

84TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
{ No. 2278

THE MUTUAL SECURITY ACT  
OF 1956

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REPORT  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
ON  
H. R. 11356



JUNE 19, 1956.—Ordered to be printed

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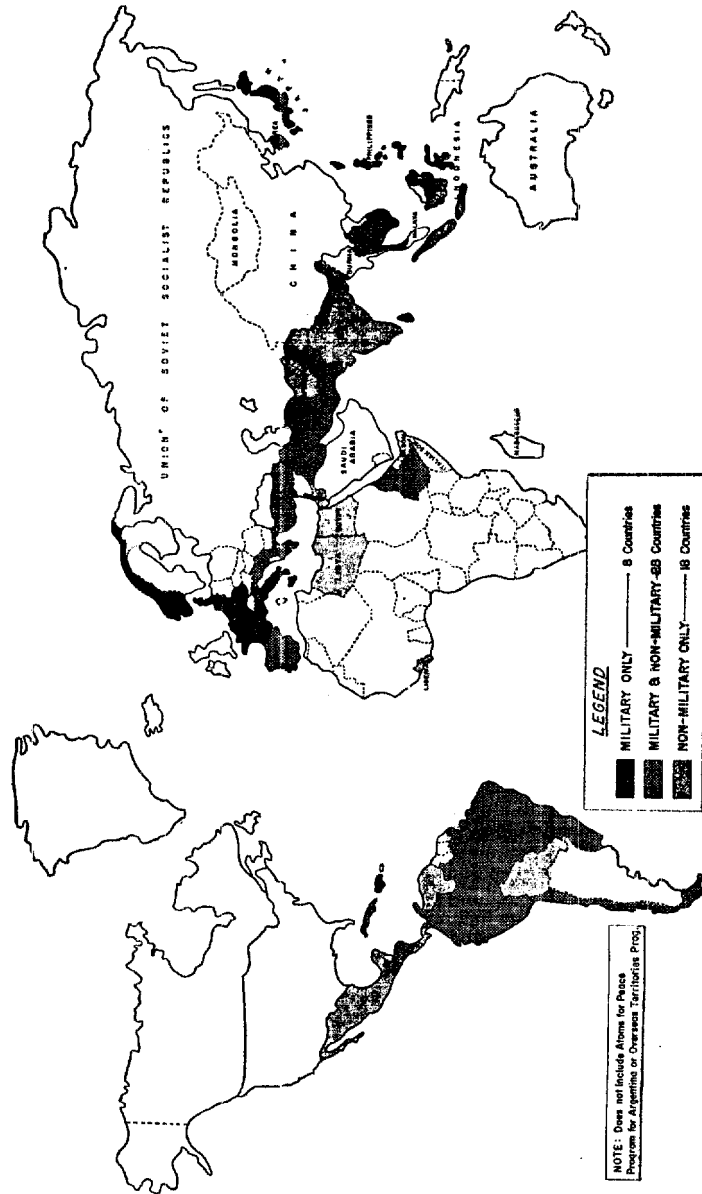
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III

**COUNTRIES PARTICIPATING - MSP in FY 1957**



**Calendar No. 2296**

84TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
No. 2273

MUTUAL SECURITY ACT OF 1956

JUNE 19, 1956--Ordered to be printed

Mr. GEORGE, from the Committee on Foreign Relations, submitted the following

**R E P O R T**

[To accompany H. R. 11356]

The Committee on Foreign Relations, having had under consideration H. R. 11356, to amend further the Mutual Security Act of 1954, as amended, and for other purposes, reports the same favorably with an amendment in the value of a substitute and recommends that it do pass.

1. MAIN PURPOSE OF THE BILL

The main purpose of the bill is to continue for another year the military, economic, and other types of assistance which together comprise the mutual security program. For this purpose, a total authorization of not to exceed \$4,270,075,000 is provided. The table below shows the amounts authorized by program as compared to the administration requested and to the bill as passed by the House.

## THE MUTUAL SECURITY ACT OF 1956

*Mutual security authorizations*

	Administration request	House	Senate Foreign Relations Committee
Military assistance.....	\$2,925,000,000	\$1,925,000,000	\$925,000,000
Spain.....	(1)	(48,000,000)	(1)
Other European countries.....	(1)	(402,000,000)	(1)
Replacement purchaser for U. S. forces.....	(1)	(1)	1,600,000,000
Subtotal.....	2,925,000,000	1,925,000,000	2,525,000,000
Defense support:			
Europe.....	78,700,000	63,700,000	78,700,000
Near East and Africa.....	170,000,000	170,000,000	170,000,000
Asia.....	882,000,000	882,000,000	882,000,000
Latin America.....		37,000,000	37,000,000
Subtotal.....	1,130,700,000	1,152,700,000	1,167,700,000
Development assistance:			
Near East and Africa.....	63,000,000	243,000,000	63,000,000
Asia.....	80,000,000		80,000,000
Latin America.....	27,000,000		
Subtotal.....	170,000,000	243,000,000	143,000,000
Technical cooperation:			
Bilateral.....	140,500,000	140,500,000	140,500,000
Multilateral:			
UN.....	15,500,000	15,500,000	15,500,000
OAS.....	1,500,000	1,500,000	1,500,000
Subtotal.....	157,500,000	157,500,000	157,500,000
Other programs:			
Special fund.....	100,000,000	100,000,000	100,000,000
Joint control areas.....	12,200,000	12,200,000	12,200,000
U. N. Refugee Fund.....	2,300,000	2,300,000	2,300,000
Escapes.....	7,000,000	7,000,000	7,000,000
U. N. Children's Fund.....	10,000,000	10,000,000	10,000,000
Ocean freight:			
(1) Voluntary agencies.....	1,400,000	1,400,000	3,000,000
(2) Surplus agricultural commodities.....	14,000,000	14,000,000	
Control Act expenses.....	1,175,000	1,175,000	1,175,000
Administrative expenses.....	35,250,000	35,250,000	35,250,000
Special authorization, Middle East and Africa.....	100,000,000		100,000,000
Foreign reactor projects.....	5,950,000	5,950,000	5,950,000
Total.....	4,672,475,000	3,667,475,000	4,270,075,000
Deduct: Repeal of unappropriated authorization, President's Fund for Asian Economic Development.....		-100,000,000	
Net total.....		3,567,475,000	

<sup>1</sup> Not separately identified.

NOTE.—The House bill also authorizes an increase from \$2 million to \$3 million in the ceiling on annual United States contributions to the Food and Agriculture Organization. The Senate committee bill likewise authorizes the increase, with a proviso that United States contributions cannot exceed 31.5 percent of total contributions.

The House bill authorizes appropriations "of such sums as may be necessary" for State Department administrative expenses in connection with the act. The Senate committee bill authorizes not to exceed \$7 million a year for this purpose.

2. WHAT THE BILL DOES

Besides the appropriations which are authorized by this bill, a number of changes are made in the existing basic law. The more important of these changes are:

1. The authority for military assistance is divided between funds which are intended for aid to foreign countries directly and funds which can be used only for the replacement of equipment of the United States Armed Forces which has been supplied to foreign countries.

2. Development assistance is required to be placed on a 75 percent loan basis with specified exceptions. This type of aid to Latin America is shifted to the defense support chapter of the bill and may therefore continue to be placed on a grant basis.

3. Authority to issue investment and informational media guaranties is extended from June 30, 1957, to June 30, 1967. The limitation on the total amount of investment guaranties which may be issued is increased from \$200 million to \$500 million. The two types of guaranty programs are separated for purposes of financing and accounting.

4. The ceiling on United States contributions to the Food and Agriculture Organization is increased from \$2 million a year to \$3 million a year, so long as it does not exceed 31.5 percent of the Organization's total budget.

5. Basic statutory authority is provided for certain routine expenditures which have heretofore been authorized from year to year in annual appropriations bills.

6. The uses of foreign currencies accruing under title I of Public Law 480 (Agricultural Trade Development and Assistance Act) are broadened to include (up to \$5 million a year) the translation, publication, and distribution of books and periodicals abroad. The bill also requires that at least 5 percent of these Public Law 480 funds be used for the exchange of persons program.

7. A limitation of \$200 million is placed on unobligated and unreserved balances which can be carried over after June 30, 1956. This is in addition to unobligated balances in the President's Fund for Asian Economic Development and in the account for the relief, rehabilitation, and resettlement of Palestine refugees.

These and other provisions of the bill are explained in more detail in the sections which follow.

*Distribution of fiscal year 1957 mutual security authorization, by region, country, title, and function*

[In thousands of dollars]

Region and country	Military assistance	Defense support	Development assistance	Technical cooperation	Other programs	Total
Total, all programs	2,525,000	1,167,700	143,000	157,500	276,875	4,270,075
Europe, total		78,700			12,200	
Belgium-Luxembourg	XX					XX
Denmark	XX					XX
France	XX					XX
Germany	XX					XX
Italy	XX					XX
Netherlands	XX					XX
Norway	XX					XX
Portugal	XX					XX
Spain	XX	45,000				XX
Yugoslavia	XX	30,000				XX
Joint control areas					12,000	12,000
Interregional expenses		1,200			200	1,400
Western Europe technical exchange		2,500				2,500
Undistributed by country	XX					XX
Near East and Africa, total		170,000	63,000	34,100	100,000	
Egypt				3,800		XX
Ethiopia	XX			3,000		XX
Greece	XX	XX		1,000		XX
Iran	XX	XX		8,000		XX
Iraq	XX			2,300		XX
Israel			XX	2,000		XX
Jordan			XX	2,700		XX
Lebanon			XX	2,100		XX
Liberia				1,800		1,800
Libya			XX	2,000		XX
Turkey	XX	XX		2,000		XX
Oversens territories				1,200		1,200
Regional and undistributed	XX			2,200		XX
Special authorization for the Middle East and Africa					100,000	100,000
Asia, total		882,000	80,000	63,250		
South Asia countries, subtotal		90,000	76,000	24,000		330,217
Afghanistan				3,000		3,000
Ceylon			5,000	1,000		6,000
India			70,000	10,000		80,000
Nepal			1,000	1,000		2,000
Pakistan	XX	XX		9,000		XX
Regional and undistributed	XX	XX				XX
Far East countries, subtotal		792,000	4,000	39,250		
Cambodia	XX	XX		2,500		XX
Indonesia			4,000	8,000		12,000
Japan	XX			2,350		XX
Korea	XX	300,000		5,500		XX
Laos	XX	XX		1,500		XX
Philippines	XX	25,000		5,900		XX
Taiwan	XX	88,000		3,400		XX
Thailand	XX	30,000		4,600		XX
Vietnam	XX	XX		5,000		XX
Far East regional and undistributed	XX					XX
Latin America, total		37,000		33,850		
Argentina				50		
Bolivia		XX		3,195		
Brazil	XX			4,739		
Chile	XX			2,521		
Colombia	XX			1,536		
Costa Rica				1,023		
Cuba	XX			690		
Dominican Republic	XX			330		



*Distribution of fiscal year 1957 mutual security authorization, by region, country, title, and function—Continued*

[In thousands of dollars]

Region and country	Military assistance	Defense support	Development assistance	Technical cooperation	Other programs	Total
<b>Latin America—Continued</b>						
Ecuador.....	XX			1,993		XX
El Salvador.....				1,005		1,005
Guatemala.....	XX	XX		1,730		XX
Haiti.....	XX			1,152		XX
Honduras.....	XX			1,290		XX
Mexico.....				1,185		1,185
Nicaragua.....	XX			919		XX
Panama.....				1,195		1,195
Paraguay.....				1,684		1,684
Peru.....	XX			2,996		XX
Uruguay.....	XX			619		XX
Venezuela.....				225		225
Overseas territories.....				812		812
Regional and undistributed.....	XX	XX		1,458		XX
Organization of American States (OAS).....				1,500		1,500
<b>Nonregional programs, total.....</b>						
United Nations expanded program of technical assistance.....				15,500		15,500
Special Presidential fund.....					100,000	100,000
United Nations refugee fund.....					2,300	2,300
Escapee program.....					7,000	7,000
United Nations Children's Fund.....					10,000	10,000
Ocean freight, voluntary relief shipments.....					3,000	3,000
Control Act expenses.....					1,175	1,175
Administrative expenses, sec. 411, Mutual Security Act.....					35,250	35,250
Foreign reactor projects.....					5,950	5,950
Interregional expenses.....				10,800		10,800

NOTE.—Columns may not add because of rounding.  
 XX denotes that assistance is contemplated but figures have been deleted for classification purposes.

3. COMMITTEE ACTION

The President's message on mutual security (H. Doc. 358) was laid before the Senate on March 19, 1956, and referred to the Committee on Foreign Relations. Between April 13 and May 31, the committee held 17 days of hearings on the proposed legislation. Eight of the hearings, and part of a ninth, were held in public session. The remainder took place in executive session but the records of these sessions were edited to delete security information and have been made public.

In all, the committee heard 72 witnesses. Among these were Secretary of State John Foster Dulles; Secretary of Defense Charles E. Wilson; Adm. Arthur W. Radford, Chairman of the Joint Chiefs of Staff; Director of the International Cooperation Administration (ICA) John B. Hollister; Assistant Secretary of Defense Gordon Gray; Adm. Lewis L. Strauss, Chairman of the Atomic Energy Commission; Gen. Alfred M. Gruenther, Supreme Allied Commander, Europe; Gen. Lyman L. Lemnitzer, commander, Far East Command; Gen. Felix B. Stump, commander in chief, Pacific; Joseph Campbell, Comptroller General of the United States; John Sherman Cooper, United States Ambassador to India and Nepal; and Senator Paul H. Douglas.

From outside the Government, the committee heard every citizen who requested an opportunity to appear. These private witnesses included former Senator Millard E. Tydings, former United States Ambassador to Canada James H. R. Cromwell, and representatives of the American Federation of Labor-Congress of Industrial Organizations, the United Automobile Workers, Coal Exporters Association of the United States, Inc., National Federation of Independent Business, Cooperative League of the United States of America, American Farm Bureau Federation, American Superphosphate Institute, American Council of Voluntary Agencies, National Congress of Parents and Teachers, Citizens Committee for UNICEF, National Economic Council, World Development Corporation, National Farmers Union, Council for Social Action of the Congregational Christian Churches, Women's International League for Peace and Freedom, American Association of University Women, National Institute of Social Welfare, Americans for Democratic Action, American Veterans Committee, Morocco Post of the American Legion and the American Businessmen's Club of Morocco, and Friends Committee on National Legislation.

The committee considered H. R. 11356 section by section in executive session on June 13, 14, 15, 16, and 18, on which date by a vote of 13 to 2, it ordered the bill reported favorably with an amendment in the nature of a substitute.

#### 4. STATEMENT OF POLICY (SEC. 2)

Section 2 of the bill restates the policy now embodied in section 549 of the Mutual Security Act of 1954, as amended, and adds two new subsections expanding on this policy.

Taken as a whole, this policy statement says four things:

1. Nations which have been assisted in their recovery by previous United States aid programs should share to a greater extent the burden of providing aid to countries still needing assistance.
2. Aid furnished under the act should be administered so as to assist in the attainment of self-government or independence.
3. International communism and the nations it controls endanger the peace of the world and the security of the United States. So long as this danger continues, the United States will help free nations and peoples maintain their freedom.
4. Assistance for newly independent states in Africa should be furnished in the same manner as assistance to other independent states.

Thus, the variety of programs authorized by this bill rest upon two foundations of national policy. Some of these programs are designed to protect the United States from the menace of international communism. Others go beyond a simple, negative policy of anticommunism and seek positively to promote the growth of independence and self-government in a responsible society of free nations. The bill specifically recognizes the emergence of former colonial or semi-colonial areas into independent states by expressing the sense of the Congress that henceforth aid which is furnished to those states should be furnished to them in the same manner as to other independent states—that is, not through the former governing power. And in all cases, the United States welcomes—indeed, it urges

participation in these continuing programs of countries which have already been helped.

The military aspects of the mutual security program are part of the national defense effort. Foreign military assistance is one of the important instruments which the United States uses to increase its own defensive strength by increasing the total defensive strength of the free world. It is one of the means by which we seek to counter the Soviet threat.

The nature of this threat has changed in the last year. The Soviets now emphasize economic and political activities relative to military. So far as our own military programs are concerned, however, the important point is that Soviet military capabilities have not been significantly weakened. Military programs must be concerned with military realities. They cannot be tailored to fit a facade of smiles and sweet talk.

But, however necessary they may be, defensive military activities of the kind authorized by this bill are essentially negative. The positive aspects of the mutual security program are those having to do with economic development and technical assistance. The changing nature of Soviet activities makes these programs more urgent, but they would be in the national interest of the United States if the Soviet Union did not exist.

Irrespective of the Soviet threat, the United States would benefit from a growing rate of economic development in countries such as, for example, India, Pakistan, and Indonesia. Markets for American products, opportunities for American investment, and sources of American imports would be increased. One could also expect a strengthening of those countries' democratic political institutions.

As this is, to a large degree, irrelevant to the Soviet threat, so also is it irrelevant to the creation of gratitude toward the United States. The success or failure of these programs is not to be measured by the popularity rating of the United States in the recipient countries. It is to be measured, rather, by the growth in these countries of institutions and conditions favorable to their national independence and to peace and stability. Such a growth will be in the national interest of the United States, and its results will endure.

The objectives—and also the complexities—of these programs thus go considerably beyond merely countering the Soviet economic and cultural offensive in developing areas of the world. But the fact that the Soviets have undertaken such an offensive makes it all the more important that the United States not withdraw and leave the field to the Kremlin by default. The bill clearly states the intention of the United States not to withdraw.

It is now 8 years since the Congress passed the Economic Cooperation Act of 1948, inaugurating the Marshall plan. In those 8 years, our foreign assistance has had both successes and failures. Despite the mistakes that have been made in carrying out these programs, the committee believes that the Congress and the American people have good grounds for satisfaction. Friends, as well as foes, of these programs should contemplate what the world would be like today, for example, if we had not come to the assistance of Greece and Turkey in Western Europe, if we had stood aside while Korea and Formosa were overrun by Communist China, if we had done nothing to prevent the independence of Iran, if we had not supplied marginal

help toward the success of the Indian first 5-year plan, if we had not supported the courageous efforts of Ngo Dinh Diem to create a new nation out of chaos in Vietnam.

On the basis of past performance, therefore, the prospects are good that the mutual security program will continue to yield favorable results. But here a word of caution is in order. The committee anticipates that the next few years may be more difficult in some respects than the last few. The problems are becoming subtler and more complex. The mutual security program must be adapted to meet the new circumstances.

There is room for argument as to the precise form this adaptation should take. In this connection, the committee has proposed a careful study of the mutual security program in all its ramifications so that the Senate may have the results of that study before it next year. In the committee's considered judgment, however, it would be an enormous national folly to abandon or drastically to curtail the programs authorized by this bill. There is simply no acceptable alternative to some program involving direct and continued United States interest in the economic development and political freedom of much of the non-Communist world. The committee is firmly of the opinion that any careful, realistic appraisal of the position of the United States in the world today can only result in the conclusion that the mutual security program not only promotes the national interest, but that it is affirmatively required by the national interest.

#### 5. MILITARY ASSISTANCE (SEC. 3)

Section 3 of the bill authorizes \$925 million for military assistance plus \$1.6 billion for replacing equipment and materials of the United States Armed Forces furnished to foreign countries from defense stocks.

In past years, military assistance has been authorized either as a worldwide total or as a series of total figures for geographic areas. The committee this year adopted a new breakdown to give a more realistic picture of the manner in which military assistance funds are actually used and the purposes which they serve.

Under the system now prevailing, approximately two-thirds of all military assistance appropriations are spent for common items, that is, items which are used by the American Armed Forces themselves and are also furnished to foreign forces under the military assistance program. This fact has meant that military assistance funds have contributed to the modernization of American forces. When the military assistance program needs a tank for shipment abroad, for example, it places a common-item order with the Army which in turn provides the tank. Because improvements in all types of equipment are constantly being made in the course of production, the latest items off the assembly line are somewhat better than the earlier items. It is usually the earlier items which are furnished through the military assistance program, while the later items are kept by United States forces.

This is a process which has been financed to a considerable degree by military assistance appropriations, and it is this fact which is

nized by the committee bill. It does not mean that the military assistance program is loaded down with obsolete or secondhand equipment. On the contrary, the policy is to furnish military assistance equipment on an as-good-as-new basis. It means simply that the military assistance program has in it, for example, more F-86 aircraft than F-100 aircraft.

It should also be pointed out that under the accounting system which now exists, the Army, Navy, and Air Force are reimbursed by military assistance appropriations for the cost of a new and often better piece of equipment than that which was furnished. Thus, to an undeterminable degree (estimated by the Comptroller General at \$1 billion), the military assistance program has subsidized the procurement programs of the Army, Navy, and Air Force. Section 11 (b) of this bill (see sec. 26 of this report) changes the definition of value so that these transactions will be brought into better balance, but there will be no change in the fundamental principle involved, namely, that as one consequence of military assistance the United States Armed Forces have generally newer and better equipment than they would otherwise have.

This bill authorizes an appropriation of \$925 million specifically for military assistance. This money will be largely used for services and for such things as administration, military assistance training programs, packing, crating, handling, and transportation, contributions to international military headquarters, foreign military facilities assistance, and the procurement of items not used by American forces—for example, wooden minesweepers and simpler types of weapons suited for the less well-trained and less mobile forces of some of our allies. It will also finance a portion of the advanced new weapons.

The additional sum of \$1.6 billion can be used only to buy equipment and materials for the Armed Forces of the United States in replacement of equipment and materials of a corresponding value furnished from Defense Department stocks under the military assistance program. The bill authorizes replacement in advance of delivery to the military assistance program, thus at no time requiring the depletion of United States equipment which is in use. It also authorizes obligations for replacements to be incurred in anticipation of reimbursement. The replacements will not necessarily be identical items or even items of the same general type; and reimbursement, as in the past, would be made only upon delivery of end items to the military assistance program.

