingly ready to face the issues involved. The United States is now on record as urging developing countries to consider their population problems, but does not (and should not) urge any particular policy on any country. We favor and support careful research on all aspects of the problem, and have supported some training and technical assistance, particularly on demographic aspects of the matter. By and large, U.S. governmental action has followed, rather than led, public and Congressional opinion, and we believe this is desirable in the future as well. In our opinion the time has come to expand the range of technical assistance and other kinds of help the U.S. will provide to population programs of developing countries.

Recommendation: That U.S. assistance to population programs in developing countries be expanded without fanfare as requests are received. A.I.D. is preparing a memorandum on this subject recommending specific policy guidelines.

2. Enlarging the use of private U.S. resources to help the developing countries. We have been steadily expanding and improving our arrangements for drawing on the skills of American business, universities, cooperatives, labor unions, engineering firms, and many other institutions. We intend to continue these efforts to engage American professional skills more fully in the problems of development.

The President's Task Force has recommended that new ways be sought to enlist the skills and energy of American business management in the development process - as new methods were devised some years ago to meet

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the demands of the missile age. They feel that U.S. private enterprise may be harnessed much more extensively to the problem of increasing the investment and growth capacity of the developing countries if management talents can be engaged separate from, as well as in association with, financial investment. This problem, among others, is now under intensive review by the Advisory Committee on Private Enterprise in Foreign Aid, chaired by Arthur K. Watson, whose report is due by June.

Meantime, we are prepared now to make the following

Recommendations:

- Congress be asked to raise the present limit on guaranties of U.S. business investment in developing countries against the political risks of expropriation, inconvertibility, and war by $1.25 billion per year - an amount we hope would be adequate for the next four years;

- that Congress be asked to raise the limit on "extended risk" guaranties (against loss from any cause) from the present $300 million to $500 million, and eliminate the limits of $25 million per loans and $10 million per equity investment, retaining however the limit of guarantee to 75 percent of the value of any investment;

- that Congress be asked to extend the Latin American housing investment guaranty program, (which guarantees up to 100 percent of an investment), by an additional $200 million, aimed primarily at developing financial institutions which can mobilize private savings for housing which meets the needs of middle and lower income families;

- that Congress be asked again this year to authorize a special 30 percent investment tax credit for new private business investment in less-developed countries. The Treasury Department doubts that Congress will approve a credit of this magnitude, but has no objection to the request being repeated.

3. How rapidly should we expand U.S. aid provided through international institutions? We favor such an expansion because of the potential advantages of imposing self-help standards through international institutions, the lower U.S. share in such aid than in bilateral assistance, and the concessional terms still possible through these channels. The crucial questions here relate to funds made available to IDA and IDB for soft-term loans. Definite international agreements have been made covering the three years FY 1965-67 for the IDB and the three years FY 1966-68 for the IDA. The annual total contribution to IDA is $250 million of which the U.S. share is $104 million (42 percent), and the annual total contribution to IDB is $300 million, of which the U.S. share is $250 million.

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Recommendation: That authorization be urgently sought early in the next session of Congress for the IDB contributions. The IDA contributions were authorized in the last session.

We believe future U.S. policy with respect to IDA should be to propose as large an increase in total contributions as we can get other donors to agree to, with the U.S. contribution limited to about 40 percent. A realistic view, however, would anticipate reluctance by the European donors to increase their IDA contributions very rapidly - a doubling of the total would be an extraordinarily good result - and therefore little opportunity to shift from U. S. bilateral to multilateral financing in the next three or four years.

It is in our opinion too soon to make a judgment about future financing of IDB, where the non-U.S. funding is in any event smaller and the Bank's policies are still evolving.

4. Finally, there is the issue of how to improve further the administration of aid, and particularly to eliminate marginal employees in AID. Last year's request for selection-out authority to apply to AID's civil service employees, parallel to the authority AID already has for foreign service employees, was not granted by the Congress. Our present opinion is that it would be extremely difficult to obtain it from the next Congress.

It is our understanding that John Macy is considering recommending to the President appropriate legislative and policy changes to convert all three foreign affairs agencies - State, USIA, and AID - gradually to a common personnel system, based on the Foreign Service Act. We would enthusiastically support such a proposal, and in that event would not recommend asking again for selection-out authority, since AID employees would be gradually converted to the foreign service system where selection-out authority already exists.