The distinction between these two funds is that the \$925 million fund can be used for any purposes for which military assistance appropriations can now be used; the \$1.6 billion fund can be used only for goods which are used by United States forces.

This arrangement should clarify the present basis of operations of the military assistance program and point up the fact that the program is one which benefits our own defense forces.

The committee gave earnest consideration to the question of the total amount to be authorized for direct military assistance plus replacement for items furnished from United States stocks. The total carried in the bill is \$2,525 million. This is \$600 million more than approved by the House and \$400 million less than requested by the administration.

It should be noted that the authorization for military assistance this year includes funds for direct forces support which have previously been authorized separately. Of the total amount of \$2,925 million requested by the administration, it was contemplated that \$374.3 million would be used for direct forces support—that is, the supply of civilian-type items (for example, gasoline, clothing, truck and automobile tires) directly to the armed forces of a country.

The net administration request for military assistance, in the sense that the term was formerly used, was \$2,550.7 million. This may be compared to \$1,278.0 million requested, \$1,133 million authorized, and \$705 million appropriated last year. For direct forces support, \$317.2 million was requested, authorized, and appropriated last year, compared to the illustrative request of \$374.3 million this year.

The administration's request for military assistance this year was thus roughly twice what it requested last year and more than three times what was actually appropriated. The total authorization recommended by the committee will give the administration, for military end-item assistance plus direct forces support, \$1,502.8 million more than it had for those items last year, but \$400 million less than it requested.

The committee believes that both the increase (as compared to last year) and the cut (as compared to the administration's request) are justified. In connection with the former, it should be remembered that such an increase was clearly anticipated when the Senate acted upon this bill last year. In its report on last year's bill (S. Rept. 383, 84th Cong., 1st sess.), the committee pointed out that the amount recommended for military assistance was "largely composed of items of current expense, and will result in reducing the forward programing of military assistance almost to a standby basis." Further, the committee report said:

New end-item equipment is included in the 1956 program for only a few countries \* \* \* it should be noted that the proposed 1956 program does not meet present needs; all but the most immediate and essential of those needs have been deferred to 1957 or later.

It should be stressed that the military assistance program is based upon the realistic requirements necessary to meet force goals in each of the recipient countries. A reduction in the program does not mean a reduction in the requirements; it means only a stretch-out in the time needed to fill the requirements. Despite the increase compared with last year, the proposed program for fiscal 1957 makes no provision for a buildup of forces beyond previously fixed objectives.

The program continues to be one largely of maintenance, of supplying spare parts, and of training. If these needs are not met there may

actually be deterioration in the foreign forces which we are helping to support. These are items which are largely nonpostponable. Direct forces support falls into the same category. Reductions in appropriations, therefore, have to be absorbed from new items.

On the basis of the appropriation authorized by this bill, the 1957 program is estimated to consist of:

	<i>Millions</i>		<i>Millions</i>
Fixed charges-----	\$255	Facilities assistance-----	\$25
Spare parts-----	510	Mutual weapons development---	48
Ammunition-----	283	Advanced weapons-----	376
Direct forces support-----	374	Training-----	103
Aircraft-----	217	Other-----	20
Navy vessels-----	191		
Other materiel-----	153	Total-----	2,600
General purpose vehicles-----	45		

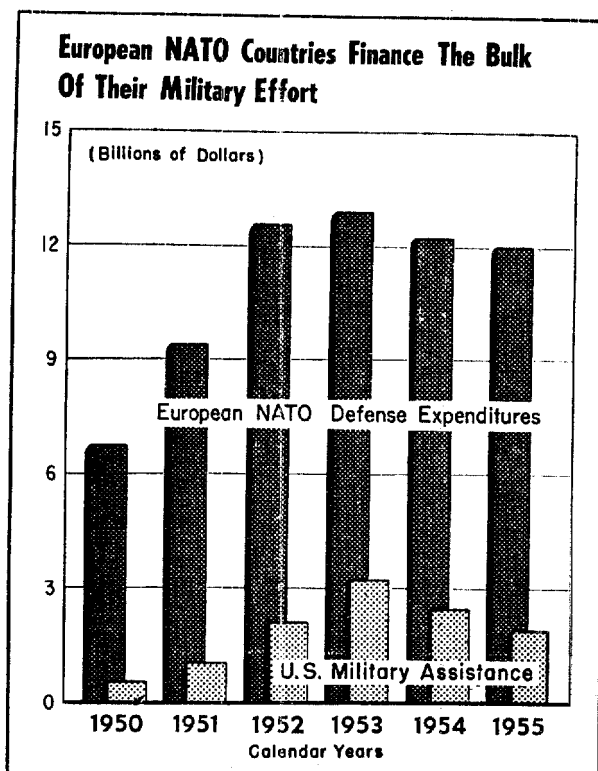
The most important new element this year is the category of advanced new weapons. This item accounts for \$530 million in the administration's total request, reduced to \$376 million in the illustrative breakdown of the reduced authorization. These weapons are not nuclear. They have to do, rather, with missiles, advanced electronics systems and things of that type. General Gruenther described these new weapons as "absolutely necessary \* \* \* vital for the development of our military posture, and essential to our strategy" (Hearings, p. 1023).

If this portion of the program is authorized in fiscal 1957, the weapons cannot be delivered until 1959 or later. It is, therefore, important that the authorization not be longer postponed.

The committee is encouraged by statements of administration witnesses that some speedup in deliveries of previously ordered equipment is in prospect for fiscal 1957. For the fiscal years 1950 through 1956, total military assistance programed amounted to \$19.7 billion. But of this amount, as of February 29, only \$13.7 billion, or 70 percent, had actually been delivered. This in itself is evidence of some degree of overprograming, and it was taken into account by the committee in reducing the administration's request.

The committee also takes occasion once more to urge the Defense Department to press ahead more vigorously with activities designed to increase the maintenance capabilities of countries receiving military assistance, so as to make possible future reductions in requests for items such as spare parts and replacements.

The sum authorized by this bill for military assistance is a large one. The figures for individual countries are classified, but are available, along with other details of the program in the committee room, for any interested Senator. It can be said, however, that NATO, Korea, and Formosa account for almost two-thirds of the total.



Although the committee doubts the wisdom of any substantial cuts in military assistance to these areas, it is unconvinced of the necessity for the full amount recommended by the administration. Except for NATO, there is a question as to the absorptive capacities of the countries concerned. Unless military assistance is given a higher priority within the Defense Department, there is a further question of the ability of that Department to deliver on a program of the size requested.

On balance, it is the considered judgment of the committee that the amount authorized by the bill is a reasonable minimum to accomplish the objectives of the program. It is unlikely that a larger amount could be wisely spent. A lower amount would represent an unacceptable gamble with the national security.

Section 3 (b) of the bill strikes out sections 105 (c) and (d) of the bill as well as references to these subsections in other sections of the Mutual Security Act. The stricken sections established delivery ceilings on military assistance to different geographic areas and allow a 15 percent transferability between areas. The delivery ceilings were cumulative since the passage of the Mutual Defense Assistance Act of 1949 and have become obsolete in view of the more recent practice of Congress of authorizing and appropriating military assistance funds on a worldwide basis.



## 6. DEFENSE SUPPORT (SEC. 4)

The bill authorizes a total of \$1,167,700,000 for defense support, as follows:

Europe (excluding Greece and Turkey)-----	\$78, 700, 000
Near East (including Greece and Turkey) and Africa-----	170, 000, 000
Asia-----	882, 000, 000
Latin America-----	37, 000, 000

The total is \$37 million more than the administration had requested (accounted for by a transfer of aid to Latin America from development assistance to defense support) and \$15 million more than the House approved (accounted for by restoration of the European program to the level requested by the administration).

The executive branch illustrative presentation shows the following unclassified country breakdown:

	<i>Thousands of dollars</i>
Europe:	
Spain-----	\$45, 000
Yugoslavia-----	30, 000
Interregional expenses-----	2, 000
Western Europe technical exchange-----	2, 500
Far East:	
Korea-----	300, 000
Philippines-----	25, 000
Taiwan-----	86, 000
Thailand-----	30, 000

In addition, the following countries will receive defense support in amounts which are classified: Greece, Iran, Turkey, Pakistan, Cambodia, Laos, and Vietnam.

In the case of Latin America, the administration had programmed development assistance, instead of defense support. Only two countries—Bolivia and Guatemala—are involved. The amount for each is classified, but the total, in the administration program, came to \$27 million. In increasing this figure by \$10 million, the committee intends \$5 million to go to Guatemala and \$5 million to be available for use generally in the area.

The committee gave serious consideration to the question of whether assistance to Latin America should be increased substantially beyond what is authorized in the bill. Proponents of greater aid to Latin America make a very persuasive case on the basis that this area, which is so close and so important to the United States, receives only small percentages of our worldwide foreign assistance. What this argument overlooks, however, is that the need for assistance of the type provided by this bill is much less in Latin America than in other parts of the world. Further, the other dollar resources available to Latin America are much greater than those available to other parts of the world. For example, Latin America earns almost \$3.5 billion a year from trade with the United States. Over the period 1947-1954, United States private investments in Latin America averaged about \$400 million a year. And, in addition, Export-Import Bank loans to Latin America averaged more than \$200 million a year. The committee hopes that the Export-Import Bank will be able to lend even more money in the future.

In this connection, it should be pointed out that the inclusion of Latin American assistance in the defense support section of the bill

makes it possible for this assistance to be extended on a grant basis. The bill provides a total of approximately \$100 million for Latin America--\$37 million for defense support, \$33.9 million for technical cooperation, and an amount for military assistance which, on the basis of the administration's full request, came to \$35.5 million.

Defense support is economic assistance designed to enable a country to support a larger military establishment than would otherwise be possible. Approximately three-fourths of the total authorized this year is for Asia, and of that amount more than half is for Korea and Vietnam.

As a general rule, defense support is furnished in lieu of development assistance to countries receiving military assistance. This concept is stretched somewhat in the pending bill, particularly so far as Latin America is concerned. Of the only two Latin American countries involved, one, Bolivia, receives no military assistance at all, and the other, Guatemala, receives only a very small amount. In these countries, as also in some Asian countries, such as particularly Pakistan and Iran, the purpose is in fact more economic than military.

So far as the practical effect of the assistance is concerned, it does not make very much difference whether it is called defense support or development assistance. The principal distinction is that different sets of conditions apply to the two categories. To receive defense support, a country must sign an agreement under section 142 of the Mutual Security Act providing among other things that it will—

fulfill the military obligations, if any, which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party; \* \* \* make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic conditions to the development and maintenance of its own defensive strength and the defensive strength of the free world; \* \* \* take all reasonable measures which may be needed to develop its defense capacities; \* \* \*

and

furnish equipment and materials, services, or other assistance consistent with the Charter of the United Nations, to the United States or to and among other nations to further the policies and purpose of chapter 1 of this title [i. e., military assistance].

Nations receiving development assistance are not required to sign these agreements. But development assistance is furnished largely on a loan basis; defense support is largely on a grant basis. Thus, nations which sign section 142 agreements do not ordinarily have to repay the United States for economic aid; nations which do not sign the agreements do have to repay most of the aid.

This distinction does not apply in the case of Latin American countries which are parties to the Rio Treaty and to the Caracas Declaration against the intervention of international communism in the Western Hemisphere. All Latin American countries are parties to the Rio Treaty and all but Mexico have adhered to the Caracas Declaration.

This means that these Latin American countries may receive aid on a grant basis without signing section 142 agreements, and that, unlike other defense support funds, this aid may be used for purposes primarily directed to economic development and unrelated to military efforts.

In countries such as Korea, Vietnam, and Taiwan, defense support has a much more direct relation to military purposes. In these countries, the level of armed forces which must be maintained is far beyond the capacity of the local government. The whole military program, which is of great importance, would fail in the absence of economic support.

To a large degree, this support takes the form of supplies and equipment and of financing the import of saleable commodities which are sold for local currency which in turn is used further to carry out the purposes of the program. Supplies, equipment, and other commodities programed by the administration to be financed out of defense support funds in fiscal 1957 amount to \$1,032,443,000, or almost 90 percent of the total authorized for defense support. Included are:

Grain.....	\$107,600,000	Petroleum.....	\$56,850,000
Cotton.....	82,200,000	Raw materials and semi-	
Fats and oils.....	24,300,000	finished industrial	
Dairy products.....	24,000,000	products.....	314,843,000
Fertilizers.....	68,190,000	Machinery and vehicles..	285,246,000
Coal.....	23,200,000		

7. ASSISTANCE TO YUGOSLAVIA (SEC. 5)

Section 5 of the bill provides that, effective 90 days after its enactment, no assistance shall be furnished to Yugoslavia unless the President finds--

(1) that there has been no change in the Yugoslavian policies on the basis of which assistance under this Act has been furnished to Yugoslavia in the past, and that Yugoslavia is independent of control by the Soviet Union, and (2) that it is in the interest of the national security of the United States to continue the furnishing of assistance to Yugoslavia \* \* \*.

The committee views this section primarily as a statement of congressional concern over the state of our relations with Yugoslavia and particularly the state of Yugoslav relations with the Soviet Union. Section 141 of the Mutual Security Act of 1954, of course, forbids military assistance or defense support (the only types of aid received by Yugoslavia) to be furnished to any nation--

unless the President shall have found that furnishing such assistance will strengthen the security of the United States and promote world peace.

The new section in this bill emphasizes the additional point that assistance to Yugoslavia is predicated upon that country's independence. The United States believed that the interests of world peace and freedom were advanced when Yugoslavia reasserted its independence from the Kremlin. The United States wants to see it retain that independence. If, unhappily, it should not, then the justification for

United States military assistance and defense support would no longer exist.

In the committee's view, this is a determination which can be made most appropriately by the President. The course of events in Yugoslavia obviously calls for some reexamination, but it would be unwise for Congress to act with finality upon the basis of the information now available.

Some other aspects of our policy toward Yugoslavia are set forth in more detail in the following letter from the Secretary of State to the chairman of the Committee on Foreign Relations:

DEPARTMENT OF STATE,  
*Washington, June 13, 1956.*

DEAR SENATOR GEORGE: I welcome the opportunity presented by your letter of June 6 to make it clear that the Department vigorously opposes Senate bill 4001 which seeks to cut off all United States assistance to Yugoslavia.

Within the past 6 months, the executive branch of this Government, with the participation of the President, has reviewed the question of United States policy toward Yugoslavia, and both the programs now being implemented and those proposed in the mutual security bill before your committee are consonant with and in support of the national policy thus established.

During the deliberations at all levels which preceded the final formulation of United States policy in the executive branch, all of the many and frequently complicated factors which enter into United States relations with Yugoslavia were given the most careful attention. In their own independent deliberations on mutual security programs for Yugoslavia, the members of your committee, and of the entire Senate, may find helpful the following summary of the principal considerations which weighed most heavily with the executive branch in determining the final policy adopted.

It was agreed that the American attitude toward Yugoslavia had to be formulated in the context of the overall foreign policy of the United States which seeks to meet the basic challenge to American national security and economic well-being emanating from the Soviet Union. The expansionist tendencies of the U. S. S. R. have been particularly apparent in Europe, where the U. S. S. R. now sits astride the middle of the continent and has stifled all but the illusory sovereignty of a number of once independent countries in Eastern Europe. In this area, only one nation, Yugoslavia, has had both the opportunity and the steadfastness to stake its virtual existence as an independent State on a defiance of Moscow's ambitions to dominate it, and the United States can take satisfaction from its record of support for Yugoslavia during the recent years of crisis.

It is natural, of course, that the focus of attention today rests on Yugoslavia's present position, which is symbolized in part by the visit of President Tito to the U. S. S. R. In essence, however, this visit, like the widely noted trip of the Russian leaders to Belgrade in May 1955, marks an acceptance by the Soviets of the defeat of their efforts to press Yugoslavia into the satellite mold. It is no wonder, therefore, that the Kremlin is trying to gloss over the failure of its anti-Tito policies from 1948 through 1953 by assiduously wooing Belgrade

and by working to undermine the manifold Yugoslav ties with the West built up since 1948.

Since the Yugoslav regime is a Communist one, it is understandable that its leaders now look hopefully to the Kremlin to rescue the U. S. S. R. and the worldwide reputation of communism from the disrepute to which the totalitarian system perfected by Stalin brought it. In that sense, the United States cannot overlook the tendencies in Yugoslavia toward rapprochement with the Soviet Union induced both by ideology and by the memories of long Communist Party collaboration prior to 1948. Also to be taken into account is the weakness of the Yugoslav economy which still requires much help from abroad and which cannot afford to pass up the relatively generous offers of credits and trade from the Soviet orbit. Finally, the Yugoslavs have welcomed and seek to take advantage of the normalization of their formerly beleaguered frontiers with the neighboring Soviet orbit countries.

None of this obscures the fact, however, that decisions on Yugoslav Government problems and policies are being made in Belgrade and not in Moscow. To be sure, many of these decisions in the foreign-policy field do not correspond with our own. This is partly understandable in the light of Yugoslavia's different geographical, economic, historical, and ideological circumstances. Yet there has been no credible evidence that President Tito wishes or is going to enter into a subservient status vis-a-vis the Soviet Union. Moreover, it is illogical that he should wish to do so, especially in view of his presently favorable international position vis-a-vis East and West, and of his record since 1948, unless dire economic necessity forces him to become over-dependent on the U. S. S. R. without the alternative availability of American assistance. The Yugoslav portion of the pending mutual security legislation is designed to contribute toward preventing that situation from arising. Its enactment would also be a sign to other West European countries, almost all of which have cordial relations with Yugoslavia, that the United States, as of the present, sees no cause for a major shift in its Yugoslav policy. Such an American judgment would coincide with the conclusions reached lately by a number of responsible West European statesmen.

It is evident that the state of United States-Yugoslav relations has important implications for Eastern as well as Western Europe. Docile as they have been in Soviet hands, the satellite chieftains cannot fail to have secretly admired Belgrade's resistance to Moscow in the cause of national independence and to be envious of Moscow's present generosity toward Yugoslavia as compared with its parsimony toward themselves. Undoubtedly, these rulers will be anxious to take advantage of whatever greater degree of independent action is permitted them by the new Soviet leadership, and it may well be useful for them to know that the United States is holding to its record of assisting nations, such as Yugoslavia, which make efforts to assert and preserve their independence.

I am aware that there is considerable criticism in this country of the system of government now prevailing in Yugoslavia. Properly speaking, the nature of another nation's regime is of no official concern to the United States Government, provided that such regime is not associated with the worldwide movement still directed from Moscow with

the aim of subverting the independent states not in the Soviet bloc. Yugoslavia does not now seem to be cooperating with this phase of Soviet endeavor and, indeed, gives indications of its disapproval of the continued Soviet effort to expand its orbit and "export" its revolution. Still, I should make clear that this Government recognizes that a dictatorship prevails in Yugoslavia and that an unfortunate denial of some human freedoms still persists there. On the other hand, fairness requires that this situation be compared with the Soviet-type political conditions prevailing in Yugoslavia 8 years ago, and any such comparison will demonstrate that there have been substantial ameliorations for the average citizen brought on both by the regime's critical reexamination of some of its own tenets and practices and by the influence of its expanding official and unofficial contacts with the West.

In reviewing the elements which have entered into the recent formulation by the executive branch of United States policy toward Yugoslavia, I have, to be sure, not meant to imply that this evaluation was final and definitive for the Executive. As you know, procedures are in operation within the executive branch to insure that all policies toward individual countries are kept under continuing review regarding their effectiveness and correctness, and this applies, of course, to the Yugoslav case. It is our aim to remain alert to the implications of new international developments for existing programs, and before new appropriations were obligated for Yugoslavia, the Department would in any event review the then-current situation, whether there were a congressional mandate to this effect or not. It is my hope, however, which I know the President has shared, that the Congress will not want to deprive us of the instrumentalities and funds whereby the executive branch will be enabled to pursue the flexible policy toward Yugoslavia which is needed to counter the present Soviet drive to retrieve its own failure in Yugoslavia since 1948.

Sincerely yours,

JOHN FOSTER DULLES.

#### 8. DEVELOPMENT ASSISTANCE (SEC. 6)

This section of the bill authorizes a total of \$243 million for development and other economic assistance, distributed as follows:

	<i>Million</i>
Near East and Africa.....	\$63
Asia.....	80
Special authorization, Middle East, and Africa.....	100

These are the same amounts as requested for these purposes by the administration and as passed by the House. The bill carries a proviso that 75 percent of these funds may be used only on a loan basis with two exceptions: (1) when they are used to finance sales of surplus agricultural commodities; and (2) when they are used for a regional project involving two or more beneficiary nations. And, no more than 25 percent can be used for bilateral dollar expenditures.

This loan requirement deserves emphasis. The committee seriously considered requiring all of these funds to be used on a loan basis. It did not do so because, in the present state of the world, such a requirement would defeat the purpose of the bill in a few countries. Some latitude must be allowed for grants.

The committee feels, however, that it is important to establish the loan principle in programs of this character. The conduct of these programs on a loan basis should do much to improve political relations between the United States and the other countries involved by removing the irritant which is inevitably present in the donor-grantee relationship. There is considerable evidence that the other countries themselves would prefer to get loans than to receive gifts. The committee realizes that the borrowing capacity of many of the countries involved is too low to support hard loans of the magnitude authorized. The bill, however, authorizes the President to make the loans "on such terms and conditions \* \* \* as he may specify." The committee does not expect the President to take a banker's approach to this matter. On the contrary, it expects the bulk of the loans to be for long terms at low interest rates.

In this way, assistance is more likely to be tied to specific projects, and is, therefore, more likely to be more effective in accomplishing its purpose. The loan provision should likewise serve to put program planning on a more concrete basis.

The \$63 million authorized for development assistance in the Near East and Africa is intended for Egypt, Israel, Jordan, Lebanon, and Libya. The amounts for each country are classified, but these amounts, together with supporting data, are available in the committee room for the inspection of any interested Senator. In general, however, it may be said that plans contemplate such projects as the supply of power transmission and telephone equipment, railroad rolling stock, highway machinery, irrigation surveys, grain elevators, and roads to link agricultural producing areas with markets. In the case of Israel, the assistance will largely consist of commodity imports, as German reparations are supplying most of Israel's capital goods requirements:

The \$80 million authorized for Asia consists of:

Ceylon.....	\$5,000,000	Nepal.....	\$1,000,000
India.....	70,000,000	Indonesia.....	4,000,000

The Indian program is closely related to the Indian Government's own development efforts. The first 5-year plan, which ended in the spring of 1956, was aimed primarily at increasing Indian food production and in this respect it exceeded its goals. There was a short-fall, however, in the industrial phases of the plan. The second 5-year plan, now getting underway, emphasizes industrial development. In some respects, it will present more difficult problems than the first plan.

It is important to the interests of the United States that India succeed in her efforts for economic development. American assistance plays a small but crucial part in the program. The second 5-year plan calls for total public expenditures on development over the 5-year period of \$10.1 billion. This may be compared with proposed United States assistance of \$80 million in the first year (\$70 million development assistance plus \$10 million technical cooperation). American aid thus amounts to less than 5 percent of the Indian Government's own efforts on an annual basis.

The aid program in fiscal 1957 will include grain storage, power projects, transportation facilities, and a continuation of the spectacularly successful malaria control program.

The special authorization of \$100 million for the Middle East and Africa is designed, over and above the individual country programs, to give the President authority and funds to take advantage of opportunities which may present themselves to contribute to peace and stability in the area. Although the fund may be used for individual country assistance and is not limited to regional projects, it is the hope of the committee that it can be used to promote the economic growth of the area as a whole. There is no need to emphasize the extremely critical and unsettled condition prevailing in the Middle East today. The situation in Africa is also changing rapidly and projects which are not now foreseeable may develop quickly in the future.

The special authorization for the Middle East and Africa may be used for defense support, for development assistance, for technical cooperation, or for relief, rehabilitation or resettlement of Palestine refugees. Regardless of purpose, however, it must be used in compliance with the 75-percent loan requirement.

Throughout the Middle East and Africa as well as Asia, there is the need for the kind of flexibility provided by this fund and for the imaginative administration required to take advantage of it. This is why the committee struck from the House bill the paragraph repealing the President's Fund for Asian Economic Development. This fund was authorized last year (sec. 418 of the Mutual Security Act) in the amount of \$200 million, available until June 30, 1958. Only \$100 million was appropriated last year, leaving an unappropriated authorization of \$100 million. By virtue of the committee's action, this authorization remains in the law, subject to appropriation this year or next year.

Finally, it should be noted that section 6 (a) (1) of the bill also adds a new subsection (e) to section 201 of the Mutual Security Act. This new subsection authorizes the use of development assistance funds for nonadministrative expenses to assist in carrying out functions delegated to the International Cooperation Administration under the Agricultural Trade Development and Assistance Act (Public Law 480). As sales of surplus agricultural commodities under title I of Public Law 480 increase, the tasks of ICA also increase in this respect. It is contemplated that the funds authorized under this section of the bill will be used for such nonadministrative expenses as, for example, engineering advice on how best to use those foreign currencies accruing under Public Law 480 for which ICA is assigned responsibility.

**9. BILATERAL PROGRAMS OF TECHNICAL COOPERATION (SEC. 7 (A) AND 7 (C) )**

The bill authorizes appropriation of a total of \$157,500,000 for various programs of technical cooperation in fiscal 1957. Of this amount, \$140,500,000 is for bilateral programs, \$15,500,000 is for the United States contribution to the United Nations expanded technical-assistance program, and \$1,500,000 is for the United States contribution to the technical assistance program of the Organization of American States.



In the illustrative programs presented to the committee by the executive branch, it is proposed to use the \$140.5 million in bilateral technical assistance funds as follows:

[In thousands of dollars]

<b>Near East and Africa :</b>	
Egypt.....	3,800
Ethiopia.....	3,000
Greece.....	1,000
Iran.....	8,000
Iraq.....	2,800
Israel.....	2,000
Jordan.....	2,700
Lebanon.....	2,100
Liberia.....	1,800
Libya.....	2,000
Turkey.....	2,000
Overseas territories.....	1,200
Regional and undistributed.....	2,200
Subtotal.....	<u>34,100</u>
<b>Asia :</b>	
<b>South Asia :</b>	
Afghanistan.....	3,000
Ceylon.....	1,000
India.....	10,000
Nepal.....	1,000
Pakistan.....	9,000
Subtotal.....	<u>24,000</u>
<b>Far East :</b>	
Cambodia.....	2,500
Indonesia.....	8,000
Japan.....	2,850
Korea.....	5,500
Laos.....	1,500
Philippines.....	5,900
Taiwan.....	3,400
Thailand.....	4,600
Vietnam.....	5,000
Subtotal, Far East.....	<u>39,250</u>
Subtotal, Asia.....	<u>63,250</u>
<b>Latin America :</b>	
Argentina.....	50
Bolivia.....	3,195
Brazil.....	4,739
Chile.....	2,521
Colombia.....	1,536
Costa Rica.....	1,026
Cuba.....	690
Dominican Republic.....	330
Ecuador.....	1,993
El Salvador.....	1,005
Guatemala.....	1,730
Haiti.....	1,152
Honduras.....	1,290
Mexico.....	1,185
Nicaragua.....	919
Panama.....	1,195
Paraguay.....	1,684
Peru.....	2,996
Uruguay.....	619

[In thousands of dollars]

Latin America—Continued	
Venezuela.....	225
Overseas territories.....	812
Regional and undistributed.....	1,458
Subtotal, Latin America.....	32,350
Interregional expenses.....	10,800
Grand total.....	140,500

By major activity field, the following programs are proposed:

[In thousands of dollars]

Agriculture and natural resources.....	31,828
Industry and mining.....	15,836
Transportation.....	7,411
Labor.....	3,233
Health and sanitation.....	16,380
Education.....	25,303
Public administration.....	9,862
Community development, social welfare, and housing.....	5,245
General and miscellaneous.....	14,602
Other costs.....	10,800
Total.....	140,500

In terms of major cost components, the program breaks down like this:

[In thousands of dollars]

Grants to cooperative services.....	8,109
Supplies and equipment.....	15,693
United States employed technicians.....	43,538
Contract services.....	33,161
Participants (i. e., foreigners trained in United States).....	18,906
Other costs.....	21,093
Total.....	140,500

In its annual reviews of the technical cooperation program, as well as in special studies which it has made from time to time, the committee has been impressed with the value of this program to the United States national interest. The committee has likewise been impressed with the widespread—indeed, the almost universal—public support for this program within the United States. The program has also been supported annually by Congress at approximately the level recommended for 1957.

Although the administration of the program has not been without its faults, the committee is convinced that on the whole the program is a sound one and should be continued as recommended in the pending bill.

The committee is pleased to note that the item for supplies and equipment is only 11.2 percent of the total, the lowest proportion in recent years. The point has frequently been made that technical cooperation is a program for extending knowledge and skills. As such, it does not call for large amounts of supplies and equipment, though some minimal quantities are necessary for purposes of demonstration. The low percentage of supplies and equipment planned for 1957 is welcome evidence of a reversal of an earlier tendency to make technical assistance an economic impact program rather than a training program.

The funds authorized will provide for a total of 4,389 technicians to be sent abroad by the United States and for 5,731 foreign trainees to come to the United States or elsewhere for training. Of the technicians, 2,909 will be Government employees and 1,480 will be provided for by contract. The committee notes that the cost of Government-employed technicians will average \$14,967 each, while the cost of contract technicians will average \$22,406.

The higher cost of contract technicians tends to confirm the impression of this committee's Subcommittee on Technical Assistance Programs as previously reported to the Senate (S. Rept. 1956, May 1956) that contracts—

have been resorted to in many instances as a personnel recruitment device and as a means of avoiding Government salary ceilings.

The committee takes this occasion to underwrite the subcommittee's recommendation that this aspect of private contracting procedures be reviewed by the International Cooperation Administration and the Department of State.

At the same time, the committee recognizes that private contracting has an important role in the technical cooperation program and it does not wish to discourage in any way the use of such contracts where appropriate.

Section 7 (c) of the bill makes a technical, but important, amendment to existing law in this regard.

Section 307 of the Mutual Security Act of 1954, as amended, now provides, among other things, that a contract may "run for not to exceed three years." Section 7 (c) of the bill would amend that section to provide that such contracts may "extend at any time for not more than three years."

The purpose of the amendment is to make it clear that such contracts may be renewed for periods of not more than 3 years. This is particularly important with regard to college contracts, i. e., those which are made between an American college and a foreign institution and which are underwritten by ICA. Many of these contracts involve long-term projects which are not completed within 3 years. The contracts should be extended in order not to lose the benefit of the work already done and the relationships already established. It is important, also, that American universities participating in these contracts know what to expect so that they can plan for their own future.

The amendment proposed by this bill does not change the requirement of existing law that the contracts are "subject to any future action of the Congress."

In this connection, however, the committee feels impelled to express its dissatisfaction with ICA administration of the college contract program. ICA should give urgent attention to developing procedures for the more rapid servicing of university contracts and for avoiding the intolerable delays which have characterized this program heretofore.

This program has great potentialities, but if colleges are to be expected to participate, they have a right to know what their status is and what ICA's intentions are. Indeed, they must know if they are to

plan their own programs intelligently. This situation demands prompt corrective action.

#### 10. UNITED NATIONS TECHNICAL ASSISTANCE (SEC. 7 (b) (1))

The bill authorizes \$15.5 million as the United States contribution to the United Nations expanded technical assistance program. The contribution will be made from fiscal year 1957 funds for the United Nation's calendar year 1957 program. It will amount to not more than 50 percent of the total contributions to the U. N. program's central fund. This is the same ratio as is being contributed in 1956.

The following table shows the steady growth of the United Nations program accompanied by a decline in the United States percentage contribution :

[In millions of dollars]

Calendar year	Other gov- ernments	United States	Total	United States percentage
1950-51.....	8.0	12.0	20.0	60.0
1952.....	7.4	11.4	18.8	60.0
1953.....	9.6	12.8	22.4	57.0
1954.....	11.4	13.9	25.3	55.0
1955.....	13.0	15.0	28.0	53.6
1956.....	<sup>1</sup> 14.5	<sup>1</sup> 14.5	29.0	50.0
1957.....	<sup>2</sup> 15.5	<sup>2</sup> 15.5	31.0	50.0

<sup>1</sup> Estimated.  
<sup>2</sup> Proposed.

This trend, it seems to the committee, is an entirely healthy one and should be continued.

Although the U. N. program operates in substantially the same fields of activity and in many of the same countries as the United States bilateral program, the two programs supplement, rather than duplicate, each other. In certain fields and in certain situations, each has advantages over the other. Among the more important advantages of the U. N. program are:

1. Advice and assistance rendered under multilateral auspices are more acceptable in some countries. The U. N. can frequently enter situations where the United States, for political reasons, cannot. The U. N. can consequently bring about results which are in the national interest of the United States but which the United States itself could not achieve.

2. It is frequently easier for the U. N. to recruit qualified technicians in countries other than the United States. This is particularly the case in such fields as tropical medicine. Foreign technicians also sometimes have language skills not abundantly available in the United States. Finally, foreign technicians sometimes have fewer problems of personal adjustment. This is especially true of technicians from countries in an intermediate stage of development working in less well-developed countries.

3. Participation in the multilateral U. N. program has important political advantages to the United States. It demonstrates that we are willing to join with other nations in cooperative endeavors for the improvement of living standards. Curtailment of United States support of the U. N. program would, in the opinion of the committee, have seriously adverse political consequences for the United States.

11. ORGANIZATION OF AMERICAN STATES TECHNICAL ASSISTANCE  
(SEC. 7 (b) (2))

The bill authorizes \$1,500,000 as the United States contribution, in fiscal year 1957, to the calendar year 1957 technical cooperation program of the Organization of American States. This is the same amount as was appropriated for 1956, but it is anticipated that actual contributions in 1956 will amount to only \$1,200,000. This arises because of the United States policy against contributing more than 70 percent of the total. The committee deems it advisable that the full amount of \$1.5 million be approved, however, so that it will be available if contributions from other countries increase.

The OAS technical cooperation program consists of seven regional projects in the fields of economic statistics, housing, rural education, natural resource evaluation, children's welfare, agriculture, and foot-and-mouth disease control.

The program is relatively small, dollarwise, but one with important economic and political benefits to the United States. In the judgment of the committee, it deserves continued support at the scale recommended.

12. SPECIAL FUND (SEC. 8 (a))

Section 8 (a) of the bill increases from \$50 million to \$150 million the amount of funds otherwise made available under the act which can be used by the President in his special fund. It likewise increases the amount which can be used in any one country from \$20 million to \$30 million. Under this authority and within its limitations, the President may use any funds made available under the act for purposes deemed essential to the security of the United States without regard to the requirements of the Mutual Security Act or any other act for which funds are authorized by the Mutual Security Act.

The bill also authorizes a separate appropriation of \$100 million for the special fund, in addition to the authority to use \$150 million of other funds available under the act.

The committee deems this provision of great importance in investing the Executive with the necessary latitude and flexibility to meet international emergencies and new requirements which may arise during fiscal year 1957. It has been demonstrated by past operations that this special fund is needed to deal with unforeseen contingencies, and with those programs which, at the time of congressional presentation, were not firm enough to be included.

Examples of the type of action made possible by this fund during fiscal 1956 are hurricane relief in Haiti, flood relief in India and Pakistan, additional requirements of Korea, and relief necessitated by the unusually severe winter in Europe.

In view of the recent Soviet maneuvers in the field of economic and technical assistance, it is important that the administration retain its capacity to move quickly in emergencies and to take advantage of new opportunities as they develop during the fiscal year.

A technical amendment is also made in the language of section 401 of the Mutual Security Act. This section, among other things, authorizes assistance to refugees from Soviet bloc areas, including "Com-

munist-dominated or Communist-occupied areas of Germany and Austria." In recognition of the attainment of Austrian independence and the withdrawal of Russian occupation forces since this section was first enacted, the words "and Austria" are deleted.

#### 13. SURPLUS AGRICULTURAL COMMODITIES (SEC. 8 (b))

Mutual security legislation for fiscal years 1955 and 1956 (sec. 402) required that not less than \$350 million and \$300 million respectively should be used to finance the export and sale for foreign currency of surplus agricultural commodities of the United States. For fiscal 1957 the required minimum, approved by the committee, is \$250 million.

The reason for this declining trend lies in the continuing shift in emphasis of the mutual security program from Europe to Asia. The less developed countries, now recipients of the greater part of United States assistance, are largely agricultural, and some of them are themselves looking for markets for their own agricultural production. These countries, moreover, need aid for other purposes which cannot be met through surplus commodities. Inasmuch as the emphasis of the aid program will remain on underdeveloped areas, there will be fewer opportunities to use agricultural commodities.

The committee emphasizes, however, that the \$250 million requirement of the bill is a minimum. The administration should take full advantage of whatever opportunities develop during the year for disposing of more than the required amount of surpluses.

It should be noted that actual sales of surplus agricultural commodities have in the past exceeded the requirements of section 402. In fiscal 1955, sales amounted to \$467 million against a requirement of \$350 million, and in 1956, it is anticipated that such sales will total \$349 million against a requirement of \$300 million.

The estimated composition of the fiscal 1957 program is:

	<i>Million</i>
Bread grains.....	\$110.7
Cotton.....	93.2
Fats and oils.....	12.3
Coarse grains.....	9.0
Dairy products.....	21.0
Other.....	3.8
<b>Total.....</b>	<b>250.00</b>

#### 14. JOINT CONTROL AREAS (SEC. 8 (c))

For special assistance in joint control areas, the administration requested and the committee approved an authorization of \$12,200,000. This compares with \$21 million authorized and appropriated for fiscal year 1956.

The assistance contemplated is largely in Berlin. This city, isolated from West Germany, has long been of unusual importance and concern to the three Western occupation powers, which still carry the responsibility for the city. Its isolation also produced unusual problems, which make continued assistance necessary. Although unemployment has been reduced, it still amounts to 14 percent of the labor force. The city consumes more than it produces, leaving a \$400 mil-

lion gap between exports and imports. The situation is further aggravated by the steady influx of refugees from the eastern zone of Germany.

Although the Federal Republic of Germany has increased annually its assistance to the city, now at about \$300 million a year, marginal outside economic help is still required. Morally, and as a result of responsibilities retained by the three Western occupying powers under the Paris-Bonn agreements, continuation of this assistance—on a reduced basis—is unquestionably necessary.

Although Austria has now happily regained its independence, it comes under the definition of joint control areas in section 403 of the Mutual Security Act of 1954—namely, “nations and areas for which the United States has responsibility at the time of the enactment of this act [i. e. August 26, 1954] as a result of participation in joint control arrangements \* \* \* “A small technical exchange program for Austria is planned with the funds authorized under this section for 1957.”

#### 15. REFUGEES AND ESCAPEES (SEC. 8 (d))

For United States contribution to the United Nations Refugee Fund (UNREF), the executive branch requested and the committee approved an authorization of \$2,300,000 to be appropriated for fiscal 1957. Of this amount, \$1,500,000 will cover the United States' calendar year 1956 contributions and \$800,000 will be the contribution for the first half of 1957. It is desirable that at least part of the calendar 1957 contribution be authorized and appropriated in advance so that the management of the fund will have a firmer basis on which to plan.

The appropriation authorized in this bill will enable the United States Government to make a firm commitment for the first 6 months of the next year when the annual pledging conference is held in the fall.

UNREF was established for a 4-year period by the General Assembly of the United Nations in 1954 to deal with the problem of the remaining World War II refugees. Last year, after less than a year of active operations, UNREF was awarded the Nobel Peace Prize for its worthy humanitarian efforts on behalf of these residual refugees.

As the committee pointed out in its report last year, UNREF's task is a difficult one because a great number of the remaining refugees are unproductive due to age, illness, or other disabilities. Institutional care is frequently the only solution. A further complicating factor is that most of the refugees are concentrated in the already overpopulated countries of Austria, Greece, Italy, and Germany. Several small countries, however, such as the Netherlands, Sweden, Denmark, Norway, Switzerland, and Ireland, have been taking these so-called difficult cases in increasing numbers for permanent institutional care.

When the UNREF authorization was considered last year the administration stated that it intended to limit the United States contribution to one-third of the total contributions to the central account. This was endorsed in the report of the Foreign Relations Committee, but no statutory limitation was set. It is now proposed to compute the one-third United States contribution on the basis of total contributions to the central account plus expenditures made by governments accepting refugees for institutionalization. This latter category would include only costs undertaken on behalf of the “difficult cases” and not

other local expenses of countries of first asylum. The administration expects that such computation might encourage further acceptance of difficult cases by the participating countries. It would also constitute recognition of their service to humanity. The new formula seems to the committee to be a reasonable one.

Through December 31, 1955, UNREF aided a total of 23,356 refugees. The target program for 1956 contemplates aid to 38,810. In both cases, permanent solutions are found for about two-thirds of those aided. The cost of the program through December 31, 1955, was \$3.1 million. The target for 1956 is \$6.6 million.

In view of the vigorous redefection campaign by the Soviet Union designed to lure refugees and escapees back to their countries of origin, it appears particularly important that the free world maintain a program designed to help them find a permanent place in society. The committee agrees with the statement issued by the White House on May 24, 1956, that—

the right of asylum is one of the treasured traditions of free peoples. The United States intends to continue firmly to adhere to and uphold this principle.

For the escapee program the Administration requested and the committee approved \$7 million for fiscal year 1957 operations. In fiscal year 1956 \$6 million was authorized and appropriated for this purpose.

The escapee program is an effort to aid those persons who have escaped from Communist countries since 1948. These people are living testimony of Communist oppression and ruthlessness. They deserve our assistance in finding a place in the free world. Among them, as among other refugees, the Communists are working with enticements and false promises to persuade them to return to their countries of origin. These activities make it doubly important for the United States not to fail them now.

It is estimated that the caseload of 30,745 escapees as of December 31, 1955, will have been reduced to 18,105 by the end of this year and to 12,840 by December 31, 1957. This is made possible by the decline in additions to the caseload. It should be pointed out, however, that past estimates have been highly unreliable. During last year's congressional presentation, for example, the executive branch estimated the caseload as of the end of 1955 at 19,850, but it was in fact 30,745.

The Administration states that a reduction in appropriations is not feasible at this time. Resettlement is more difficult and therefore more costly. A larger percentage of the remaining escapees on the rolls are older persons requiring institutional care. There is also planned a small increase in the Far Eastern program.

The escapee program is largely carried on by United States voluntary foreign relief agencies under contract with the State Department, using their own resources as well as local government contributions.

16. UNITED NATIONS CHILDREN'S FUND (SEC. 8 (e))

The committee recommends \$10 million, the full amount requested by the executive branch, for the calendar year 1957 contribution to the United Nations Children's Fund (UNICEF). Last year \$14,500,000 was appropriated for this purpose, of which \$4.8 million was



for the second half of calendar year 1955 and \$9.7 million was for all of calendar year 1956.

In terms of percentages of the total, the United States contributions have been progressively decreasing from 71 percent in 1952 to 57.5 percent in 1956 with 55 percent proposed in 1957. At the same time contributions from other governments have risen from \$2.7 million in 1952 to an estimated \$7.2 million in 1956 and \$8.2 million in 1957. If local contributions to UNICEF projects, which amounted to \$27 million last year, are added to these figures, the relative United States contribution is reduced to 21 percent.