If however the President decides not to ask for such a general change, or if the Congress refuses to grant it, then we would recommend repeating - in somewhat modified form - the request for selection-out authority for AID.

David E. Bell

CONFIDENTIAL

PRECAUTIONARY COPY

C397

Foreign Aid

57

OTHER SOURCES OF ASSISTANCE - REVIEW MEETING

November 5, 1964

SUMMARY

1. The United States is interested in increasing multilateral assistance both in absolute amounts and as a percentage of total assistance.

2. The United States should concentrate its influence on other donor countries to:

(1) Diversify their aid distribution pattern,

(2) Provide assistance on more liberal terms, and

(3) Maintain their proportionate share of net capital flows, including "refunding" of short term credits, rather than on futile "burden sharing" efforts to increase their share.

3. The United States should continue to press for donor countries to link self-help and performance indicators with levels of assistance.

4. Although there is general agreement and understanding among the technical level personnel of most donor countries, extensive education on the objectives and criteria of the aid program is necessary at the ministerial level.

5. PC, with the assistance of the regional bureaus, should develop a paper recording three or four case studies of projects put up for international bidding for which the contracts were awarded taking into account both bidder's price and the donor country's terms of financing. This paper should be circulated to the missions.

6. The United States is interested, within the limits of feasibility, in increasing the number of consortia and/or consultative groups and in having the World Bank direct more such multilateral arrangements to the extent possible. CIAP and the OECD/DAC may, in the future, prove themselves capable consortia or group leaders for countries in which the IBRD cannot be induced to play a major role.

7. TCR should examine the possibilities of the U.S. assisting countries to develop a framework for determining TC requirements and consequently for the international coordination of such activities within the country.

LIMITED OFFICIAL USE

OTHER SOURCES OF ASSISTANCE - REVIEW MEETING

57a

November 5, 1964

Chairman: Mr. Bell

A. General Background and Trends.

AID provides approximately 20% of world aid and we program these funds, at least in theory, against what others are doing. AID is presently the only foreign assistance agency in the world which uses country planning and programming as the basic aid criteria.

During the 1958-1963 period when U.S. bilateral aid expenditures were increasing about 10% annually and other donors at about 7%, multilateral aid expenditures rose about 21% each year. (It must, however, be remembered that multilateral aid started from a smaller base.) The United States is interested in having multilateral assistance become, in the future, a larger portion of total assistance. The United States share of multilateral resources is 40% while the United States share of bilateral aid is 63%.

Some of the reasons why other countries increase their aid are: (a) foreign policy objectives; (b) pressures from their own businessmen because, since most aid is tied, these businessmen would like their government to increase assistance and thereby provide them with commercial opportunities; and (c) humanitarian interest in "developing" countries.

B. U.S. Position on Multilateral Issues.

1. Burden Sharing vs. Diversification.

Although certain countries should be pushed to provide more assistance, a general and direct attack on burden sharing by a set formula of relative proportions seems a sterile operation (e.g. discussion in the Turkish Consortium). The diversification of the distribution pattern of aid by recipient country and the terms on which this aid is offered seem much more meaningful topics to consider (e.g. the U.S. provides approximately 75% of the foreign aid going to Latin America. With the total requirements of this region increasing more rapidly than that of other regions, the U.S. total will increase substantially.) The Assistant Administrator (AFR) cautioned that although we want the Europeans to diversify, we do not want them to withdraw from their old areas of concentration.

2. Terms of Aid.

There is a trade off between increases in the absolute amount and better terms of aid. The Administrator urged that we retain our positive stance on terms of aid. There have been changes in Great Britain and Canada since the DAC Resolution on Terms of Aid was adopted, but much still remains to be done in this area such as meeting the need for debt rollovers and softer terms.

3. Other Issues.

A major change which the United States has been pioneering is the linking of performance and self-help with aid. The DAC currently has, as a result of U.S. insistence, set up working parties on: (a) the volume of aid related to performance; (b) terms of aid; and (c) UNCTAD. In addition, a meeting on improving coordinating mechanisms is scheduled. These ideas, rather than the concept of "burden sharing", should be stressed in the various consortia. Although there is an understanding of and agreement with these ideas among the technical level delegates from most countries, considerable education is still required at the ministerial level. Significant progress has been made in the case of the United Kingdom; Germany now appears to be the key country.

4. Tying of Project Costs and Terms of Financing.

An interesting aspect of the terms of aid question is provided by contracts let for international bidding, such as the Niger Dam and the Nigerian telecommunications project. With the bid for procurement tied to the bid for financing, the businessmen of a country may try to influence their government to finance the project on liberal assistance terms. The IBRD has also been trying a variant of this combining of price and terms in Colombia. PC/IDOS, with the assistance of the regional bureaus, will develop a paper recording three or four case studies of this experience to be sent to various missions.

It was cautioned that there are some unfavorable side lights of figuring in the cost of financing with the cost of the project. The contractors who are nationals of a country giving soft terms (e.g. the U.S.) can bid substantially higher on the contract due to the liberal terms. The resulting higher costs would not consequently benefit the LDC's but rather subsidize domestic enterprise. The Assistant Administrator (AFR) stated that the procedure as used in Africa has not resulted in such a subsidy to contractors in the developed countries.

The LDC's themselves, in the UNCTAD, have been urging uniformity of terms. After terms become uniform they will then want to lower them all. There is also the problem of international tender — invitations to bid — when the U.S. requirements for aid financing are generally much more stringent than those of the other developed countries. Some concern was expressed about the lack of U.S. commercial competitiveness, but the Administrator considered this the responsibility of U.S. business whereas securing of more aid on better terms from other free world donors is a primary objective of AID.

C. Consortia and Other Coordination Mechanisms.

The criteria for U.S. support of a consortium or consultative arrangement is that the country satisfies the same basic requirements as those within our category of general development countries and that the country wants the organization. There are about 15 or 20 countries which could qualify for coordination efforts. There are presently nine such arrangements: Nigeria, Tunisia, East Africa, Sudan, Colombia, India, Pakistan, Turkey, and Greece. Several of these are very active but others are virtually paper organizations. Possibilities for coordination groups in the future include Brazil, Chile, Peru, Korea, Ethiopia, Liberia, and Morocco.

There are two functions of coordinating arrangements: (1) the evaluation of country planning and performance and the setting of criteria for such an evaluation, and (2) raising the funds, negotiating on terms, etc. It is in the second area that we feel the Bank has made a significant contribution (with strong U.S. help) while the OECD/DAC has been relatively ineffectual. The Bank, which has raised significant amounts of assistance for South Asia, provides a certain stature, dignity, and air of respectability to a consortium. It also possesses a staff which can undertake economic analysis and administrative arrangements. We would hope that the number of coordinating arrangements will increase and that the IBRD will agree to direct them. If not, alternative institutions should be sought — DAC, if appropriate, although it would have to develop a staff capability in order to assume such functions.

The Administrator suggested that the Agency discuss with Mr. Woods what we think the Bank should do in regard to future operations. We should also examine the possibility of involving the Bank more deeply in the Turkish Consortium.

CIAP, as well as DAC, may prove useful in the future in the management of coordination arrangements which cannot be handled by the Bank. One test for CIAP will be the extent of European participation. The IBRD

should also participate significantly in CIAP. A test for the OECD/DAC (a policy making committee rather than an operative body) will be its ability to reorganize successfully the Turkish Consortium and get it on its feet.

Many of the ideas expressed in this meeting should be incorporated in the U.S. paper for the DAC working group on consortia.

D. The Coordination of Technical Cooperation.

This aspect of coordination appears to be one of the most difficult. To date it has only been successful in countries which have their own plan or framework for TC - e.g. Afghanistan and Pakistan. TCR should look into the possibility of the U.S. providing assistance to countries to help them develop such a framework for TC requirements. In some cases such coordination is most effective when the host country participates (e.g. East Africa); the contrary is true in Thailand.

Clearances: (In Draft)

AA/PC - BHarvey
PC/PPD - CGulick
PC/IDOS - RPalmer

PC:PPD:PTosini:bh
12-11-64

Foreign Aid ✓ McG B 58

~~SECRET~~

October 27, 1964

MEMORANDUM FOR GENERAL WOOD

Thanks for inviting me to your clambake yesterday. It was highly educational, though I thought the people from the field put up a rather poor case (do we really need the CINCs in the MAP business?).