During the past year, UNICEF continued its farflung humanitarian operations, reaching more than 31 million mothers and children, mainly in Asia, Africa, and Latin America. A summary table of its calendar year 1955 activities is reprinted below.

*United Nations Children's Fund summary of beneficiaries in 1955*

Number of programs aided by UNICEF in 1955-----	264
Number of countries and territories assisted-----	92
<b>Number of beneficiaries :</b>	
BCG antituberculosis vaccination (children vaccinated)-----	16,521,000
Antimalaria campaigns (children and mothers protected)-----	6,107,000
Yaws control (children and mothers treated)-----	1,660,000
Trachoma control (children treated)-----	1,131,000
Feeding through school lunches and maternal and child welfare centers (peak number of children receiving daily ration)-----	3,000,000
Emergency feeding (peak number of children receiving daily ration)-----	2,700,000
<b>Total-----</b>	<b><sup>1</sup> 31,129,000</b>

<sup>1</sup>Not included in the above are the many children and mothers who receive benefits (other than milk) from the over 10,000 maternal and child welfare centers, clinics, and children's and maternity hospitals aided by UNICEF. There are still more beneficiaries from UNICEF assistance to vaccine production plants, leprosy control, communicable disease control, and milk-drying and pasteurization plants.

The UNICEF programs are well worthwhile and deserve the continued support, not only of the United States but also of other members of the United Nations.

17. PALESTINE REFUGEES IN THE NEAR EAST (SEC. 8 (f))

Last year Congress authorized the appropriation of \$65 million for the fiscal year 1956 for contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. Of this amount, \$62 million was appropriated, but only \$16.7 million was expended due to lack of progress on the rehabilitation program. There remains an unobligated balance of \$45.3 million.

Section 8 (f) of the committee bill amends last year's authorization by striking out the words "for the fiscal year 1956" so as to remove all doubt that this unobligated balance will continue to be available.

In the past, the United States contribution for the relief of these refugees has amounted to \$16.7 million a year. During fiscal year 1957, this will be increased to \$17.5 million. The increase is accounted for by two factors: (1) the number of refugees is increasing, due to an excess of births over deaths and to the continued failure of resettlement plans; and (2) the United States contribution will be made partly in the form of commodities, largely flour, at prices higher than

the open market. The United States contribution amounts to approximately 70 percent of contributions from all sources. The committee felt last year that this was justified but at the same time it believed "that greater effort might be made to increase worldwide participation in the program." The committee still maintains this view.

Attempts to reach agreement on rehabilitation and resettlement programs have, since 1949, been marked by alternating periods of hope and of frustration. Last year, agreement on a number of projects, it was hoped, would be realized during fiscal year 1956. Once again, however, such agreements were not forthcoming. The committee cannot emphasize too strongly its belief that indefinite relief operations lead only to deterioration in the morale of the refugees and in the political situation in the Near East. It regards as of utmost importance the compelling necessity of reaching agreement between the nations of the area and beginning the implementation of resettlement projects.

After the United States contribution to relief in fiscal year 1957, there will remain a balance of \$27.8 million which will again be set aside for rehabilitation projects if they can be undertaken.

18. OCEAN FREIGHT CHARGES (SEC. 8 (g))

Section 8 (g) of the bill authorizes \$3 million for the payment of ocean freight charges on relief goods shipped by the voluntary agencies.

The administration requested, and the House approved, \$1.4 million, which, it was estimated, would pay for shipment of about 57 million pounds of relief supplies, valued at an estimated \$20 million. The voluntary agencies bear the costs of soliciting, packaging, and transporting the goods to United States ports. The receiving country, for its part, normally provides duty-free entry of the relief shipments and pays for transportation from the foreign port to final destination. Thus, for a relatively small sum, a great deal of good is accomplished. Public 540, the Agricultural Act of 1956, makes other provisions for these payments in regard to surpluses made available by the Commodity Credit Corporation. These account for the bulk of the surpluses involved, and the committee, therefore, deleted the separate authorization of \$14 million from the mutual security bill. There remain, however, some surpluses which are acquired and shipped by the voluntary agencies independently of the CCC. In order to provide for ocean freight payments on this category of surpluses, the committee increased the other authorization from \$1.4 million to \$3 million.

19. ADMINISTRATIVE EXPENSES (SEC. 8 (h) AND (i))

*Battle Act.*—The Mutual Defense Assistance Control Act is administered by the Director of International Cooperation, and appropriations for the expense of administering it are, therefore, authorized in the Mutual Security Act. The present bill contains \$1,175,000 for such expenses—the same amount that was appropriated last year.

This is used for ICA expenses and for partial reimbursement of State and Commerce Department outlays in connection with Battle Act activities. These agencies, as well as the Department of

the Treasury and intelligence units, finance other Battle Act operations out of their regular budgets.

*International Cooperation Administration.*—The committee recommends \$35,250,000, the full amount requested, for expenses of administering the nonmilitary programs. Expenses for the administration of the military programs are absorbed by the Department of Defense from military assistance funds. For fiscal 1956, the Congress appropriated \$33,500,000 for administration but actual expenses will be \$34,845,000 (the difference being met by transfers from other appropriations). The funds requested this year represent a small increase, therefore. This is needed for these reasons: (1) the Federal Government employee pay increase; (2) too rapid staff reductions in past years, some of which had to be refilled; and (3) inflationary trends overseas resulting in greater operating costs.

The committee, in approving this amount, desires the International Cooperation Administration to give the closest attention to the recommendations made by the Comptroller General of the United States, before this committee on May 21, 1956, particularly as they relate to planning programs beyond the agency's capacity for carrying them out, to overestimating obligations, and to a lack of advanced planning.

*Administrative expenses for Agricultural Trade Development and Assistance Act of 1954.*—A new item of \$1,500,000 is contained in the bill as approved by the committee this year for administrative expenses arising from ICA's administration of foreign currencies received for sales of surplus agricultural commodities under title I of Public Law 480 (the Agricultural Trade Development and Assistance Act). No provisions for such expenses are made at the present, and it is felt desirable to do so in view of the increasing scope of Public Law 480 activities. As of March 31, about \$472 million worth of Public Law 480 foreign currencies were under ICA administration, and it is estimated that this figure may reach \$800 million by the end of the fiscal year.

*Department of State expenses.*—A new provision has been added to authorize the appropriation of not more than \$7 million in each fiscal year for administrative expenses which are incurred for normal functions of the State Department relating to mutual security activities. In the past, these expenses have been in the neighborhood of \$6 million a year and have been met from ICA's fund for administrative expenses. The new subsection makes it possible for the Department of State, if it should so desire, to request these funds in its own annual appropriation bill. If this arrangement is followed in fiscal 1958, there should be a corresponding reduction in ICA administrative expenses.

#### 20. TAX AND COMMERCIAL TREATIES (SEC. 8 (j))

Section 413 of the existing law deals with encouragement of free enterprise and private participation in achieving the objectives of the Mutual Security Act. In subsection (b) (2) of that section, the President is directed to

accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provi-

sions to encourage and facilitate the flow of private investment to nations participating in programs under this act.

The pending bill adds "the equitable treatment" of private investment in participating countries as one of the objectives to be encouraged and facilitated in these treaties.

21. INVESTMENT GUARANTIES (SEC. 8 (k))

The bill, in section 8 (k) makes three changes in the investment guaranty program now provided for in section 413 (b) (4) of the Mutual Security Act. These changes are:

1. Authority to issue guaranties is extended from June 30, 1957, to June 30, 1967. This should facilitate the negotiation of guaranty agreements with foreign countries, some of which have contended that the prospective early expiration of the program renders their participation of little significance.

2. The limitation on the face value of outstanding guaranties is increased from \$200 million to \$500 million. This increase is even greater than it appears. The present \$200 million limit applies to investment guaranties plus informational media guaranties. The proposed \$500 million limit applies only to investment guaranties, informational media being dealt with separately. (See sec. 11 (a), new subsection 544 (g) of the bill, sec. 24 of this report.) Further, under existing legislation, issuing authority is diminished by the face amount of every guaranty written; only when a guaranty is canceled, reduced, or expires is issuing authority restored. Under the bill, issuing authority will also be increased when dollars are received by the Government after June 30, 1955, for foreign assets which it acquires when it makes a payment under a guaranty. The bill also makes these funds available for paying off other guaranties.

3. For guaranties issued after June 30, 1956, the bill establishes a fractional reserve instead of the full reserve now required. Guaranties are now backed by notes issued to the Treasury in an amount equal to the amount of the guaranties. By the end of the current fiscal year, it is estimated that \$138.5 million of the existing note issue authority will have been utilized, leaving \$61.5 million together with \$1.5 million in collected fees, or a total of \$63 million. The bill increases that sum to \$100.5 million by authorizing the Director of the International Cooperation Administration to issue additional notes in an amount not to exceed \$37.5 million. Thus, the bill provides a total reserve of \$100.5 million against the maximum face value of guaranties of \$500 million. This is in accord with insurance practice. The investments protected by the guaranties are widely dispersed geographically, and it is unlikely that all guaranties in all countries will be invoked. Further, it is not anticipated that payments made in discharging liability under the guaranty contracts will be a complete loss. When payments are made by the United States, it is subrogated to the investors' claims, and any proceeds obtained from disposing of them become available, under the bill, for payments on account of other guaranty contracts. Finally, inasmuch as many investors obtain convertibility and expropriation guaranties to safeguard the same investment, it is hardly likely that both guaranties in a given case

would be called on; yet they are now both charged in full to the guaranty authority.

The committee believes these considerations to be sound and considers that, in the light of prevailing circumstances, the reserve fixed by the bill should be more than adequate to meet foreseeable contingencies.

The investment guaranty program stems from the Economic Cooperation Act of 1948. Under it, the Government will guarantee investors in approved projects against losses arising from currency inconvertibility or from expropriation or confiscation. The program does not guarantee a profit nor does it underwrite the normal risks of doing business. Guaranties for approved projects are available in any country with which the United States has agreed to institute the guaranty program. The agreements express the foreign government's willingness to participate in the program and provide for diplomatic settlement or international arbitration of any claims against that government to which the United States may become subrogated by discharging its obligations under the guaranty.

There are now 30 participating countries: Austria, Belgium, Bolivia, China (Formosa), Colombia, Costa Rica, Denmark, Ecuador, France, Germany, Greece, Guatemala, Haiti, Honduras, Ireland, Israel, Italy, Japan, Netherlands, Norway, Pakistan, Paraguay, Peru, Philippines, Portugal, Spain, Thailand, Turkey, United Kingdom, and Yugoslavia. Guaranties may cover both convertibility and expropriation in all of these countries except Colombia, Peru, Turkey, and the United Kingdom, where they apply only to convertibility.

As of May 31, 1956, a total of 121 guaranties had been issued, representing a coverage of \$109,394,260 which includes \$82,403,862 convertibility guaranties and \$26,990,398 expropriation guaranties. There are, in addition, approximately 200 applications now in process, which would, if granted, add \$324,886,288 to the coverage. To the present time, no losses have occurred under either heading, and over \$1,522,687 in fees have been collected. The annual cost of operating the program is estimated at \$92,000.

The investment guaranty program is designed to encourage the investment of private United States capital in friendly foreign countries for the purpose of contributing to their agricultural, industrial, and general economic development. To the extent that private capital and enterprise can be encouraged to participate in productive ventures of this kind, the burden of foreign aid now carried by Government funds and financed by the American taxpayers will be correspondingly reduced. At the same time, the principle of respect for private enterprise and an understanding of what it can accomplish in improving living standards is encouraged. A major consequence of this activity is the strengthening of the economic power of the free world.

The committee believes that the moderate expansion of the program provided in this bill is sound and that it will contribute to achieving the objectives of the Mutual Security Act at little or no cost to the United States.

22. FOOD AND AGRICULTURE ORGANIZATION (SEC. 8 (I))

This section of the bill increases the ceiling on United States contributions to the Food and Agriculture Organization from \$2 million a year to \$3 million a year, with a proviso that in no case can our contributions exceed 31.5 percent of the total annual budgets of the organization.

This section of the bill is the same as section (a) of Senate Joint Resolution 97 which passed the Senate April 19, 1956. Senate Joint Resolution 97 also increased the ceiling on United States contributions to the International Labor Organization, but that matter is not dealt with in this bill.

The Food and Agriculture Organization provision was added to the mutual security bill by the House Foreign Affairs Committee. The proviso limiting United States contributions to 31.5 percent was added by the Senate Foreign Relations Committee in consonance with the earlier action of the Senate.

For reasons which are more fully explained in its report on Senate Joint Resolution 97 (S. Rept. 1172), the committee believes the increase here provided is needed and justified.

23. GENERAL ADMINISTRATIVE PROVISIONS (SECS. 9, 10, AND 11 (A), NEW SUBSECTIONS 544 (C), (D), (E), AND (F))

*Transferability (sec. 9 (a)).*—This section of the bill corrects a clerical error which was made in 1954 and repeated in 1955 in section 501 of the Mutual Security Act, relating to transferability of funds. The last two sentences of this section, which are deleted by section 9 (a) of the bill, deal with the requirement that given percentages of funds transferred to development assistance must be furnished on a loan basis. As the law now stands, these two sentences are contradictory. Through inadvertence the next to the last sentence of section 501 was left in the law last year although the reason for it ceased with the repeal of the loan requirement in section 201 of title II.

The last sentence was included through a clerical error in the final print of the act though it was not in the bill reported by the conference committee and passed by the Congress.

The bill also strikes out the third from last sentence in section 501 which becomes obsolete with the repeal of section 105 (c).

The basic transferability provisions of the act are unaffected by these changes.

*Use of foreign currency (sec. 9 (b)).*—This subsection adds the Senate Select Committee on Small Business to the congressional committees which are entitled to use counterpart funds to meet their local currency expenses in carrying out their duties. The Small Business Committee has hitherto had the use of these funds, but the General Accounting Office has raised a technical question about the matter and this amendment will make it perfectly clear. Section 502 (b) of the Mutual Security Act originally granted this authority to—

appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act.

Last year, to remove some doubt, the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report were added by name to the section. The General Accounting Office interpreted this to exclude other committees not mentioned by the Legislative Reorganization Act; hence the desirability of the Small Business Committee amendment.

*Availability of funds (sec. 9 (c)).*—Section 507 of the present law states the important principle that funds shall be available to carry out the act as they are authorized and appropriated to the President each fiscal year. This means that for these important programs a separate review is conducted in the Senate by the Committee on Foreign Relations and the Committee on Appropriations. Specific exceptions have heretofore been made to this principle and noted in section 507. These include the infrastructure program, contributions to the Intergovernmental Committee for European Migration, participation in NATO, and assistance to certain Chinese and Korean students. Other sections of the Mutual Security Act, however, also authorize appropriations to be available for longer than 1 year. These other sections include section 103 (no-year funds for military assistance), section 418 (the Asian development fund, available to June 30, 1958), and section 411 (d) (administrative expenses of the State Department). To remove any possibility of conflict between section 507 and these other sections, the committee has approved an amendment to section 507 making it clear that the rule of section 507 does not apply if other provisions of the act provide otherwise.

*Shipping on United States vessels (sec. 9 (d)).*—Section 509 of the act prescribes the operation of the 50-50 shipping principle for the mutual security program, i. e., that in most cases 50 percent of the goods financed under the program must be shipped on American vessels. In 1955, this section was amended to exempt from this requirement the transportation from one foreign country to another of commodities procured with foreign currencies derived from dollar funds made available under the Mutual Security Act. This means, for example, that when mutual security funds are used to purchase wheat in the United States which is sold in a foreign country, and when the foreign currency accruing from that sale is used to purchase commodities which are needed in the aid program, then these commodities may be shipped from one foreign country to another without regard to the 50-50 shipping requirement. Section 9 (d) of the bill would further amend section 509 by extending this exemption to commodities procured with foreign currencies received for surplus agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong.). This amendment should simplify the disposal overseas of United States surplus agricultural commodities. The committee emphasizes that the amendment relates only to shipments between two foreign countries and in no way affects shipments from the United States.

*Procurement services of the General Services Administration (sec. 10 (a) (1)).*—This paragraph of the bill confirms the authority for the procedure currently being followed in handling funds to cover administrative expenses of the General Services Administration (GSA) in performing procurement services under the foreign aid program. Under this procedure, payments made to GSA for administrative sur-

charges on foreign aid procurement are consolidated in a separate no-year account which may be drawn upon to cover administrative expenses of GSA in connection with such procurement. This eliminates serious bookkeeping difficulties which would arise if GSA administrative expenses, such as salaries of personnel, had to be distributed voucher by voucher among the numerous individual appropriation accounts maintained in the foreign-aid program.

*Allocation and reimbursement among agencies (sec. 10 (a) (2)).*—This provision would add a new subsection (f) to section 522 of the act, which relates to allocation and reimbursement among agencies and deals with other fiscal procedures. The new subsection provides that any appropriation under the act may be initially charged (within the limits of available funds) with an expense for which funds are available in another appropriation under the act, so long as the expense is ultimately charged to the correct appropriation with a proper credit to the appropriation initially charged, and provided that this adjustment is made before the end of same fiscal year. The purpose of this amendment is to simplify bookkeeping. For example, there are some centralized activities concerned with technical assistance which are financed from three separate appropriations: technical assistance (title III), defense support, Europe (ch. 3 of title I), and joint control areas (sec. 403). Under the proposed amendment, instead of dividing each item of expense for such central activities among these three appropriations at the time each individual voucher is presented, the entire cost may be initially charged against technical assistance funds. However, before the end of the same fiscal year a proportional share of such expense must be finally charged against each of the other two appropriations, with corresponding credit to the technical assistance account.

The committee agrees that it is desirable to authorize this simplified method of accounting but warns the agencies concerned against abuse of the authority. It is not to be used as an additional kind of transferability. Neither is the new authority to be used as an excuse for poor recordkeeping and cost accounting.

*Contracts with organizations of experts (sec. 10 (b)).*—This section of the bill authorizes annual renewal of contracts with organizations of experts and consultants. Under the existing general civil service laws, contracts for the employment of experts and consultants may not be renewed after 1 year. The philosophy of this general provision of the law is that if there is a need in a Government agency for the services of an expert over a period of longer than a year, a regular civil service job should be established to provide such services. There is a need, however, particularly in the programs carried out by the International Cooperation Administration, for such services as engineering and other technical surveys of proposed projects. The best way to conduct such surveys is to send out a team of engineers and other specialists of various kinds. There is not enough of this kind of work in any one country or even in the world as a whole to warrant maintaining a full-time staff of engineers and other specialists in ICA, and it is difficult to assemble teams of individual engineers for short periods of work. The International Cooperation Administration finds it better and cheaper to contract with engineering firms to conduct whatever survey work is necessary from time to time. Such a contract



does not displace full-time engineering or technical employees and the philosophy of the civil service laws is therefore not applicable.

The committee expects that the use of the new authority will be confined to situations which do not conflict with the spirit of the civil service laws. It cautions the agencies concerned not to use such contracts as a device to avoid Government salary ceilings and other civil service regulations.

*Cooperation with nations and international organizations (sec. 10 (c)).*—This subsection amends section 535 (b) of the Mutual Security Act so as to clarify the authority to furnish nonmilitary supplies, materials, and services at the request of nations (as well as international organizations, as at present), on the basis either of an advance of funds or of reimbursement. Under the proposed amendment, such advances and reimbursements which are received within 180 days after the close of the fiscal year in which the supplies, materials, or services are delivered may be credited to the current appropriation or fund of the agency which financed the transaction.

Two different kinds of transactions are contemplated. Sometimes a nation will request the United States Government to act for it in buying supplies or in procuring services. It is possible under existing law to receive from such nation an advance of funds and to set up a special trust account out of which the supplies or services are procured. This method of operations complicates bookkeeping. It is easier if the advance of funds can be credited to a regular appropriation account of the agency, and the amendment would allow this to be done.

In other instances, nations or international organizations prefer to pay for supplies or services in dollars when the supplies are delivered or the services have been rendered, with the United States Government financing the arrangement prior to reimbursement. Under the proposed amendment, if payment is made within the period of 180 days after the close of the fiscal year in which the supplies are delivered, such reimbursement may be credited to current appropriations rather than deposited to miscellaneous receipts of the Treasury. This second kind of transaction has been little used in nonmilitary assistance programs.

The committee believes that sales of supplies for cash or short-term credit should be encouraged by the International Cooperation Administration as a substitute for grants or even for long-term loans. As the proposed new authority is used, it will be necessary for the executive branch, in preparing future programs for nonmilitary assistance, to present to the Congress estimates of amounts receivable on account of such transactions. This authority is available only "whenever the President determines it to be in furtherance of the purposes and within the limitations of this act."

*Authority for certain expenditures (sec. 10 (d)).*—This section of the bill provides a statutory basis for certain types of necessary expenditures, most of which have been authorized in the past on a year-to-year basis in appropriation bills. This change will remove a possible basis for a point of order against mutual security appropriation bills, and it will eliminate the need to reenact these provisions each year in appropriations acts.

The expenditures authorized are: the payment of rents in the District of Columbia; expenses of attendance at meetings, including inci-

dental expenses related to arrangements for meetings of groups of consultants; the employment of aliens by contract for services abroad; the use of aircraft and passenger motor vehicles; entertainment in the United States; payment of losses which may result from fluctuations in foreign currency exchange rates; not to exceed \$50,000 a year for confidential expenses; insurance of official vehicles abroad; rental, repair, and alteration of housing quarters abroad; funeral and related expenses of persons who die away from their homes while engaged in mutual security programs; the purchase of uniforms; employment of chauffeurs abroad; medical examinations of dependents of personnel going overseas; payment of per diem for foreign trainees in third countries in accordance with the Standardized Government Travel Regulations; provision of ice and drinking water abroad; travel expenses of employees and their dependents assigned overseas as well as the costs of transporting or storing household goods and personal effects; and payments of extra and unusual expenses incurred in operating and maintaining a suitable official residence for the chief of a special mission administering the mutual security program abroad.

The bill also makes it clear that funds may be used for certain expenses authorized by the Foreign Service Act, such as commissary and mess service. In addition, the bill continues the authority of the Public Health Service and the Coast and Geodetic Survey each to have not more than 20 additional officers for work in the mutual security program.

This section further authorizes Government agencies to pay costs of health and accident insurance for foreign participants while they are away from their homes engaging in any exchange-of-persons program or furnishing technical information and assistance. Many plants and other institutions cooperating in furnishing training in the United States insist upon such insurance protection, and ICA now requires it. Without insurance, the foreign participants would rely upon the United States Government to help them in event of illness or accident. Before fiscal year 1954, health and accident insurance was provided for participants under a provision in the appropriation legislation similar to the one now proposed. The methods of handling this problem which have been attempted since then have proven ineffective or administratively burdensome, and the earlier authority is, therefore, being reenacted.

Finally, this section authorizes the use of up to \$12 million of Korean aid funds to provide living quarters, office space, and supporting facilities for personnel carrying out mutual security activities in Korea. It is contemplated that \$9 million of these funds would be used for military facilities and \$3 million for civilians. In this connection, it should be noted that the executive branch already has authority (under sec. 411 (c) of the Mutual Security Act) to waive certain general provisions of laws relating to the kind of construction. The lack of housing, office space, and other facilities is hampering efficient administration of the aid program in Korea. This is the largest such program in the world, accounting for approximately 15 percent of all funds carried in this bill. The facilities to be provided under this section will contribute to the achievement of the purposes of this large program. The committee does not intend for these facilities to be elaborate, but it agrees that something should be done

to alleviate the excessive hardships now imposed on mutual security personnel in Korea.

*Redelegation of authority by subordinate officials in the Department of State (sec. 11 (a), new subsec. 544 (c)).*—This would amend section 4 of the act of May 26, 1949 (5 U. S. C. sec. 151c), which is the general authority of the Secretary of State to promulgate rules and regulations and delegate functions. The purpose of this amendment is to clarify the basis upon which officials in the Department of State, such as the Director of the International Cooperation Administration, may, when so authorized by the Secretary of State, redelegate to other officials in the Department functions (including the promulgation of rules and regulations) which have been delegated to them by the Secretary. The need for a clarifying amendment has arisen particularly in connection with various administrative functions involved in operations of the mutual security program since the International Cooperation Administration became part of the Department of State.

*Purchase of additional categories of foreign currency for the Fulbright program (sec. 11 (a) new subsec. 544 (d)).*—This amends section 32 (b) (2) of the Surplus Property Act of 1944 so that foreign currencies received in repayment of loans made under section 505 (b) of the Mutual Security Act may be used for the Fulbright educational exchange program. Section 505 (b) now provides that repayments "shall be held by the Treasury to be used for such purposes, including further loans, as may be authorized from time to time by Congress."

The use of these funds for the Fulbright program would be subject to the provisions of section 1415 of the Supplemental Appropriation Act, 1953, and other similar provisions of succeeding appropriation acts, which require that the foreign currencies must, in effect, be purchased from the Treasury with dollars from the appropriations of the agencies using such funds. The Fulbright program is unique in that its appropriations for program expenses abroad may be used only for the purchase of foreign currencies from the Treasury, and may therefore not be used at all for activities in any country unless the Treasury has on hand currencies or credits of that country. The proposed amendment would permit the program to go forward in countries which have made repayments on section 505 loans whether or not the Treasury holds currencies of that country derived from other sources.

*Payment of home leave travel for employees from United States Territories (sec. 11 (a), new subsec. 544 (e)).*—This would amend section 933 of the Foreign Service Act of 1946, as amended, so as to authorize payment of home leave travel for overseas employees whose homes are in United States Territories and possessions such as Hawaii, Alaska, and Puerto Rico on the same basis as is now applicable to employees whose homes are in the continental United States. In the case of a Government employee whose residence is in a United States Territory or possession, the Foreign Service Act now permits payment for travel on home leave only between the employee's overseas post and the point in the continental United States nearest to his residence. Thus, for example, a Government employee whose residence is in Hawaii and whose post is in the Near East or Europe must pay for his own travel between California and Hawaii in order to take his home leave at

home. The amendment will, in such a case, permit payment of home leave travel to the employee's home in Hawaii.

*Withholding for income-tax purposes on per diem advances (sec. 11 (a)).*—This would amend section 1441 (c) of the Internal Revenue Code of 1954 (26 U. S. C. 1441c) so as to eliminate any necessity for making deductions or withholdings for United States income tax purposes from amounts of per diem in lieu of subsistence paid by the United States Government (directly or through contract financed by the U. S. Government) to foreign participants engaged in training in the United States under the mutual security program. The amendment has the express approval of the Treasury Department. This provision does not change the ultimate tax liability in regard to such payments, but it does remove any requirement of making advance withholdings from these per diem payments to cover such possible liability.

The amendment is desirable because per diem paid to foreign participants in lieu of subsistence may in some cases technically be considered "income" subject to United States tax and, consequently, also subject to an advance withholding requirement. In such cases, participants could almost invariably show, at the time of their departure from the United States upon completion of training, deductible expenses such that they would at that time receive a full refund of the amounts previously withheld from their per diem payments. The net result of requiring withholding in this type of situation is to deprive the participants of a portion of their per diem (which may not exceed \$12) during the period when they need it while they are undergoing training in the United States, without any taxes being ultimately received by the United States Government. The amendment will eliminate this problem.

24. INFORMATIONAL MEDIA GUARANTIES (SEC. 11 (a), NEW SUBSEC. 544 (g))

Section 11 (a), new subsection 544 (g) of the bill amends the Smith-Mundt Act so as to make a number of changes in the informational media guaranty program. This is the program under which the Government agrees to convert into dollars foreign currency acquired by American book publishers, film producers, and other exporters of informational material, from sales of their products abroad. The Government receives in return a dollar fee from the participating firm plus the foreign currencies involved. The program is essentially a means to remove the obstacle which currency inconvertibility presents to dissemination abroad of American informational materials. It is a highly useful part of our total overseas information program. This category of guaranties, therefore, has a substantially different purpose from that of the investment guaranty program.

Both the informational media and the investment guaranties were instituted as a single program under authority provided in the Economic Cooperation Act of 1948. Although the two programs have been administered separately since 1952, they have continued to be financed and accounted for in common. Obligations of both programs have been chargeable to the same \$200 million limitation on issuing and borrowing authority. Inasmuch as fees received in payment for

guaranties must be used before any money is borrowed from the Treasury, payments made under informational media guaranty contracts have come from a commingling of industrial and informational guaranty fees.

The bill recognizes the distinct characteristics and purposes of the two programs by providing for separate accounting and financing arrangements for informational media guaranties. The bill also provides a new and simpler financing arrangement. These and certain other technical changes are accomplished through an amendment to the United States Information and Educational Exchange Act (Smith-Mundt Act).

This amendment authorizes the Director of the United States Information Agency to assume not more than \$28 million of the notes originally executed under the Economic Cooperation Act of 1948. Of this amount, however, only about \$17 million will be available after the end of this fiscal year, because the remaining \$11 million must be charged to previous operations. This \$11 million is accounted for by \$9 million which has already been advanced for informational media guaranties and by the requirement that USIA pay back to ICA \$2 million as the equivalent of fees received for investment guaranties.

In addition to the \$17 million which remains at the Director's disposal for future operations, foreign currencies on hand which have been obtained from prior transactions will increase that amount whenever they can be sold for dollars. It is anticipated by the executive branch that this working fund will be sufficient to sustain the program for another 2 or 3 years unless there is a sharp increase in applications for guaranties. At the present time there are over \$12 million in applications in process. In lieu of the ceiling of \$10 million on the amount of these guaranties in existing law, the bill fixes a ceiling equal to:

(1) the amount of the notes assumed by the Director of USIA (\$28 million)

(2) minus the amounts previously advanced on such notes by the Secretary of the Treasury (\$9 million)

(3) plus the amount of the funds in a special informational media guaranties account which is to be established in the Treasury. This special account in the Treasury will consist of advances borrowed from the Treasury against the notes, together with dollars which may be obtained from the sale of foreign currencies accruing under the program. To the extent, therefore, that these currencies may be converted into dollars by the Government, the account will be a revolving fund, payments under guaranties being replaced by the dollar equivalent of local currencies acquired by the United States. Any fees which may be earned from the issuance of guaranties will likewise be deposited in the special account which is to be used solely for payments under guaranty contracts. Should there be a net loss from informational media guaranty operations in future years the deficiency will have to be made up from appropriations provided by Congress.

The bill also authorizes the use of local currencies accruing under the informational media guaranty program for—

educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other

purposes of mutual interest as may be agreed to by the Governments of the United States and the country from which the currencies derive.

This additional authority is necessary for the following reasons: The informational media guaranties program operates only in those countries which have given their consent to it. A number of these countries have placed restrictions on the use of local currencies purchased by the United States under the program, sometimes limiting them to "educational, scientific, and cultural purposes" or some special purpose which might be agreed to between the governments concerned.

At the present time, however, there is only limited legislative authority to spend funds in this manner. As a consequence, the United States has been accumulating foreign currencies which it cannot adequately utilize. While in some countries the problem is not yet acute (as in Indonesia and Burma), in Israel the United States now holds about \$4 million worth of Israel pounds which are restricted to "educational, scientific, and cultural" uses. In a letter dated May 18, 1956, from Assistant Secretary of State Hill to Senator George, it was pointed out that:

these blocked accounts offer opportunities to cement friendly relations with the countries concerned through the use of the funds for cultural activities of mutual interest to those countries and the United States. On the negative side the continued existence of these blocked accounts not only diminishes the funds available for the informational media guaranties program but creates risks of loss through devaluation, whether by official act or through gradual diminution of market value.

In Israel some loss of value has already occurred through inflation. The authority contemplated under the amendment will permit use of these funds for worthwhile purposes of mutual interest to the United States and other countries such as, for example, the addition of a United States law wing to the Israel Bar Association, and comparable projects in other countries.

The bill also makes these other changes in the program:

1. Authority to issue informational guaranties is extended from June 30, 1957, to June 30, 1967, in keeping with the extension of the investment guaranty authority.

2. Collection of a minimum charge of up to \$50 is permitted for issuance of guaranty contracts or amendments thereto, so as to cover administrative expenses in connection with guaranties whose face value is so small that the fees collected do not meet processing costs.

3. Authority is granted to make advance payments under informational media guaranty contracts. This will permit a kind of short-term credit to exporters of informational materials similar to that furnished under many Government contracts for procurement and construction. It is particularly desirable in areas where the book trade is so undeveloped that American exporters find it difficult or impossible to obtain short-term financing through normal commercial channels, yet where the dissemination of informational materials is particularly desirable.

It is the opinion of the committee that the informational media guaranty program is one of the most important aspects of the overseas information program and that its effectiveness in stimulating the distribution of books and other informational materials has become increasingly evident. At the same time, this distribution is accomplished at less cost than if it were handled through the ordinary functions of the information program and with maximum reliance on private trade channels. The committee strongly approves of the proposed amendments to the informational media guaranty program.

25. USE OF PUBLIC LAW 480 FOREIGN CURRENCY (SEC. 11 (a), NEW SUBSEC. 544 (i))

The bill makes two amendments to section 104 of the Agricultural Trade Development and Assistance Act (Public Law 480). Section 104 specifies eight purposes for which the President may use foreign currencies accruing from sales of surplus agricultural commodities under title I of that act. One of these purposes is the financing of Fulbright educational exchange activities. This purpose has been virtually ignored, receiving only 0.8 percent of all foreign currencies available under title I. The committee therefore approved an amendment specifying that not less than 5 percent of the aggregate of these currencies shall be used for exchange programs.

It should be made clear that the amendment does not require such use of 5 percent of these currencies in each country where they are available. In some countries—such as the United Kingdom, for example—ample funds for the Fulbright program are available from other sources and Public Law 480 currencies are not needed. In other countries, however—such as, for example, Pakistan—Public Law 480 is virtually the only source of Fulbright funds. Under this amendment, none of the Public Law 480 funds would have to be used for the exchange program in such countries as the United Kingdom, but if that were the case, then the difference would have to be made up by using more than 5 percent in such countries as Pakistan so as to reach the figure of 5 percent of the aggregate.

The amendment also directs that, in the allocation of foreign currencies among the purposes of Public Law 480, a special effort shall be made to provide for the exchange program in countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years. The exchange program is a long-range effort and measures to provide long-range financing should be encouraged.

The second amendment made to section 104 of Public Law 480 adds a ninth purpose for which foreign currencies may be used—namely, financing the translation, publication, and dissemination of books and periodicals abroad. A limitation of \$5 million a year would be placed on the use of funds for this purpose.

This amendment is motivated by the committee's concern over the abundance of cheap Communist books available in many foreign countries and the relative scarcity of American works. The committee believes that \$5 million of foreign currencies expended for this purpose would be well worthwhile.

26. PRICING OF MILITARY EQUIPMENT (SEC. 11 (b) (1))

This section of the bill would amend section 545 (h) of the act which defines "value" in connection with transactions between the Army, Navy, or Air Force, on the one hand, and the military assistance program on the other. When Army, Navy, or Air Force equipment is used by the military assistance program the service furnishing the equipment is reimbursed upon delivery from military assistance appropriations. The method of computing the value of such equipment varies depending on whether the item involved: (1) is excess to the mobilization reserve; (2) is not excess to the mobilization reserve and needs to be replaced; (3) is not excess to the mobilization reserve but does not need full replacement; or (4) is to be newly procured.

If the item is excess, "value" is defined as the total cost of repairing, rehabilitating, or modifying the item prior to being furnished. If the item is newly procured for the purpose of being furnished, the "value" is the total cost of procurement. If the item is not excess to the mobilization reserve but does not need to be fully replaced, the "value" may be either the total cost of the equipment or its replacement cost. If the item is not excess to the mobilization reserve and does need to be replaced, the "value" is defined as the cost of procuring an equal quantity of such equipment or an equivalent quantity of equipment of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment delivered.

The foregoing "values" for excess items and items newly procured cause no difficulty. Moreover, experience shows that very little equipment falls into the category of equipment which is not excess but which does not need to be fully replaced.

The pricing problem thus is centered in the definition of "value" for equipment which is not excess and which needs to be replaced. The problem arises because of the fact that for the past several years the cost of military equipment has been steadily increasing due to the increasing complexity of weapons and due to gradual inflation in the economy. If an item which cost \$2 has been in stock for 2 years but is not excess to the mobilization reserve, the cost of replacing the item may be \$3 and the market value, due to its age and condition, may be \$1. Under the existing law, the military service furnishing the item has been paid \$3 from military assistance appropriations. This pricing formula has enabled the Army, Navy, and Air Force, to some extent, to modernize their own equipment with military assistance funds. An incidental result has been that the published figures on the value of deliveries to foreign countries are somewhat inflated. The Comptroller General stated to the committee that a substantial portion of the material programed through 1955 was billed at 170 percent of the acquisition cost.

It should also be pointed out that the situation has changed in other respects since the existing pricing formula was enacted as a part of the Mutual Defense Assistance Act of 1949. At that time, United States military equipment stocks were relatively low and the Department of State was responsible for reimbursing the military departments for deliveries. There was concern on the part of the Congress that the discretion to value such deliveries might be abused and that United States military stocks might be unduly reduced. Since then,



however, the Military Establishment has greatly expanded in size and the appropriations for military assistance are less than 10 percent of those for the regular United States Military Establishment. Moreover, the Secretary of Defense himself now receives the allocations of military assistance appropriations and reimburses the military departments for deliveries to the military assistance program.

For all these reasons, the committee believes that a change in the existing pricing rules is overdue.

The new pricing system contemplates that the price obtaining for similar transactions between the services would be used, if such a price exists. In other cases, the basic difference would be that under the present system when a delivery to military assistance involves a non-excess item from stock, military assistance appropriations are charged with the cost of buying a new and better item for the military department concerned; whereas under the new system military assistance appropriations will be charged "the gross cost to the United States adjusted as appropriate for condition and market value." The word "condition" will permit taking into account the age as well as the physical condition of the item. The term "market value" is one which must be applied carefully. It is intended to refer to the fair value of the item at the time of delivery—not at the time of programming. There may not be an actual "market value" in the literal sense of the term, but an attempt will be made to arrive at the fair value of the item by considering, among other things, what it would cost to buy that same item—not a new or better one—at the time of delivery.

The new pricing formula will not immediately replace the old formula. The amendment deliberately leaves the old definition of value in the act because there are thousands of military items involved in the military assistance program and the new pricing regulations within the Department of Defense, which will incorporate the new definition of value, cannot be worked out for several months. During the transition period it will be necessary to use the original definition, at least for some transactions.

The purpose of the new pricing formula is stated in the bill—namely, to establish "a more equitable pricing system for transactions between the military departments and the mutual defense assistance program." The committee expects this purpose to be carried out conscientiously. It likewise expects to receive reports from time to time on the progress being made to this end and to be furnished copies of the new pricing regulations before they go into effect. Next year's military assistance presentation to the Congress should include detailed figures comparing prices under the old and new pricing systems, together with an estimate of the total sum saved in military assistance appropriations after the new formula went into effect.

27. OBLIGATIONS AND EXPENDITURES (SEC. 11 (C))

The committee gave considerable attention to the problem of unobligated and unexpended funds available to the mutual security program from prior appropriations and to the relationship of these balances to the amounts needed for fiscal 1957.

The mutual security program, particularly its military component, has been beset by extremely complex accounting problems for several

years. In part, these problems arise from the unique operating difficulties of the program. Of all the major activities of the United States Government, the mutual security program is the only one in which fiscal obligations depend so largely on agreements with foreign governments. Other Government agencies, such as the Department of State, operate abroad; but their financial problems are their own, and they, consequently, have a much greater degree of control over rates and timing of their spending than do agencies administering mutual security. This is not to say that the Government has significantly less control over spending mutual security funds; it does have control in the sense that it can spend the funds or not. The difference lies in the rate of spending.

A purely domestic agency can plan its activities over the course of a year unilaterally. Mutual security activities depend on agreements with foreign governments. As a general rule negotiation of those agreements cannot be undertaken until after the money is appropriated. Although, in the case of nonmilitary assistance, the International Cooperation Administration plans projects in advance of appropriations (indeed, it is partly on the basis of this planning that Congress makes the appropriations), the plans can be no more than tentative until after the appropriations are actually made and the necessary agreements entered into with foreign governments. Even after these agreements are made, the obligation and expenditure of United States funds await certain action on the part of the foreign government, and this action is sometimes delayed for reasons over which the United States has no control.

The Karachi fish harbor project in Pakistan provides an example. This project involves improving facilities for the fishing fleet and for marketing fish. It is expected to double or triple the amount of fish available in Karachi with great benefit to the local diet. By making new and better facilities available to the fishing fleet, the project will also free other space which is needed for the general development of the port of Karachi. The project was first surveyed by the Food and Agriculture Organization in 1950-51. In April 1953, a project agreement was signed between the United States and Pakistan calling for a total investment of approximately \$2 million, of which the United States would contribute \$750,000.

There were delays within the Pakistan Government caused by differences over site selection and acquisition and other matters. In April 1954—a year after the project agreement had been signed—the United States deobligated the funds committed to it. After the lapse of an additional year, the Pakistan Government resolved its difficulties and United States funds were reobligated. Construction began in July 1955, and is expected to be completed in December 1957.

MUTUAL SECURITY PROGRAM  
 Status of obligations, summary of fiscal year 1956 appropriations

[In thousands of dollars]

Appropriation	New appropriation, fiscal year 1956	Adjustments		Available obligation, fiscal year 1956	Actual and estimated obligations and reservations				Estimated unobligated and unreserved balances		
		Reappropriated	Actual and anticipated transfers		Actual July 1, 1955-Mar. 31, 1956	Unobligated and unreserved balance Mar. 31, 1956	Estimated, Apr. 1, 1956-June 30, 1956	Total estimate	Unobligated and unreserved balance June 30, 1956	Reserve for return to Treasury June 30, 1956	Unobligated balance, June 30, 1956, to be reappropriated
Military assistance, general.....	705,000	33,900		1,738,900	189,034	549,886	404,366	593,400	145,500	-18,900	126,600
Department of Defense.....	705,000	33,900		1,738,900	189,034	549,886	404,366	593,400	145,500	-18,900	126,600
Direct forces support.....	317,200			317,200	50,904	206,286	216,286	267,200	50,000	-10,000	40,000
Department of Defense.....	317,200			317,200	50,904	206,286	216,286	267,200	50,000	-10,000	40,000
International Cooperation Administration.....				304,305	39,009	205,296	215,296	254,305	50,000	-10,000	40,000
Department of Defense.....				304,305	39,009	205,296	215,296	254,305	50,000	-10,000	40,000
International Cooperation Administration.....				12,895	11,895	1,000	1,000	12,895			
Defense support, Europe.....	85,500		-1,400	84,100	36,080	28,020	28,020	84,100	400	-400	
Special assistance in joint control areas in Europe.....	21,000		-300	20,700	11,434	9,266	8,866	20,300			
Defense support, Near East and Africa.....	113,700		38,000	151,700	79,328	72,372	79,372	151,700			
Defense support, Asia.....	803,000	9,984	-19,750	790,234	627,159	263,073	263,073	790,234	9,200	-9,200	
Development assistance, Near East and Africa.....	73,000		-18,000	55,000	19,022	35,978	35,978	45,000			
Development assistance, Asia.....	51,000			51,000	29,681	21,319	21,319	51,000			
Development assistance, American Republics and non-self-governing territories of the Western Hemisphere.....	38,000		500	38,500	32,862	5,638	5,638	38,500			
Technical cooperation, general.....	127,500	2,906	-500	127,006	69,026	58,580	58,580	127,006	1,000	-1,000	
U. N. expanded programs of technical assistance.....	24,000			24,000	21,850	2,150	1,150	23,000			
Technical cooperation programs of the organization of American States.....	1,500			1,500			-300	1,200	300	-300	
Special Presidential fund.....	100,000			100,000			100,000	100,000			
Intergovernmental Committee for European Migration.....	12,500			12,500	10,242	2,258	2,258	12,500			
United Nations refugee fund.....	1,200			1,200	1,200			1,200			
United Nations returnee fund.....	6,000			6,000	3,591	2,409	2,409	6,000			
Escapee program.....	14,500			14,500	14,500			14,500			
United Nations children's fund.....	58,367	3,633		62,000	12,000	50,000	4,700	16,700	45,300		45,300
United Nations relief and works agency.....	3,700			3,700	2,353	1,347	1,137	3,700			
North Atlantic Treaty Organization.....	2,000			2,000	1,801	199	199	2,000			
Ocean freight charges, United States voluntary relief agencies.....	13,000			13,000	12,771	229	229	13,000			
Ocean freight charges, surplus agricultural commodities.....											