For what it's worth, I'm about convinced that a $1 billion MAP ceiling is a bit too low, if it must also accommodate such major program distortions as Laos/Vietnam. As I see it, Secretary McNamara had the right feel for the "peacetime" MAP level we could live with, even including say $65-70 million for Vietnam (the FY 60-61 level)and $10-20 million for Laos. But when almost $300 million goes into this undeclared war, it distorts the whole program. Ergo, I'd argue that we could quite honestly tell the Congress that we could still live with $1 billion if Vietnam/Laos were separately handled, but need $1.2 billion if it is to be included.

My own reservations about MAP, which I mentioned only briefly, go more to the key country programs themselves than to the global totals. I gravely question whether the existing programs for Korea, GRC, Turkey, Greece, and a few others give us the optimum military or political return for the MAP dollar. Turkey is a good case in point, as graphically demonstrated by the Haynes study. Nor have we yet achieved the optimum inter-relating of our MAP and economic aid programs to insure the best return per overall US aid dollar. I doubt that we need six-twelve months of intensive study to get at the most obvious weaknesses. Instead I'd urge a quick fix in time to influence the FY 66 program, while the more comprehensive studies are underway. Otherwise we'll just compound our problems further and make a turn-around that much more difficult.

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

R. W. Komer

cc: John McNaughton
McG. Bundy

~~SECRET~~

✓ Bundy
Copies sent
Gordon +
O'Brien

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

October 12, 1964

59

TO: Mr. McGeorge Bundy
The White House

FROM: Benjamin H. Read
Executive Secretary

SUBJECT: Letter to the Secretary
from J. W. Fulbright
dated October 6, 1964

I am enclosing the attached letter from Senator Fulbright for your attention as well as for the attention of Messrs. Kermit Gordon and Larry O'Brien.

Enclosure:

3 copies of letter
from Senator Fulbright

FULBRIGHT, J.W.
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J. W. FULBRIGHT, ARK., CHAIRMAN
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CARL MARCY, CHIEF OF STAFF
DARRELL ST. CLAIRE, CLERK

United States Senate

COMMITTEE ON FOREIGN RELATIONS

October 6, 1964

Dear Mr. Secretary:

Following my conversation on the phone, I merely wish to reaffirm my view that the traditional foreign aid legislation has about run its course. Speaking for myself, of course, and not for the Committee or the Senate, I do not intend to support and manage for another year a "catch-all" bill such as we have dealt with these last two years.

Unless the military program can be separated from the economic and put in more manageable form, I intend to request some other Member of the Committee to handle the bill next year. I do not wish to belabor the matter in a letter, but I would suggest that at least three separate bills be considered - one dealing with the military aid, one with the grant aid, and one with the lending operations. This obviously will encounter difficulties in the House, but I, personally, have run the course of managing the program as it is presently budgeted.

With best wishes, I am

Sincerely yours,

J. W. Fulbright

The Honorable
Dean Rusk
Secretary of State

~~SECRET~~

McGB: Oct. 12, 1964

Relevant to last week's staff meeting discussion of Communist aid, here are the facts.

Mac -
Hal got back last week from Algeria - Morocco. He learned a lot; if you could ask him over for five minutes it would be nice. RWK

Hal
HHS

~~SECRET~~

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By gldch NARA, Date 2/2/93

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

~~SECRET~~ October 12, 1964

If we want to use the recent increase in Communist aid to support our own case for foreign aid, here are the five relevant facts. The one difficulty in arguing the case this way is that the Soviets and Chinese are now competing with each other as well as with us, and this may largely account for recent sharp increases (e.g. in India, Algeria). Soviets and Chinese this year have launched real mud-slinging campaigns against each other for the inadequacies in the other's aid programs.

1. Communist economic aid to less developed countries has increased sharply this year after the contraction of 1962 and 1963 (in $ millions):

	Soviet	Eastern Europe	Chicom	Total Communist
CY 1954	5.8	5.0	0	10.8
1955	119.9	32.3	0	152.2
1956	255.8	46.0	56.4	358.2
1957	307.5	24.1	15.8	347.4
1958	411.1	103.7	34.4	549.2
1959	858.8	81.1	1.2	941.1
1960	594.0	151.1	73.5	818.6
1961	549.4	379.5	163.0	1091 .9
1962	76.8	229.8	16.3	322.9
1963	248.5	22.1	88.1	358.7
Jan.-June 1964	662.4	129.2	91.5	883.1

2. The downward trend in Soviet military aid since 1961 may also be reversed this year. The recent Indian-Soviet agreement for about $300m. and possible agreements with Ghana and the UAR may add enough to the low first-half figure to push somewhat above the low 1962-63 totals (in $ millions):

CY 1960	550
1961	800
1962	375
1963	350
Jan-June 1964	75

3. The number of Communist economic technicians in less developed countries in January-June increased 12% over the last half of 1963 to about 13,365. The number of military technicians rose 14% to 3,215. AID has 2,975 American technicians overseas and 1700-1800 contract employees.