See footnotes at end of table.

THE MUTUAL SECURITY ACT OF 1956

MUTUAL SECURITY PROGRAM—Continued  
 Status of obligations, summary of fiscal year 1956 appropriations—Continued

[In thousands of dollars]

Appropriation	New appropriation, fiscal year 1956	Adjustments		Available for obligation, fiscal year 1956	Actual and estimated obligations and reservations			Estimated unobligated and unreserved balances			
		Reappropriated	Actual and anticipated transfers		Actual July 1, 1955-Mar. 31, 1956	Unobligated and unreserved balance Mar. 31, 1956	Estimated, Apr. 1, 1956-June 30, 1956	Total estimate	Unobligated and unreserved balance June 30, 1956	Reserve for return to Treasury June 30, 1956	Unobligated balance June 30, 1956, to be reappropriated
Control Act expenses.....	1,175			1,175	833	342	1,175				
President's fund for Asian economic development.....	100,000			100,000	4,366	5,634	10,000	90,000			
Administrative expenses, sec. 411, Mutual Security Act.....	33,500		1,460	34,960	24,408	10,342	34,200	700	-700		
Grand total.....	2,703,342	48,423		2,751,765	1,176,115	1,575,650	2,409,365	342,400	-40,500	211,900	
Reappropriation by primary agencies:											
Department of Defense.....	1,022,200	33,900		1,043,205	228,043	815,162	619,662	195,500	-28,900	166,600	
Military assistance, general.....				738,900	189,034	549,866	593,490	145,500	-18,900	126,600	
Direct forces support.....				304,305	39,009	265,296	254,305	50,000	-10,000	40,000	
International Cooperation Administration.....	1,661,142	14,523		1,708,560	948,072	760,488	1,561,660	146,900	-11,600	45,300	
Direct forces support.....				12,895	11,895	1,000	12,895				
Other Mutual Security programs.....				1,695,665	936,177	759,488	1,548,765	146,900	-11,600	45,300	
Total recapitulation by primary agencies.....	2,703,342	48,423		2,751,765	1,176,115	1,575,650	2,409,365	342,400	-40,500	211,900	

<sup>1</sup> Excludes adjustment pursuant to sec. 108, Public Law 208, 84th Cong.  
<sup>2</sup> Unobligated balance (after sec. 1311 certification) of no-year funds, Institute of Inter-American Affairs.  
<sup>3</sup> Available through June 30, 1958.  
<sup>4</sup> Excludes an estimated additional \$15 million unobligated on June 30, 1956 from prior year funds.

Analysis of expenditures, as of Mar. 31, 1955, with forecasts through June 30, 1956, and June 30, 1957  
 [In millions of dollars]

	Actual expenditures fiscal year 1955	Certified unliquidated obligations June 30, 1955	New appropriations fiscal year 1956	Unobligated balances continued available in fiscal year 1956	Actual and anticipated transfers fiscal year 1956	Available for expenditure fiscal year 1956	Actual expenditures July 1, 1955-Mar. 31, 1956	Unexpended balance Mar. 31, 1956	Estimated expenditures		Estimated unexpended balances June 30, 1956	Estimated reserve for return to Treasury	Proposed new obligations authorized fiscal year 1957	Available for expenditure fiscal year 1957	Estimated expenditures fiscal year 1957	Estimated unexpended balances June 30, 1957
									Apr. 1, 1956-June 30, 1956	Total fiscal year 1956						
Military and direct forces support, total	2,311.2	6,203.0	1,022.2	33.9	7,259.1	1,353.3	5,905.8	846.7	2,200.0	5,059.1	-28.9	3,000.0	3,030.2	2,500.0	5,530.0	
APPROPRIATIONS AVAILABLE IN FISCAL YEAR 1956 AND PRIOR YEARS																
Military assistance	2,291.8	6,152.4	705.0	33.9	6,891.3	1,289.6	5,601.7	766.8	2,056.4	4,534.9	-18.9	3,000.0	7,816.0	2,343.8	5,472.2	
Department of Defense	2,089.1	5,986.2	705.0	33.9	6,735.1	1,205.9	5,529.2	725.5	1,931.4	4,593.7	-18.9	3,000.0	7,784.8	2,315.1	5,469.7	
International Cooperation Administration	202.7	156.2			156.2	83.7	72.5	41.3	125.0	31.2			31.2	28.7	2.5	
Direct forces support and common-use items:																
Direct forces support			317.2		317.2	28.9	287.3	69.2	99.1	218.1	-10.0		208.1	152.1	56.0	
Department of Defense			317.2		304.3	23.4	280.9	65.2	88.6	215.7	-10.0		205.7	149.7	56.0	
International Cooperation Administration					12.9	6.5	6.4	4.0	10.5	2.4			2.4	2.4		
Common-use items	19.4	50.6			50.6	33.8	16.8	10.7	44.5	6.1			6.1	4.1	2.0	
International Cooperation Administration	19.4	50.6			50.6	33.8	16.8	10.7	44.5	6.1			6.1	4.1	2.0	
PROPOSED NEW OBLIGATIONAL AUTHORITY FOR FISCAL YEAR 1957 (DEFENSE)																
Other mutual security programs, total	1,953.1	1,692.9	1,681.2	14.5	3,388.6	1,082.1	2,306.5	487.9	1,570.0	1,818.6	-26.6	1,860.0	3,652.0	1,765.0	1,887.0	
Appropriations available in fiscal year 1956 and prior years	1,953.1	1,692.9	1,681.2	14.5	3,388.6	1,082.1	2,306.5	487.9	1,570.0	1,818.6	-26.6		1,792.0	1,215.0	687.2	
Appropriations available prior to fiscal year 1956	1,953.1	1,692.9			1,692.9	862.2	830.7	207.8	1,070.0	622.9	-15.0		607.9	465.0	142.9	

Analysis of expenditures, as of Mar. 31, 1955, with forecasts through June 30, 1956, and June 30, 1957—Continued

(In millions of dollars)

	Actual expenditures fiscal year 1955	Certified obligations June 30, 1955	New appropriations fiscal year 1956	Unobligated balances continued available in fiscal year 1956	Actual and anticipated transfers fiscal year 1956	Available for expenditure fiscal year 1956	Actual expenditures July 1, 1955-Mar. 31, 1956	Unexpended balances Mar. 31, 1956	Estimated expenditures		Estimated unexpended balances June 30, 1956	Estimated reserve for return to Treasury	Proposed additional authority fiscal year 1957	Available for expenditure fiscal year 1957	Estimated expended fiscal year 1957	Estimated unexpended balances June 30, 1957
									Apr. 1, 1956-June 30, 1956	Total, fiscal year 1956						
Appropriations made available in fiscal year 1956			1,681.2	14.5		1,695.7	219.9	1,475.8	280.1	500.0	1,195.7	-11.6	1,184.1	750.0	434.1	
Defense support, Europe areas			85.5		-51.4	84.1	6.5	77.6	32.5	39.0	45.1		45.1	34.5	10.6	
Defense support, Near East and Africa			21.0		-3	20.7	4.4	16.3	7.6	12.0	8.7	-4	8.3	7.0	1.3	
Development assistance, Near East and Africa			113.7		38.0	151.7	30.7	121.0	18.3	49.0	102.7		102.7	74.0	28.7	
United Nations relief and works agency			73.0		-18.0	55.0		55.0	8.9	8.9	46.1	-9.2	36.9	21.0	15.9	
Defense support, Asia			58.4	3.6		62.0	9.1	52.9	7.6	16.7	45.3		45.3	20.0	25.3	
Development assistance, Asia			800.0	10.0	-19.8	790.2	83.9	706.3	133.6	217.5	572.7		572.7	377.5	196.2	
Development assistance, American Republics and non-self-governing territories of the Western Hemisphere			51.0			51.0	.8	50.2	3.2	4.0	47.0		47.0	35.5	11.5	
Technical cooperation, general			38.0		.5	38.5	5.3	32.2	12.2	17.5	21.0		21.0	16.1	4.9	
Organization of American States			127.5	.9	-5	127.9	29.6	98.3	15.4	45.0	82.9		82.9	50.0	32.9	
United Nations expanded program of technical assistance			1.5			1.5	.2	1.3	.4	.6	.9	-3	.6	.6		
Intergovernmental Committee for European Migration			24.0			24.0	12.6	11.4	1.9	14.5	9.5	-1.0	8.5	8.5		
United Nations refugee fund			12.5			12.5	2.7	9.8	3.3	6.0	6.5		6.5	6.5		
United Nations children's fund			1.2			1.2	1.0	.2								
North Atlantic Treaty Organization			14.5			14.5	4.5	10.0	3.5	8.0	6.5		6.5	6.5		
Ocean freight, United States voluntary relief agencies			3.7			3.7	.4	3.3	1.1	1.5	2.2		2.2	2.2		
Ocean freight charges, surplus agricultural commodities			2.0			2.0	1.1	.9	.7	1.8	.2		.2	.2		
Escapee program			13.0			13.0	6.8	6.2	6.2	13.0						
Control act expenses			6.0			6.0	.8	5.2	.7	1.5	4.5		4.5	3.5	1.0	
			1.2			1.2	.7	.5	.3	1.0	.2		.2	.2		

	1.5	33.5	48.4	18.8	16.2	9.2	28.0	7.0	-7	6.3	6.0	3
Administrative expenses, sec. 411, Mutual Security Act.....		35.0										78.5
President's fund for Asian economic development.....		100.0			100.0	1.5	1.5	98.5		98.5	20.0	28.0
Special Presidential fund.....		100.0			100.0	12.0	12.0	88.0		88.0	60.0	
Proposed new obligational authority for fiscal year 1957.....										1,860.0	550.0	1,310.0
Grand total.....	4,264.3	7,895.9	2,708.4	2,435.4	8,212.3	1,334.6	3,770.0	6,877.7	-55.5	11,682.2	4,265.0	7,417.2
RECAPITULATION BY PRIMARY AGENCY												
Department of Defense, total.....	2,089.1	5,896.2	1,022.2		5,810.1	790.7	2,020.0	5,019.4	-28.9	3,000.0	7,990.5	2,464.8
Military assistance.....	2,089.1	5,896.2	705.0	1,205.9	5,529.2	725.5	1,931.4	4,803.7	-18.9	3,000.0	7,784.8	5,469.7
Direct forces support.....			317.2	23.4	280.9	65.2	88.6	215.7	-10.0		205.7	56.0
International Cooperation Administration, total.....	2,175.2	1,899.7	1,681.2	1,206.1	2,402.2	543.9	1,750.0	1,858.3	-26.6	1,860.0	3,691.7	1,801.5
Military assistance.....	202.7	156.2		83.7	72.5	41.3	125.0	31.2			28.7	2.5
Direct forces support.....	19.4	50.6		6.5	6.4	4.0	10.5	2.4			2.4	
Common-use items.....				33.8	10.8	10.7	44.5	6.1			4.1	2.0
Other mutual security programs.....	1,953.1	1,682.9	1,681.2	1,082.1	2,306.5	487.9	1,570.0	1,818.6	-26.6	1,860.0	3,662.0	1,887.0
Total recapitulation by primary agency.....	4,264.3	7,895.9	2,708.4	2,435.4	8,212.3	1,334.6	3,770.0	6,877.7	-55.5	11,682.2	4,265.0	7,417.2

Thus in the case of this project, which was first planned in fiscal year 1951, funds were initially obligated in fiscal year 1953, and work actually began in fiscal year 1956 with a scheduled completion date in fiscal year 1958. None of the delays encountered detracts from the merits of the project, but they are illustrative of many of the time lags which ICA faces in carrying out its program.

On the military side, the problems are slightly different, but in some respects even more time-consuming. The production lead-time for the procurement of complicated weapons and military equipment runs as high as 3 years. This is a problem which the Department of Defense faces with respect to its own procurement, of course, but the problem is magnified with respect to procurement for the military assistance program.

One of the problems of operating a military establishment is fitting procurement and training schedules together so that equipment is available when troops are ready for it and troops are ready when equipment is available. This problem is enormously complicated when one is dealing, not with the forces of a single country, but with the forces of 36 countries.

Large unexpended balances are, therefore, inherent in a program of this character, as to both its economic and military components, but especially as to the latter. The difficulties inherent in the program, however, were unnecessarily complicated by the accounting procedures which were used in the Defense Department until 1954. It will be recalled that during congressional consideration of the mutual security program last year as the fiscal year drew to a close, Congress was confronted with wild fluctuations in executive branch estimates of obligations and unobligated funds. This was due, at least in part, to the fact that the accounting system was then in a process of transition. This process is now much further advanced, and the committee is less dissatisfied with the fiscal records and practices of this program.

The situation is explained in much greater detail in the testimony of Comptroller General Joseph Campbell and of W. J. McNeil, Assistant Secretary of Defense-Controller, on pages 764-803 and 870-890 of the hearings. The tables on pages 47-51 of this report show the most recent available figures on the status of obligations and expenditures.

In summary, these tables show that the total unexpended balances, for both the military and nonmilitary components of the program, amounted to \$8.2 billion on March 31. It is estimated that this figure will be reduced to \$6.9 billion by June 30. The committee does not consider these funds excessive, particularly when compared to the estimated unexpended balance of \$39.2 billion available to the Department of Defense for United States military forces by July 1.

Obligations are in some respects more significant than expenditures in a program of this kind. On March 31, the unobligated and unreserved balance was \$1.6 billion. It is estimated that \$1.2 billion will be obligated or reserved between April 1 and June 30, leaving an unobligated and unreserved balance of \$342 million at the close of the fiscal year.

Section 11 (c) of the bill limits the unobligated and unreserved funds which may be carried forward to \$200 million plus unobligated



balances in the President's Fund for Asian Economic Development (amounting to \$90 million) and in the account for relief, rehabilitation, and resettlement of Palestine refugees (amounting to \$45 million). This provision, which is similar to one contained in the Mutual Security Act of last year, will insure that money which is not obligated will not be carried over in relatively substantial amounts. It will mean that money which is carried over will be firmly committed and obligated and will not be available as a backlog for future planning. Exceptions are made for the President's Fund for Asian Economic Development and for the Palestine refugee fund. In authorizing these funds originally, Congress did not contemplate that they would be obligated within a single year and they, therefore, should not be reduced because they remain unobligated.

As indicated above, the total unobligated and unexpended balances in the mutual security program do not appear unduly large in relationship to the overall size of the program and in view of the peculiar operating difficulties which it confronts. At the same time, however, the committee is by no means convinced that the agencies concerned, principally Defense and ICA, have done all that they could to improve their programming procedures and to achieve a more-even rate of obligation and expenditure throughout the year. The committee realizes that the mutual security appropriation bill is rarely passed before the start of the fiscal year for which it provides funds. It further realizes that the bill rarely appropriates the sums requested by the executive branch and that a certain amount of reprogramming necessarily follows. The committee does not understand, however, why the original programming cannot be done within the framework of a system of priorities which could then be easily applied to the final appropriations.

The committee is also of the opinion that more consideration should be given within the executive branch to the suggestion of the Comptroller General that appropriations for the mutual security program be put on an accrued expenditure basis. The committee hopes that within the coming year the General Accounting Office, the Department of Defense, ICA, and the Bureau of the Budget will explore the matter further and will be prepared to present mature, considered judgments at the time this program is considered next year.

28. INTERNATIONAL FOOD AND RAW MATERIALS RESERVE (SEC. 11 (d))

Section 11 (d) of the bill expresses the sense of Congress that the President should explore with other nations the establishment of an International Food and Raw Materials Reserve under the auspices of the United Nations and related international organizations. The Reserve would be organized for the purpose of acquiring and storing in appropriate countries raw or processed farm products and other raw materials, exclusive of minerals with a view to—

- (1) preventing extreme price fluctuations in the international market in these commodities;
- (2) preventing famine and starvation;
- (3) helping absorb temporary market surpluses of farm products and other raw materials (exclusive of minerals);
- (4) economic and social-development programs formulated in cooperation with other appropriate international agencies.

Before the United States joins such a reserve, however, the President will be required to obtain authorization by the Congress, either by treaty or legislation, for such participation. The President is further required to make reports on action under this proposed section in his semiannual reports to the Congress.

The proposed amendment is based upon Senate Resolution 86, to provide for the creation of an international food and raw materials reserve, introduced on March 30, 1955, by Senator Murray and 22 other Senators. A subcommittee of the Committee on Foreign Relations held hearings on May 28 and 29, 1956, on this resolution and Senate Resolution 85, a similar proposal by Senators Scott and Murray, which favored the creation and operation of a world food bank. Representatives of the executive branch opposed the resolutions on the grounds that sufficient legislative authority existed to deal with surplus agricultural commodities and that some aspects of the resolutions would restrict the President too much in dealing with this problem. With one exception, all other witnesses heard—among them representatives of the National Farmers Union, United Automobile Workers of America, Americans for Democratic Action, Cooperative League of the United States of America, International League for Peace and Freedom, and the Committee for Economic Stability, as well as Senators Murray and Scott, the principal sponsors—strongly favored the resolutions. The one exception, a spokesman for the American Smelting & Refining Co., favored the exclusion of minerals.

Inasmuch as the Committee on Foreign Relations was simultaneously considering the problem of surplus agricultural commodities in connection with the Mutual Security Act of 1956, the committee voted to incorporate the substance of Senate Resolution 86 as section 11 (d) of the bill as reported. The amendment is not mandatory and excludes minerals. The committee's action was based on a strong sentiment that more imaginative and vigorous action was necessary to find ways of using agricultural surpluses. It was not satisfied that the administration had done its utmost to explore every possible avenue of making effective use of these commodities. So while the language of the proposed amendment does not make it mandatory for the President to explore the creation of a raw materials reserve, the committee hopes and expects that he will do so unless there are overriding reasons to the contrary. It should also be pointed out that the bill does not attempt to anticipate the results of the President's explorations and specifically reserves to Congress the right to reexamine any plan which may be presented.

29. FOREIGN RESEARCH REACTOR PROJECTS (SEC. 12)

This section of the bill authorizes an appropriation for fiscal 1957 of \$5,950,000 to finance nuclear research reactor projects abroad.

This is 1 of 3 programs financed by mutual security funds for promoting peaceful uses of atomic energy on an international basis. A portion of the President's Fund for Asian Economic Development is being used to assist the Colombo plan countries in establishing in Asia a center for nuclear training and research. Also, a number of trainees from foreign countries are being brought to the United States under the technical cooperation program to participate in training courses at such centers as the Argonne School of Nuclear Science and Engi-

neering and the Oak Ridge Institute of Nuclear Studies. All of these activities are a part of the atoms-for-peace program outlined by President Eisenhower in his address before the United Nations General Assembly in December 1953.

Under the Atomic Energy Act of 1954 no country may receive assistance in constructing a research reactor until it has concluded with the United States the agreement required by the act. Each agreement includes guaranties for the maintenance of security safeguards by the foreign government and guaranties that any nuclear material transferred will not be used for atomic weapons or research toward atomic weapons. The uranium to be furnished is not of weapons grade and it is being leased, not given, to the foreign government. In these bilateral agreements the foreign country agrees to allow United States technicians to inspect at any time the facilities which we have helped to create. The agreements provide for the exchange of information on the use of research reactors in related health and safety problems and the use of radioactive materials in research and therapy in various fields of knowledge. The pending bill specifically provides that it does not in any way affect the provisions of the Atomic Energy Act.

The bill also limits the United States contribution to any reactor furnished under this section to \$350,000. This is one-half the estimated cost of a typical project including the necessary surveys, supporting facilities, and services.

It is expected that nearly 50 foreign countries will eventually sign agreements under the Atomic Energy Act of 1954 for cooperation in the development of peaceful atomic applications. Of this number it is expected that 37 countries will request financial assistance under the President's offer in the establishment of research reactor programs. For the purposes of budgeting it is anticipated that 8 projects will be approved prior to June 30, 1956; that 17 projects will be approved during the fiscal year 1957; and that the remaining 12 projects will qualify for assistance in subsequent years. For the 8 projects which are expected to get underway in fiscal 1956, up to \$2.8 million (or \$350,000 each) is being made available from the President's special fund under section 401 of the Mutual Security Act of 1954. The authorization of \$5,950,000 contained in section 11 of the bill will provide for 17 contributions of \$350,000 each toward the projects expected to be approved during fiscal 1957.

The committee believes that this activity will prove helpful to the foreign countries which participate and will return dividends in cooperation and knowledge to the United States. The authorization in section 12 of the bill will make an important contribution to the success of the atoms-for-peace program. The bill makes provision for appropriate publicity regarding the United States contribution to the program.

### 30. TRANSFER OF FUNDS FOR EDUCATIONAL EXCHANGE (SEC. 13)

Section 13 of the bill expresses the sense of Congress that \$11 million of the funds made available should be transferred, in the discretion of the President, to the Department of State for international educational exchange activities. The bill specifies that the amount so transferred shall be in addition to funds otherwise appropriated for such

activities and that not more than \$500,000 of the amount transferred may be used for administrative expenses.

This section is designed to make available for the exchange program in fiscal 1957 the full amount of \$31 million recommended by the Advisory Commission on Educational Exchange. The budget request for this activity was reduced to \$20 million in the process of fitting it into an overall ceiling for the Department of State. This budget request of \$20 million was appropriated in the State Department appropriation bill. It seems to the committee, however, to be highly important that the full amount recommended by the Advisory Commission be provided. The educational exchange program is widely recognized as one of the most effective long-term activities of the United States Government. The Soviet Union is increasingly entering the exchange-of-persons field and our own activities in this respect should be stepped up.

#### 31. TECHNICAL DEFINITIONS (SEC. 11 (b) (2))

This provision of the bill would add in section 545 of the act two new subsections defining the terms "agency administering nonmilitary assistance" and "officer administering nonmilitary assistance" as any agency or officer to whom nonmilitary functions are delegated under the act. The terms in question are employed in a number of places in the proposed bill. Using these general terms in the act, rather than the specific titles of individual agencies and officers, will avert the need to make numerous cumbersome technical amendments in the act to reflect any changes in organizational titles and arrangements with respect to administration of nonmilitary assistance.

#### 32. COTTON TEXTILE IMPORTS

The committee gave earnest consideration to a proposal which would have resulted in quota restrictions on imports of cotton textiles and certain other products. There is no doubt that some segments of the cotton textile industry in the United States are now in economic distress as the result of imports of low-priced Japanese products—principally blouses, velveteens, and gingham. On the other hand, total imports of cotton cloth into the United States in 1955 amounted to only 133 million square yards, or 1.2 percent of the domestic production of 11 billion square yards. United States exports of raw cotton to Japan total \$120 million a year as compared to United States imports of cotton textiles from Japan of \$60 million. It must also be remembered that Japan is the largest single customer for American agricultural exports. These exports include important quantities of wheat, rice, and soybeans, as well as cotton.

These facts are recited not to belittle the problem of particular segments of the American cotton textile industry but to indicate some of the ramifications of a quota approach to that problem. The Japanese have themselves voluntarily limited their exports of these products to the American market. But the Japanese must export somewhere; otherwise, they cannot maintain a reasonable standard of living. One of the objectives of American policy in the Far East is to develop more intraregional trade between Japan and other free Asia

nations. In the absence of this trade and in the absence of trade with the United States, the pressure will become intense for Japan to look to the Soviet Union and to Communist China as trading partners. The political and military consequences to the United States of Japan thus slipping into the Soviet orbit would be enormous.

Meanwhile there is provision in existing law for procedures to be followed by the affected American textile manufacturers in seeking relief. The Tariff Commission is now actively engaged in hearings under these procedures. The committee hopes that the Tariff Commission and other interested agencies of the executive branch continue to pursue this matter expeditiously so that some final action may be had before Congress adjourns. The committee expects the executive branch to keep it informed of developments in this regard.

The problem involved here is of great concern to the Foreign Relations Committee, but the committee was in some doubt as to its jurisdiction over the question in the precise form in which it was presented—namely, a proposal involving tariffs. For these and other reasons which have been indicated, therefore, the committee voted to refer the matter to the Committee on Finance with an expression of the Foreign Relations Committee's hope that the Finance Committee would follow the Tariff Commission proceedings closely and would give the question its most careful consideration.

#### CHANGES IN EXISTING LAW

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

#### MUTUAL SECURITY ACT OF 1954

AN ACT To promote the security and foreign policy of the United States by furnishing assistance to friendly nations, 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 "Mutual Security Act of 1954".*

*SEC. 2. STATEMENT OF POLICY.—(a) The Congress of the United States, recognizing that the peace of the world and the security of the United States are endangered as long as international communism and the nations it controls continue by threat of military action, use of economic pressure, 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 nations once free but now subject to such domination, declares it to be the policy of the United States to continue as long as such danger to the peace of the world and to the security of the United States persists to make available to free nations and peoples upon request assistance of such nature and in such amounts as the United States deems advisable to provide compatible with its own stability, strength,*

*and other obligations, and as may be needed and effectively used by such free nations and peoples to help them maintain their freedom.*

(b) It is the sense of the Congress that inasmuch as—

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world,

those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

(c) It is the sense of the Congress that assistance under this Act, shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence.

(d) *It is the sense of the Congress that assistance furnished out of funds hereafter made available for aid to the newly independent states in Africa should be furnished in the same manner as in the case of other independent states.*

## TITLE I—MUTUAL DEFENSE ASSISTANCE

### CHAPTER 1. MILITARY ASSISTANCE

SEC. 103. AUTHORIZATIONS.—(a) (1) There is hereby authorized to be appropriated to the President, in addition to appropriations authorized by section 104, not to exceed \$1,270,000,000 to carry out the purpose of this chapter; and, in addition, unexpended balances of appropriations for military assistance under each paragraph of the Mutual Security Appropriation Act, 1954 (including the appropriation for mutual special weapons planning), are hereby authorized to be continued available for the purpose of this chapter and to be consolidated with the appropriation authorized by this subsection; all of which is hereby authorized to be continued available through June 30, 1955.

(2) In addition, there is hereby authorized to be appropriated to the President to carry out the purposes of this chapter not to exceed \$1,133,000,000, to remain available until expended.

(3) *There is hereby authorized to be appropriated to the President for the fiscal year 1957 program to carry out the purposes of this chapter not to exceed \$925,000,000 which shall remain available until expended.*

(4) *In addition to the authorization in paragraph (3) of this section, there is hereby authorized to be appropriated to the President not to exceed \$1,600,000,000 to remain available until expended and to be used only for the purpose of purchasing equipment and materials for the Armed Forces of the United States, in replacement for equipment and*

*materials of a corresponding value which the Secretary of Defense is hereby authorized to furnish from Department of Defense stocks in accordance with the terms of this Act applicable to military assistance and within the limits of appropriations made pursuant to this authorization. In the discretion of the Secretary of Defense, the Department of Defense may use such appropriations for replacement in advance of delivery of such equipment and materials in the possession of the Department of Defense or may incur, in applicable appropriations, obligations in anticipation of reimbursement from such appropriations for replacement.*

(b) Funds made available pursuant to subsection (a) of this section shall be available for the administrative and operating expenses of carrying out the purpose of this chapter and of section 124 including expenses incident to United States participation in international security organizations.

(c) When appropriations made pursuant to subsection (a) of this section are used to furnish military assistance on terms of repayment within ten years or earlier such assistance may be furnished, notwithstanding sections 105, 141, and 142, to nations eligible to purchase military equipment, materials, and services under section 106.

\* \* \* \* \*

SEC. 105. CONDITIONS APPLICABLE TO MILITARY ASSISTANCE.—(a) Military assistance may be furnished under this chapter to any nation whose increased ability to defend itself the President shall have determined to be important to the security of the United States and which is otherwise eligible to receive such assistance. Equipment and materials furnished under this chapter shall be made available solely to maintain the internal security and legitimate self-defense of the recipient nation, or to permit it to participate in the defense of its area or in collective security arrangements and measures consistent with the Charter of the United Nations. The President shall be satisfied that such equipment and materials will not be used to undertake any act of aggression against any nation.

(b) In addition to the authority and limitations contained in the preceding subsection, the following provisions shall apply to particular areas:

(1) The Congress welcomes the recent progress in European cooperation and reaffirms its belief in the necessity of further efforts toward political federation, military integration, and economic unification as a means of building strength, establishing security, and preserving peace in the North Atlantic area. In order to provide further encouragement to such efforts, the Congress believes it essential that this Act should be so administered as to support concrete measures to promote greater political federation, military integration, and economic unification in Europe.

(2) Military assistance furnished to any nation in the Near East and Africa to permit it to participate in the defense of its area shall be furnished only in accordance with plans and arrangements which shall have been found by the President to require the recipient nation to take an important part therein.

(3) In furnishing military assistance in Asia and in carrying out the provisions of section 121 of this Act, the President shall

give the fullest assistance, as far as possible directly, to the free peoples in that area, including the Associated States of Cambodia, Laos, and Vietnam, in their creation of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence.

(4) Military assistance may be furnished to the other American Republics only in accordance with defense plans which shall have been found by the President to require the recipient nation to participate in missions important to the defense of the Western Hemisphere.

[(c) The Secretary of Defense shall insure that the value (as determined pursuant to section 545) of equipment, materials, and services heretofore furnished under military assistance programs authorized by Acts repealed by this Act or hereafter furnished pursuant to section 103 (a) to nations or organizations in each of the four areas named in this subsection shall not exceed the total of the funds heretofore made available for military assistance in that area pursuant to Acts repealed by this Act plus the amount herein specified for that area :

[(1) In the European area (excluding Greece and Turkey, \$617,500,000.

[(2) In the Near East (including Greece and Turkey) and Africa, \$181,200,000.

[(3) In Asia, \$583,600,000.

[(4) In the Western Hemisphere, \$13,000,000.

[(d) Whenever the President determines it to be necessary for the purpose of this title, equipment, materials, and services of a value not to exceed 15 per centum of the sum of (1) that portion of the unexpended balances referred to in section 103 (a) which was available on June 30, 1954, to furnish assistance in any of the areas named in subsection (c) of this section, and (2) the amount specified in the applicable paragraph of subsection (c) of this section for additional assistance in such area, may be furnished in any other such area or areas, notwithstanding the limitations set forth in subsection (c) of this section. Funds heretofore obligated or programmed or hereafter made available solely for the purpose of section 104 (pertaining to infrastructure) shall not be included in the total fixed for each such area. Funds heretofore appropriated for military assistance in a particular geographic area but transferred from such use under section 513 of the Mutual Security Act of 1951, as amended, or under section 408 (c) of the Mutual Defense Assistance Act, shall be included in the total for the area for the benefit of which such transfer was made, and not in the total for the area from which the transfer was made.]

\* \* \* \* \*

#### CHAPTER 3--DEFENSE SUPPORT

SEC. 131. GENERAL AUTHORITY.—(a) The President is hereby authorized to furnish, to nations and organizations eligible to receive military assistance under chapter 1 of this title, or to nations which have joined with the United States in a regional collective defense arrangement, commodities, services, and financial and other assistance



designed to sustain and increase military effort. In furnishing such assistance, the President may provide for the procurement and transfer from any source of any commodity or service (including processing, storing, transporting, marine insurance, and repairing) or any technical information and assistance.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 to carry out the provisions of this section, not to exceed—

- (1) \$46,000,000 for Europe (excluding Greece and Turkey);
- (2) \$73,000,000 for the Near East (including Greece and Turkey, Africa, and South Asia; and
- (3) \$80,098,195 for the Far East and the Pacific.

In addition, unexpended balances of appropriations heretofore made pursuant to section 541 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized for the same area by this subsection: *Provided*, That portions of such unexpended balances which have been allocated to assistance for Greece and Turkey shall be consolidated with the appropriation authorized by paragraph (2) of this subsection.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 to carry out the provisions of this section, not to exceed—

- (1) \$92,000,000 for Europe (excluding Greece and Turkey);
  - (2) \$102,500,000 for the Near East (including Greece and Turkey) and Africa; and
  - (3) \$827,800,000 for Asia **C. 1**;
- and for the fiscal year 1957 not to exceed—

- (1) \$78,700,000 for Europe (excluding Greece and Turkey);
- (2) \$170,000,000 for the Near East (including Greece and Turkey) and Africa;
- (3) \$882,000,000 for Asia; and
- (4) \$37,000,000 for Latin America.

*Funds made available under paragraph (4) may be used to furnish assistance designed to sustain and increase military effort or political or economic stability, and may be used without regard to the requirements of sections 141 and 142 in the case of any nation which is a party to the Inter-American Treaty of Reciprocal Assistance and which has adhered to the resolution of 1954 entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States against the Intervention of International Communism."*

Funds made available for assistance to Korea from appropriations authorized by this section may be used in accordance with the applicable provisions of section 132 of 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.

CHAPTER 4—GENERAL PROVISIONS RELATING TO MUTUAL DEFENSE ASSISTANCE

\* \* \* \* \*  
*Sec. 143. Notwithstanding any other provision of law, no assistance under this title or any other title of this Act, or under any provision of law repealed by section 542 (a) of this Act, shall be furnished to Yugoslavia after the expiration of 90 days following the date of the enactment of this section, unless the President finds (1) that there has been no change in the Yugoslavian policies on the basis of which assistance under this Act has been furnished to Yugoslavia in the past, and that Yugoslavia is independent of control by the Soviet Union, and (2) that it is in the interest of the national security of the United States to continue the furnishing of assistance to Yugoslavia under this Act.*

TITLE II—DEVELOPMENT ASSISTANCE

SEC. 201. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed—

(1) \$115,000,000 for assistance designed to promote the economic development of the Near East and Africa, and for other types of assistance designed to help maintain economic and political stability in the area;

(2) \$75,000,000 for assistance designed to promote the economic development of Asia and to assist in maintaining economic and political stability in the area; and

(3) \$9,000,000 for assistance designed to promote economic development in the other American Republics and non-self-governing territories of the Western Hemisphere and to assist in maintaining economic and political stability in the area.

Such assistance may be furnished on such terms and conditions as the President may specify and shall emphasize loans rather than grants wherever possible.

(b) In addition, unexpended balances of appropriations heretofore made pursuant to sections 206 and 302 (b) of the Mutual Security Act of 1951, as amended, and unexpended balances of funds allocated to the emergency economic aid program for Bolivia are hereby authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriations authorized by paragraphs (1), (2), and (3) of subsection (a) of this section, respectively.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$73,000,000, \$71,000,000 and \$38,000,000, to furnish assistance under paragraphs (1), (2), and (3), respectively, of subsection (a) of this section.

(d) *There is hereby authorized to be appropriated to the President for the fiscal year 1957 not to exceed \$63,000,000 and \$80,000,000 to*

*furnish assistance under paragraphs (1) and (2) respectively, of subsection (a) of this section.*

*(e) Funds made available under this title may be used for expenses (other than those provided for under section 411 (c) of this Act) to assist in carrying out functions under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U. S. C. 1691 and the following), delegated or assigned to any agency or officer administering nonmilitary assistance.*

SEC. 202. ADMINISTRATION.—Except as necessary to accomplish the purposes of section 201, programs of assistance authorized by that section shall be administered in accordance with sections 303 and 308 (relating to technical cooperation). The authority provided in section 307 may be exercised for purposes of furnishing assistance under section 201.

SEC. 203. REQUIREMENT REGARDING FURNISHING ASSISTANCE ON TERMS OF REPAYMENT.—*Seventy-five per centum of the assistance furnished from funds made available after the date of enactment of the Mutual Security Act of 1956 under this title or under section 420 may be provided only on terms of repayment, except (1) when such funds are used to finance sales of surplus agricultural commodities under section 402, or (2) when granted for the purpose of a regional project involving two or more beneficiary nations.*

### TITLE III—TECHNICAL COOPERATION

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SEC. 304. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955 \$88,570,000 for technical cooperation programs in the Near East, Africa, South Asia, and Far East and Pacific, and \$28,500,000 for such programs in Latin America. In addition, unexpended balances of appropriations heretofore made pursuant to section 543 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$146,500,000, and for the fiscal year 1957 not to exceed \$140,500,000 for technical cooperation programs in the Near East and Africa, Asia and Latin America.

SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes.

SEC. 306. MULTILATERAL TECHNICAL COOPERATION.—As one means of accomplishing the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, their related organizations, and other international organizations, wherever practicable. There is hereby authorized to be appropriated to carry out the purpose of this section, in addition to the amounts authorized by section 304, not to exceed—

(a) \$17,958,000 for making contributions to the United Nations Expanded Program of Technical Assistance; in addition, \$24,000,000

for the fiscal year 1956 [for contributions to the United Nations Expanded Program of Technical Assistance;], and \$15,500,000 for the fiscal year 1957, for such contributions;

(b) \$1,500,000 for making contributions to the technical cooperation program of the Organization of American States; in addition, \$1,500,000 for the fiscal year 1956 [for contributions to the technical cooperation programs of the Organization of American States.], and \$1,500,000 for the fiscal year 1957, for such contributions.

SEC. 307. ADVANCES AND GRANTS; CONTRACTS.—The President may make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons or to any foreign government agency. The President may make and perform contracts and agreements in respect to technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency. A contract or agreement which entails commitments for the expenditure of funds appropriated pursuant to this title may, subject to any future action of the Congress, [run for not to exceed three years.] extend at any time for not more than three years.

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#### TITLE IV—OTHER PROGRAMS

SEC. 401. SPECIAL FUND.—(a) Of the funds made available under this Act, not to exceed [ \$50,000,000 ] \$150,000,000, in addition to the funds authorized to be appropriated under subsection (b) hereof, may be used in any fiscal year, without regard to the requirements of this Act or any other Act for which funds are authorized by this Act, in furtherance of any of the purposes of such Acts, when the President determines that such use is important to the security of the United States. Not to exceed \$100,000,000 of the funds available under this section may be expended for any selected persons who are residing in or escapees from the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Lithuania, Latvia, and Estonia or the Communist-dominated or Communist-occupied areas of Germany [and Austria], or any Communist-dominated or Communist-occupied areas of Asia and any other countries absorbed by the Soviet Union, either to form such persons into elements of the military forces supporting the North Atlantic Treaty Organization or for other purposes, when the President determines that such assistance will contribute to the defense of the North Atlantic area or to the security of the United States. Certification by the President that he has expended amounts under this Act not in excess of \$50,000,000, and that it is inadvisable to specify the nature of such expenditures, shall be deemed a sufficient voucher for such amounts. Not more than [ \$20,000,000 ] \$30,000,000 of the funds available under this section may be allocated to any one nation in any fiscal year.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 \$100,000,000, and for the fiscal year 1957 not to exceed \$100,000,000, for use in accordance with subsection (a) of this section.

SEC. 402. EARMARKING OF FUNDS.—Of the funds authorized to be made available pursuant to this Act for the fiscal year 1956, not less than \$300,000,000, and of the funds so authorized for the fiscal year 1957 not less than \$250,000,000, shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States, in addition to surplus agricultural commodities or products transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, and in accordance with the standards as to pricing and the use of private trade channels expressed in section 101 of said Act. Foreign currency proceeds accruing from such sales shall be used for the purposes of this Act and with particular emphasis on the purposes of section 104 of the Agricultural Trade Development and Assistance Act of 1954 which are in harmony with the purposes of this Act. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use for such purposes the foreign currencies which accrue to the United States under this section.

SEC. 403. SPECIAL ASSISTANCE IN JOINT CONTROL AREAS.—(a) The President is hereby authorized to furnish commodities, services, and financial and other assistance to nations and areas for which the United States has responsibility at the time of the enactment of this Act as a result of participation in joint control arrangements where found by the President to be in the interest of the security of the United States. There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$25,000,000 to carry out this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$21,000,000, and for the fiscal year 1957 not to exceed \$12,200,000, to carry out this section.

SEC. 405. MIGRANTS, REFUGEES, AND ESCAPEES.—(a) The President is hereby authorized to continue membership for the United States on the Intergovernmental Committee for European Migration in accordance with its constitution approved in Venice, Italy, on October 19, 1953. For the purpose of assisting in the movement of migrants, there is hereby authorized to be appropriated not to exceed \$11,189,190 for contributions during the calendar year 1955 to the Intergovernmental Committee for European Migration, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its contributions to the Committee and all necessary salaries and expenses incident to United States participation in the Committee. In addition, the unexpended balance of the appropriation made pursuant to section 534 of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized in this subsection.

(b) Of the funds made available under this Act, not more than \$800,000 may be used by the President to facilitate the migration to the other American Republics of persons resident in that portion of the Ryukyu Island Archipelago under United States control.

(c) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$1,400,000, and for the fiscal year 1957 not to

*exceed \$2,300,000*, for contributions to the United Nations Refugee Fund.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$6,000,000, *and for the fiscal year 1957 not to exceed \$7,000,000*, for continuation of activities, including care, training, and resettlement, which have been undertaken for selected escapees under section 401 of this Act.

SEC. 406. CHILDREN'S WELFARE.—(a) There is hereby authorized to be appropriated not to exceed \$13,500,000 for contributions during the fiscal year 1955 to the United Nations Children's Fund.

(b) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$14,500,000, *and for the fiscal year 1957 not to exceed \$10,000,000*, for contributions to the United Nations Children's Fund.

SEC. 407. PALESTINE REFUGEES IN THE NEAR EAST.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed \$30,000,000, to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In addition, the unexpended balance of the appropriation made for the Palestine refugee program in the Mutual Security Appropriation Act, 1954, is hereby authorized to be continued available for the purpose of this section through June 30, 1955. Whenever the President shall determine that it would more effectively contribute to the relief, rehabilitation, and resettlement of Palestine refugees in the Near East, he may expend any part of the funds made available pursuant to this section through any other agency he may designate.

(b) There is hereby authorized to be appropriated to the President [for the fiscal year 1956] not to exceed \$65,000,000 to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

\* \* \* \* \*  
SEC. 409. OCEAN FREIGHT CHARGES.—  
\* \* \* \* \*

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$4,400,000 to carry out the purposes of this section; and, in addition, unexpended balances of appropriations heretofore made pursuant to section 535 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized in this section. There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$2,000,000, *and for the fiscal year 1957 not to exceed \$3,000,000*, to carry out the purposes of this section.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$13,000,000 to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses. In addition, any funds made available under this Act may be used, in amounts determined by the President, for the purposes of this subsection.