4. One has to admit that our program is far broader in scope. More than 90% of this year's new Soviet economic commitments are concentrated in the UAR, India, Algeria. However, this only underscores the extent of the Communist effort in certain key countries.

5. In USFY 64, the Communists outspent us in Africa (even including PL 480), though one large commitment to Algeria accounted for most of this. They spent about 80% as much in Near East and South Asia, (excluding PL 480). They spent practically nothing in the Far East and Latin America.

excluding UAR

US FY 64
($ millions)

Africa	Soviet	Eastern Europe	CPR	Communist Total	US Excluding PL-480	US Including PL-480
Algeria	228.5	15	50	293.5		
Kenya	7.6		18	25.6		
Tunisia	0.2			0.2		
Somali R.			21.6	21.6		
Tan. & Zan.		6.5	45.5	52.0		
	236.3	21.5	135.1	392.9	231.9	384.2
Near East/South Asia						
Afghanistan	44.9			44.9		
India	200	84		284		
Nepal	10.5			10.5		
Pakistan	11			11		
Iran	38.9	15		53.9		
Syria		5.2		5.2		
Turkey		0.8		0.8		
UAR	282.5	1.8		284.3		
Yemen	21.1	0.3	28	49.4		
	608.9	107.1	28	744.0	939.2	1,918.5
Far East						
Indonesia		3.4		3.4	421	729
Latin America				0	911.7	1,252.9

CUMULATIVE TOTALS
Since beginning of programs
($ millions)

	Communist Total	USSR	EE	CPR	US Excluding PL-480	US Including PL-480
Africa	1,080	665.1	212.3	202.6	1,879.9	2,640.2
NESA	3,621.1	2,910.2	568.2	142.8	10,728.2	16,529.5
FE	841.2	411.6	234.8	194.8	13,738.4	15,396
LA	287.2	100.0	187.2	0	7,166.7	8,464.9

61

THE WHITE HOUSE
WASHINGTON

Oct. 6, 1964

Mac:

The items checkmarked in ink are the only ones which are certain to require Presidential involvement during November-December. The other issues either may not come up until later, or may, in some cases, not require Presidential attention.

F. M. B.

F. M. B.
10/6/64 6/a

THE NOVEMBER-DECEMBER PRESIDENTIAL AGENDA: FOREIGN ECONOMIC POLICY

The following is a list ot

-- Decisions involving strictly executive action;

-- Decisions with respect to the 1965 legislative program.

Only implicitly does it deal with what may be the most important task for November and December: the formulation, in broad terms, of a four-year prospectus which will reflect in programmatic terms the President's perception of where we are, and where we should be headed--a prospectus which will give coherence to the State of the Union Message, the Budget, the Economic Report and the specific proposals he will make for '65-'66. On matters domestic, for instance, it will be important to give the President a chance really to wrestle with the Task Force recommendations. (We shall have to invent a politically viable procedure for dealing with the awkward predicament of being committed both to holding the lid on spending and attacking a whole series of domestic problems all of which will require lots of money.)

As regards foreign policy--and leaving out Vietnam and week-to-week counter-punching--I have only a dilettante judgment about how much room there may be for maneuver on arms control and in our political and military relations with Western Europe (MLF? NATO reorganization?). But what we say and do about the economic instruments during the next few months will imply and should reflect a longer and wider view of our relations with various parts of the underdeveloped world, with the Bloc, and even with Western Europe. Here, the Economic Foreign Policy Task Force report should be useful.

I. Matters Involving Legislation

Certain to Come Up

1. Aid

Not merely issues of the '66 size, composition, splitting of economic and military, but also the larger and tougher question of where we go from here in the use of aid--food as well as money--as the principal instrument in our

relations with Latin America, India, etc. (The "political procedure" hinted at above is relevant to this as well as to domestic spending. I'll have a separate memorandum for you on this later during the week. If it is to work, it had better be very closely held.)

2. Sugar

This will come up early and will almost certainly involve a battle between Agriculture and State.

3. Eliminating the Gold Cover

The President ruled against, a few weeks ago. However, the F.E.P. Task Force and also, I believe, the Treasury will have a go at him on this after November. It's a good bet that we'll have to get rid of it sometime during the next four years, for domestic reasons if not foreign, and January 1965 may be the right time.

Possible

4. Bridge-Building Legislation (Task Force and NSAM 304)

-- An East-West Trade Act (?) giving the President authority to extend MFN treatment and to enter into bilateral trade agreements. (There will be a lot of intra-administration debate about the pros and cons of trying for this, and about the timing.)

-- Amendment of the Battle Act (This would be complementary to an East-West Trade Act.)

5. Maritime Legislation

The Feldman Group and the Maritime Advisory Committee may come up with something requiring both '66 budget money and legislation. My guess is that Budget and the Maritime Administration will still be at loggerheads on January 1, and nothing will come up to the President until mid-winter.

6. Export Credit Facilities

Hodges and Goldy will be pushing hard for an Ex-Im "soft window". Linder will resist. There is an inter-agency working group which will report to the Cabinet Committee on Export Promotion sometime in November. There will be a first-class fight which is likely to end in a split recommendation to the President sometime during early winter.

7. Liberalizing Adjustment Assistance

Since this will impinge on the TEA we had better wait until the Kennedy Round is done. The Act will be up for renewal in 1967. Nevertheless, it will be important for the President to emphasize adjustment assistance as a major part of his overall four-year economic program.

8. Canadian Auto Parts

It may be that the package now under negotiation will require implementing legislation (Brubeck will know more about this).

Legislation Requiring no Presidential Decision, only Presidential Push

9. Coffee Agreement

10. 30% Tax Credit for Private Investment in LDCs

It was put up last March but Mills never held hearings. AID claims that Mills only needs a word from the White House for this to move. I think we should look again before we jump.

II. Decisions Involving Executive Action

1. Kennedy Round

-- During the next two to three weeks, it will become clear how far the EEC is prepared to move on agricultural rules. I think it a fair even-money bet that they will move far enough to warrant our going ahead on November 16, but not so far as to avoid foot-dragging by Agriculture. Depending on the details, Freeman may or may not ask for a Presidential decision. If so, it will come up immediately after the election. (There will be some pressure to get a decision earlier. I suspect we could wait until November 4-6, but no later.)

-- Herter will have to present his Exceptions List recommendation to the President no later than November 13. We may face appeals from Hodges and Freeman on a handful of items.

2. Oil Import Policy

The current allocations end on December 31. Interior has announced a "thorough review" and is under pressure from domestic independents to reduce imports. State, of course, will fight this to the death. One way out of what is likely to become a shrill fight within the Administration would be to extend the present program on an interim basis, thus avoiding the need for a quick decision by mid-December. (It is possible, but not likely, that there will also be a fight about imports of residual fuel oil. The betting odds are that the Appalachia Study will recommend a continuation of our current liberal import policy.)

3. Sugar

What to do, pending new legislation, will involve a major fight between State and Agriculture. I am afraid this will come up well before the election. When the time comes, I'll do a separate memo on it.

4. Canadian Auto Parts

Brubeck's memo will no doubt cover this. The Treasury will push for some decision before November 15.

5. Aviation Issues

a. Japan -- The Japanese may come back at us at any time about rights to and through New York. (You will recall this involved a Presidential decision in July.)

b. Italy -- The Italians are saying that if we cannot reach agreement in negotiations which are scheduled for November 25 on new routes and other matters, they might well renounce the present agreement. They may try a direct approach to the White House. Even if they don't, there may be a State-CAB disagreement which will have to be mediated here.

c. North Atlantic Route Case -- The CAB's recommendation with respect to the sharing of Europe between Pan American, TWA and Seaboard may come to the President for decision before January 1. I'll look into whether it will involve any problems.

d. USSR -- The 1961 US-USSR Civil Air Transport Agreement, has not yet been signed. The agreement provides for reciprocal New York-Moscow service by Pan American and Aeroflot. We can move on this one whenever we wish.

6. Maritime Issues

In our dual rate contract war with the British, we face another FMC deadline on December 1. I'll know more about this in a few days; Timothy May, the Managing Director of the FMC, is doing a memorandum for me on his side of the State-FMC argument. (This may well involve another Prime Minister-to-President letter. A related, broader issue, which will not involve the President, is the agenda and timing of a world conference on shipping.)

7. Commerce Technical Data Controls

The August 8 "treaty" runs out on January 1. Presumably -- Commerce agrees -- it could be extended for another several months. However, by late winter we shall have to face up to how we deal with this problem. It relates directly to where we come out in the "bridge-building" exercise.

8. Wool Textiles

Encouraged by the President's New England promises, the wool people are going to be at us with a vengeance. There may be pressure on the OEP, via the White House, to rule that there is a national security case for protection. (The case is still pending. In the absence of pressure, the OEP will rule that it isn't so.) Our job will be to protect the President from these pressures as best we can, and to hold out until after the Kennedy Round bargaining begins, at which time wool is likely to be pulled out for a special deal in any case.

9. Lockheed to South Africa

Brubeck's baby.

10. The British Balance of Payments Situation

Unless it gets completely out of hand, which is unlikely, we can deal with this without involving the President. It will be a good idea, however, to keep him informed via night reading. (We may well have to take defensive short-term interest rate action.)

11. U.S. Balance of Payments

No sign of trouble here. After a mildly uncomfortable July, August and September look pretty good. Depending on the final third quarter results, and on how things look in November, it might or might not make sense to schedule a meeting of the President with the Cabinet Committee.

12. Excape Clause Actions

Tariff Commission reports on escape clause investigations covering carpets, typewriter ribbon cloth, sheet glass, lead and zinc, watches, watch-movements, and stainless steel flatware may come in before the end of the year. Following inter-agency review, some of these may require Presidential decision about how to proceed. However, since there is no time limit on Presidential disposition, we'll have plenty of time.

13. Credit to the Soviet Bloc

Part of the bridge-building exercise.

14. AID Country Problems

Komer, Brubeck, Sayer, et al will no doubt cover these. The only one that occurs to me that might engage the President is Brazil.

7yi

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September 29, 1964

MEMORANDUM FOR MESSRS. MOYERS,
BUSBY, GOODWIN

Attached is a copy of a statement on foreign trade George Ball prepared at the request of the President. It is suitably mercantilist for campaign purposes without being outright silly. (In places the economics is askew, but not enough to show.)

The President has the original.

Francis M. Bator

63

V

PASSAGE OF THE FOREIGN ASSISTANCE ACT -- (For Press Use)

* This year's foreign aid bill marked a new high in cooperation between Congress and the President in the conduct of the foreign aid program. We sent them the leanest, tightest request in the history of the program -- and Congress, recognizing this fact gave us 92% of the funds we asked for -- the highest percentage ever, even including the Marshall Plan years.

* Cooperation and candor marked the consideration of this legislation -- from the initial message, the presentation to the Congress, the full committee hearings and the lengthy debate.

* The Administration took into account constructive criticism of the aid program from the Congress and from many other sources. General Clay and President Eisenhower were strong supporters of the program.

* Foreign aid will continue to be a lean, hard-headed, made-in-America program. We will continue to send American goods, not American money abroad. This year 87% of aid funds were spent at home. When countries no longer need our help, we will end it as we are ending it this year in free China.

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LPCS Memorandum

FY 1963
Authorizations and Appropriations

	Executive Branch Request	Authorization	Appropriation
Development Loans	$922,200,000	*	$773,727,600
Tech. Cooperation/ Development Grants	224,600,000	$215,000,000	204,600,000
Alliance for Progress			
Loans	465,000,000	*	425,000,000
Grants	85,000,000	85,000,000	84,700,000
Supporting Assistance	405,000,000	405,000,000	401,000,000
Contingency Fund	150,000,000	150,000,000	99,200,000
International Organizations	134,400,000	134,272,400	134,272,400
Administrative Expenses			
A.I.D.	52,500,000	52,500,000	51,200,000
State	2,900,000	(1)	2,900,000
American Schools and Hospitals Abroad	18,000,000	18,000,000	16,800,000
Surveys of Investment Opportunities	2,100,000	2,100,000	1,600,000
Military Assistance	1,055,000,000	1,055,000,000	1,055,000,000
Total	3,516,700,000	2,116,872,400 3,506,972,400**	3,250,000,000

* Previously authorized

** This total includes sums for programs previously authorized that are included in the total for Column 1. This figure is shown for purposes of comparability

63-6

LMS Memorandum

KANE

Oct 2, 1964

Conference Action
Amendments to Foreign Assistance Act of 1961

Provisions	Conference Action
1) Loan Terms (Mundt Amendment)	Raised minimum interest rate from 2 to 2 1/2%. Raised interest rate during grace period from 3/4 of 1% to 1%. No change in length of grace period or of amortization period.
2) Separation Authority (Executive Branch Amendment)	Deleted
3) Selection Out Authority (Executive Branch Amendment)	Deleted
4) Foreign Service Hiring Authority (Executive Branch Amendment)	Granted authority to hire 20
5) Cut Off on Aid to Indonesia (Tower Amendment)	Deleted
6) MAP Credit Sales Guarantees (Executive Branch Amendment)	Adopted
7) MAP Certification Requirement (Morse Amendment)	Modified
8) Change in Extended Risk Guaranty Coverage (Lausche Amendment)	Deleted
9) Restriction on Aid to Competitive Enterprise (Casey Amendment)	Deleted
10) Ceiling of $3.25 billion (Morse Amendment)	Deleted
11) $50 million Beef Purchase Authorization (McGovern Amendment)	Deleted

FLOUER
cc to
EAC
HWF
HK
VM
Kane
J Addison

Provisions	Conference Action
12) Restrictions on Petroleum Pricing (Proxmire Amendment)	Deleted
13) Restriction on Barter Agent's Commission (Proxmire Amendment)	Deleted
14) Compensation of Consultants (Executive Branch Amendment)	Allowed $100 per day
15) Repeal of Section 205 - IDA Contribution (Morse Amendment)	Deleted
16) Restriction on Contribution to Peace Corps Secretariat (Maillard Amendment)	Adopted
17) Earmarking of Funds to Vietnam (Frelinghuysen Amendment)	Adopted
18) Use of U.S. Engineering Firms (Teague Amendment)	Adopted
19) Loyalty Affidavit Requirement (Aiken Amendment	Deleted
20) U.S. Representative to I.A.Ec and Soc. Council (Executive Branch Amendment)	Approved
21) Increased Expenses for Advisory Committee on Private Enterprise (Frelinghuysen Amendment)	Approved
22) Local Currency for Warsaw Cemetary (Dodd Amendment)	Deleted

Provisions	Conference Action
23) Policy Statement on Universities (Javits Amendment)	Deleted
24) Study of Private Enterprise Incentives (Hartke Amendment)	Deleted
25) Study of Use of Used Equipment (Sparkman-Dodd Amendment)	Approved
26) Restriction on Use of Local Congressional Currency for Travel (Fulbright Amendment)	Modified
27) Soviet Religious Persecution (Ribicoff Amendment)	Modified
28) Reapportionment Resolution (Mansfield Amendment)	Deleted
29) Modification of Sabbatino Case (Hickenlooper Amendment)	Modified

6/23/64

CUTS IN FOREIGN AID
(in millions)

Year	Request	Authorization	House Approp. Committee Recommendation	Cut from Request	% of Cut to Request	Final Approp.	Cut from Request	% of Cut to Request
48-49	7378	6813	5989	1390	19%	6446	824	11%
50	5680	5594	5542	138	2%	5042	638	11%
51	8172	7985				7485	687	8%
52	8500	7583	7483	1813	12%	7284	1216	14%
53	7900	6493	6246	1654	21%	6002	1898	24%
54	5475	5157	4429	1046	19%	4532	943	17%
55	3448	3025	2896	552	16%	2782	666	19%
56	3530	3424	2638	891	25%	2703	827	23%
57	4860	4115	3425	1435	29%	3767	1093	22%
58	3864	3387	2525	1339	35%	2769	1096	29%
59	3842	3676	3078	864	22%	3298	644	16%
60	3930	3577	3187	743	18%	3226	704	18%
61	4875	4726	3985	890	18%	4381	494	10%
62	4769	4228	3357	1412	30%	3915	854	18%
63	4781	4575	3630	1151	24%	3889	892	18%
64	4530	3602	2802	1728	38%	3000	1530	34%
65	3517	3617	(3017 (3317	500 200	14% 6%	3.250	257	~~7.7%~~ 8-9%