SEC. 410. CONTROL ACT EXPENSES.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed

\$1,300,000, and for the fiscal year 1956 not to exceed \$1,175,000, and for the fiscal year 1957 not to exceed \$1,175,000, for carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (22 U. S. C. 1611). In addition, in accordance with section 303 of that Act, funds made available for carrying out chapter 1 of title I of this Act shall be available for carrying out the purpose of this section in such amounts as the President may direct.

SEC. 411. ADMINISTRATIVE AND OTHER EXPENSES.—

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(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$34,700,000, and for the fiscal year 1956 not to exceed \$35,225,000, [for all necessary administrative expenses incident to carrying out the provisions of this Act other than chapter 1 of title I and section 124] and for the fiscal year 1957 not to exceed \$35,250,000 for necessary administrative expenses incident to carrying out the provisions of this Act (other than chapter 1 of title I and section 124).

(c) Not to exceed \$1,500,000 of funds made available under title II may be transferred in the fiscal year 1957 for necessary administrative expenses not otherwise provided for incident to carrying out functions under the Agricultural Trade and Development Assistance Act of 1954, as amended (7 U. S. C. 1691 et seq.), delegated or assigned to any agency or officer administering nonmilitary assistance, and the amounts so transferred shall be consolidated with funds made available pursuant to this section for said fiscal year.

(d) There are authorized to be appropriated to the Department of State such amounts, not to exceed \$7,000,000 in any fiscal year, as may be necessary from time to time for administrative expenses which are incurred for normal functions of the Department which relate to functions under this Act.

(e) [(c)] 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, and without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of 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 Government funds as may be necessary to accomplish the purposes of this Act.

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SEC. 413. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other free nations to increase the flow of international trade, to foster private initiative and competition, 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 other free nations, through private trade and investment abroad, private participation in the 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 section.

(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—

(1) shall make arrangements to find and draw the attention of private enterprise to opportunities for investment and development in other free nations;

(2) shall 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*, nations participating in programs under this Act;

(3) shall, consistent with the security and best interests of the United States, seek compliance by other countries or a dependent area of any country with all treaties for commerce and trade and taxes and shall 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 dependent area thereof in violation of any such treaty; and

(4) may make, until [June 30, 1957] *June 30, 1967*, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program. *Provided, That—*

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person 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;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or investment on account of which such payment is



made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B) and not exceeding 4 per centum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as 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;

[(F) the President is authorized to issue guaranties up to a total of \$200,000,000: *Provided*, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guaranties issued under this subsection shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, when necessary to discharge liabilities under any such guaranty;]

*(F) the President is authorized to issue guaranties up to a total face value of \$500,000,000 exclusive of informational media guaranties heretofore and hereafter issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (b) (3)): Provided, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, and funds realized after June 30, 1955, from the sale of currencies or other assets acquired pursuant to subparagraph (C), shall be available for allocation to other guaranties, and the foregoing limitation shall be increased to the extent that such funds become available. Any payments made to discharge liabilities under guaranties issued under this paragraph shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of currencies or other assets acquired pursuant to subpara-*

*graph (C) and notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, and authorized to be issued under this paragraph by the Director of the International Cooperation Administration, when necessary to discharge liabilities under any such guaranty: Provided, That all guaranties issued after June 30, 1956, pursuant to this paragraph shall be considered for the purpose of sections 3679 (31 U. S. C. 665) and 3732 (41 U. S. C. 11) of the Revised Statutes, as amended, as obligations only to the extent of the probable ultimate net cost to the United States of such guaranties; and the President shall, in the submission to the Congress of the reports required by section 534 of this Act, include information on the operation of this paragraph: Provided further, That at all times funds shall be allocated to all outstanding guaranties issued prior to July 1, 1956, exclusive of informational media guaranties issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended, equal to the sum of the face value of said guaranties. For the purpose of this paragraph the Director of the International Cooperation Administration is authorized to issue notes (in addition to the notes heretofore issued pursuant to paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended) in an amount not to exceed \$37,500,000, and on the same terms and conditions applicable to notes issued pursuant to said paragraph 111 (c) (2).*

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(H) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person 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 goods items and related services pursuant to a contract providing for payments in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.

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SEC. 418. PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT.—  
(a) The Congress of the United States reaffirms the policy of the United States to contribute to international peace and security through assisting the peoples of free Asia in their efforts to attain economic and

social well-being, to safeguard basic rights and liberties, and to protect their security and independence. The Congress hereby recognizes that fundamental to these goals is an expanding economic growth of the free Asia area based upon self-help and mutual cooperation and full utilization of already existing resources and knowledge. The Congress expresses the willingness of the people of the United States to support the foregoing objectives to the extent to which the countries in the area continue to make effective use of their own resources and external resources otherwise available to them.

(b) In order to carry out the purposes of this section, there is hereby authorized to be established a fund, to be known as the "President's Fund for Asian Economic Development" (hereinafter referred to as "the Fund") and there is hereby authorized to be appropriated to the President for the Fund an amount of \$200,000,000, such amount to remain available until June 30, 1958.

(c) The President is authorized to utilize the appropriations made available for the Fund to accomplish in the free Asian area the policies and purposes declared in this Act and to disburse on such terms and conditions, including transfer of funds, as he may specify to any person, corporation, or other body of persons however designated, or to any friendly foreign government, agency, or organization or group of friendly governments or agencies as may be appropriate: *Provided, however,* That such assistance shall emphasize loans rather than grants wherever possible, and not less than 50 per centum of the funds appropriated pursuant to this section shall be available only for furnishing assistance on terms of repayment in accordance with the provisions of section 505, and not more than 25 per centum of said funds may be allocated for assistance to any one nation.

(d) In utilizing the Fund the President shall give preference to projects or programs that will clearly contribute to promoting greater economic strength in the area as a whole or among a group or groups of countries of the area.

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*Sec. 420. Special Authorization for the Middle East and Africa.—There is hereby authorized to be appropriated to the President for the fiscal year 1957 not to exceed \$100,000,000 for assistance in the general area of the Middle East and Africa in accordance with provisions in this Act applicable to the furnishing of assistance under chapter 3 of title I, title II, title III or section 407.*

*Sec. 421. Food and Agricultural Organization.—Public Law 174, Seventy-ninth Congress, as amended by section 1 (b) of Public Law 806, Eighty-first Congress, is hereby further amended by striking out the figure "2,000,000" in section 2 thereof and inserting in lieu thereof the figure "3,000,000", and by inserting before the period at the end of such section a colon and the following: "Provided, That the percentage contribution of the United States to the total annual budget of the Organization shall not exceed 31.5 per centum".*

## TITLE V—MISCELLANEOUS PROVISIONS

### CHAPTER 1. GENERAL PROVISIONS

**SEC. 501. TRANSFERABILITY OF FUNDS.**—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 pursuant to any provision of this Act may be transferred to and consolidated with the funds made available pursuant to any other provisions 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 made available for such provision pursuant to this Act. [Funds transferred under this section to furnish military assistance under chapter I of title I may be expended without regard to the area limits imposed by section 105 (c). Of any funds transferred under this section for the purpose of furnishing assistance under section 201, 30 per centum shall be available only for furnishing assistance on terms of repayment in accordance with section 505. Not less than 50 per centum of any assistance furnished under paragraph (1), (2), or (3) of section 201 (a) with funds transferred under this section shall be furnished on terms of repayment in accordance with section 505.]

SEC. 502. USE OF FOREIGN CURRENCY.—(a) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, proceeds of sales made under section 550 of the Mutual Security Act of 1951, as amended, shall remain available and shall be used for any purposes of this Act, giving particular regard to the following purposes—

- (1) for providing military assistance to nations or mutual defense organizations eligible to receive assistance under this Act;
- (2) for purchase of goods or services in friendly nations;
- (3) for loans, under applicable provisions of this Act, to increase production of goods or services, including strategic materials, needed in any nation with which an agreement was negotiated, or in other friendly nations, with the authority to use currencies received in repayment for the purposes stated in this section or for deposit to the general account of the Treasury of the United States;
- (4) for developing new markets on a mutually beneficial basis;
- (5) for grants-in-aid to increase production for domestic needs in friendly countries; and
- (6) for purchasing materials for United States stockpiles.

(b) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, local currencies owned by the United States shall be made available to appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act of 1946, as amended, and to the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report and the Senate Select Committee on Small Business for their local currency expenses: *Provided*, That any such committee of the Congress which uses local currency shall make a full report thereof to the Committee on House Administration of the House of Representatives (if the committee using such currency is a committee of the House of Representatives) or to the Committee on Appropriations of the Senate (if the committee using such currency is a committee of the Senate or a joint committee of the Congress),

showing the total amount of such currency so used in each country and the purposes for which it was expended.

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SEC. 507. AVAILABILITY OF FUNDS.—Except as otherwise provided [in section 104 (pertaining to infrastructure), 405 (pertaining to movement of migrants), 408 (a) (pertaining to North Atlantic Treaty Organization), and 412 (pertaining to Chinese and Korean students)] *in this Act*, funds shall be available to carry out the provisions of this Act (other than sections 414 and 416) as authorized and appropriated to the President each fiscal year.

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SEC. 509. SHIPPING ON UNITED STATES VESSELS.—Such steps as may be necessary shall be taken to assure, as far as practicable, that at least 50 per centum of the gross tonnage of commodities, materials and equipment procured out of funds made available under sections 103, 123, 131, 132 (a), 201, 304, and 403 of this Act and transported to or from the United States on ocean vessels, computed separately for dry bulk carriers, dry cargo liner and tanker services and computed separately for section 103, and for sections 123, 131, 132 (a), 201, 304, and 403 (taken together) is so transported on United States flag commercial vessels to the extent such vessels are available at market rates for United States flag commercial vessels provided such rates are fair and reasonable; and, in the administration of this provision, steps shall be taken, insofar as practicable and consistent with the purposes of this Act, to secure a fair and reasonable participation by United States flag commercial vessels in cargoes by geographic area. The ocean transportation between foreign countries of commodities, materials, and equipment procured out of local currency funds made available or derived from funds made available under this Act or the *Agricultural Trade Development and Assistance Act of 1954, as amended (7 USC 1691 et seq.)*, shall not be governed by the provisions of section 901 (b) of the Merchant Marine Act of 1936, or any other law relating to the ocean transportation of commodities, materials, and equipment on United States flag vessels.

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SEC. 513. NOTICE TO LEGISLATIVE COMMITTEES.—When any transfer is made under [section 105 (d) or] section 501, or any other action is taken under this Act which will result 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 which will result in expenditures greater by 50 per centum or more than the proposed expenditures included in such presentation for the program concerned, the President or such officer as he may designate shall promptly notify the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives and, when military assistance is involved, the Committees on Armed Services of the Senate and House of Representatives, stating the justification for such change. Notice shall also be given to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives of any determination under the first sentence of section 401 (except with re-

spect to unvouchered funds), and copies of any certification as to loyalty under section 531 shall be filed with such committees.

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CHAPTER 2. ORGANIZATION AND ADMINISTRATION

SEC. 521. DELEGATION OF AUTHORITY BY THE PRESIDENT.—(a) Except as provided in subsection (b), the President may exercise any power or authority conferred on him by this Act through such agency or officer of the United States as he shall direct, and the head of such agency or such officer may from time to time promulgate such rules and regulations as may be necessary and proper to carry out functions under this Act and may delegate authority to perform any of such functions to his subordinates acting under his direction.

(b) After June 30, 1955, the President shall exercise the powers conferred upon him under title III of this Act through the Secretary of State.

SEC. 522. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The President may allocate or transfer to any United States Government agency any part of any funds available for carrying out the purposes of this Act, including any advance to the United States by any nation or international organization for the procurement of equipment or materials or 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 Government agencies to which such funds are allocated or transferred. Funds allocated to the Department of Defense shall be governed as to reimbursement by the procedures of subsection (c) of this section.

(b) Any officer of the United States performing functions under this Act may utilize the services and facilities of, or procure commodities from, any United States Government agency 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. *The Administrator of General Services is authorized to maintain in a separate consolidated account, which shall be free from fiscal year limitations, payments received by the General Services Administration for administrative surcharges in connection with procurement services performed by the General Services Administration in furtherance of the purposes of this Act. Such payments shall be in amounts mutually acceptable to the General Services Administration and the United States Government agency which finances the procurement, and these amounts shall be available for administrative expenses incurred by the General Services Administration in performing such procurement services.*

(c) Reimbursement shall be made to any United States Government agency, from funds available to carry out chapter 1 of title I of this Act, for any assistance furnished under that chapter from, by, or through such agency. Such reimbursements shall be in amount equal to the value (as defined in section 545) of the equipment and materials, 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 that chapter. The amount of any such reimbursement shall be credited as reimbursable receipts to current applicable appropriations, funds, or accounts of such agency and shall be available for, and under the authority applicable to, the purposes for which such appropriations, funds, or accounts are authorized to be used, including the procurement of equipment and materials or services, required by such agency, in the same general category as those furnished by it or authorized to be procured by it and expenses arising from the incident to such procurement.

(d) In the case of any commodity, service, or facility procured from any United States Government agency under any provision of this Act other than chapter 1 of title I, reimbursement or payment shall be made to such agency from funds available to carry out such provision. 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 disposal 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 agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(e) In furnishing assistance under this Act and in making surplus agricultural commodities available under section 402 accounts may be established on the books of any United States Government agency or, on terms and conditions approved by the Secretary of the Treasury, in baking institutions in the United States, against which (i) letters of commitment may be issued which shall constitute obligations of the United States, 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, and (ii) withdrawals may be made by recipient nations 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 Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of 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) *Any appropriation made to carry out the provisions of this Act may initially be charged, within the limits of available funds, to finance expenses for which funds are available in other appropriations made under this Act: Provided, That as of the end of the same fiscal year such expenses shall be finally charged to applicable appropriations with proper credit to the appropriations initially utilized for financing purposes.*

\* \* \* \* \*  
SEC. 530. EXPERTS AND CONSULTANTS OR ORGANIZATIONS THEREOF.—  
Experts and consultants or organizations thereof, as authorized by

section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), may be employed by any United States Government agency for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of \$75 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 and other expenses at a rate not to exceed \$10 or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher, while so employed within the continental limits of the United States and at the applicable rate prescribed in the Standardized Government Travel Regulations (Foreign Areas) while so employed outside the continental limits of the United States: *Provided, That contracts for such employment with such organizations may be renewed annually.*

(b) Persons of outstanding experience and ability may be employed without compensation by any United States Government agency 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), and regulations issued thereunder.

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SEC. 535. COOPERATION WITH *Nations* and INTERNATIONAL ORGANIZATIONS.—

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(b) [Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, on an advance of funds or reimbursement basis, to such organizations. Such advances or reimbursements may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.] *Whenever the President determines it to be in furtherance of the purposes and within the limitations of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, and on request of nations, are authorized to furnish nonmilitary supplies, materials, and services, to such organizations and nations on an advance of funds or reimbursement basis. Such advances or reimbursements which are received under this subsection within 180 days after the close of the fiscal year in which such supplies, materials, and services are delivered, may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.*

\* \* \* \* \*

SEC. 537. Provisions on Uses of Funds.—(a) Appropriations for the purposes of this Act (except for chapter 1 of title I and section 12h), allocations to any United States Government agency, from any other appropriations, for functions directly related to the purposes of



*this Act, and funds made available for other purposes to any agency administering non-military assistance, shall be available for—*

- (1) *rents in the District of Columbia for the fiscal year 1957;*
- (2) *expenses of attendance at meetings concerned with the purposes of such appropriations, including (notwithstanding the provisions of section 9 of the Act of March 4, 1909 (31 U. S. C. 673)), expenses in connection with meetings of persons whose employment is authorized by section 530 of this Act;*
- (3) *employment of aliens, by contract, for services abroad;*
- (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 abroad for administrative purposes 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 \$3,300 in the case of an automobile for the chief of any special mission or staff abroad established under section 526 of this Act; Provided further, That passenger motor vehicles may be purchased for use in the continental United States only as may be specifically provided in an appropriation or other act;*
- (6) *entertainment within the United States (not to exceed \$15,000 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 an officer administering nonmilitary assistance, or such person as he may designate, and every such certificate shall be deemed a sufficient voucher for the amount therein specified;*
- (9) *insurance of official motor vehicles in foreign countries;*
- (10) *rental of quarters outside the continental limits of the United States to house employees of the United States Government (without regard to section 322 of the Act of June 30, 1932, as amended (40 U. S. C. 728a)), lease, necessary repairs and alterations to quarters;*
- (11) *actual expenses of preparing and transporting to their former homes in the United States or elsewhere, 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 (a);*
- (12) *purchase of uniforms;*
- (13) *payment of per diem in lieu of subsistence to foreign participants engaged in any program of furnishing technical infor-*

mation and assistance, while such participants are away from their homes in countries other than the continental United States, at rates not in excess of those prescribed by the Standardized Government Travel Regulations, notwithstanding any other provisions of law;

(14) expenses authorized by the Foreign Service Act of 1946, as amended (22 U. S. C. 801 et seq.), not otherwise provided for;

(15) ice and drinking water for use abroad;

(16) services of commissioned officers of the Public Health Service and of the Coast and Geodetic Survey, and for the purposes of providing such services the Public Health Service may appoint not to exceed twenty officers in the Regular Corps to grades above that of senior assistant, but not above that of director, as otherwise authorized in accordance with section 711 of the Act of July 1, 1944, as amended (42 U. S. C. 211a), and the Coast and Geodetic Survey may appoint for such purposes not to exceed twenty commissioned officers in addition to those otherwise authorized;

(17) expenses in connection with travel of personnel outside the continental United States, including travel expenses of dependents (including expenses during necessary stop-overs while engaged in such travel) and transportation of personal effects, household goods, or 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 that same fiscal year, and cost of transporting to and from a place of storage, and the cost of storing, the furniture and household and personal effects of any employee (i) for not to exceed three months after first arrival at a new post, (ii) when an employee is assigned to a post to which he cannot take or at which he is unable to use his furniture and household and personal effects, or (iii) when such storage would avoid the cost of transporting such furniture and effects from one location to another, under such regulations as an officer administering nonmilitary assistance, or such person as he may designate, may prescribe.

(18) payment of unusual expenses incident to the operation and maintenance of official residences for chiefs of special missions or staffs serving in accordance with section 526 of this Act.

(b) United States Government agencies are authorized to pay the costs of health and accident insurance for foreign participants in any exchange of persons programs or any program of furnishing technical information and assistance administered by any such agency while such participants are enroute or absent from their homes for purposes of participation in any such program.

(c) Not to exceed \$12,000,000 of the funds available in the fiscal year 1957 for assistance in Korea under this Act may be used by the President to construct or otherwise acquire living quarters, office space, and supporting facilities in Korea for use by personnel carrying out activities under this Act.

#### CHAPTER 3. REPEAL AND MISCELLANEOUS PROVISIONS

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SEC. 544. AMENDMENTS TO OTHER LAWS.—(a) Title X of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1431), is amended by adding the following new section:

“INFORMATIONAL MEDIA GUARANTIES

“SEC. 1011. The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however,* That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed \$10,000,000.”

(b) Section 1 of Public Law 283, Eighty-first Congress is repealed. The Institute of Inter-American Affairs, created pursuant to Public Law 369, Eightieth Congress (22 U. S. C. 281), shall have succession until June 30, 1960, and may make contracts for periods not to exceed five years: *Provided,* That any contract extending beyond June 30, 1960, shall be made subject to termination by the said Institute upon notice: *And provided further,* That the said Institute shall, on and after July 1, 1954, be subject to the applicable provisions of the Budget and Accounting Act, 1921, as amended (31 U. S. C. 1), in lieu of the provisions of the Government Corporation Control Act, as amended (31 U. S. C. 841).

(c) *In section 4 of the Act of May 26, 1949 (63 Stat. 111, 5 U. S. C. 151c) insert after the words “such functions” the following: “, including if he shall so specify the authority successively to redelegate any of such functions.”*

(d) *In the first sentence of section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U. S. C. App. 1641 (b) (2)), after “any agency thereof”, insert “including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended”.*

(e) *Section 933 of the Foreign Service Act of 1946, as amended (22 U. S. C. 1148), is hereby amended by inserting after “continental United States” where it appears in both subsection (a) and subsection (b) of that section “, its Territories and possessions.”*

(f) *Section 1441 (c) of the Internal Revenue Code of 1954 is hereby amended by inserting after paragraph (5) the following new paragraph:*

“(6) *Per diem of certain aliens.—No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended.”*

(g) *Section 1011 of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1442) is amended by*

inserting "(a)" before "The Director", by deleting everything after the words "national interests of the United States", by inserting a period at that point, and by inserting the following new subsections:

"(b) The Director is authorized to assume the obligation of not to exceed \$28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), (together with the interest accrued and unpaid thereon) and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.

"(c) The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).

"(d) Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties. Such currencies shall be available, as may be provided for by the Congress in appropriation Acts, for use for educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other purposes of mutual interest as may be agreed to by the governments of the United States and the country from which the currencies derive.

"(e) Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E)), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and (2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.

"(f) The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.

"(g) As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatever kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): Provided, That

*there shall be transferred from the special account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and use to make payments under informational media guaranties."*

*(h) Section 104 (h) of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, Eighty-third Congress; 7 U. S. C. 1704), is amended by adding at the end thereof the following: "Not less than 5 per centum of the aggregate of the foreign currencies accruing under this title, including currencies received in repayments of loans under subsection (g) of this section (which 5 per centum shall not be computed separately for each purchasing country but for all such countries combined), shall be used for the purposes of this subsection. 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 in 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."*

*(i) Section 104 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, Eighty-third Congress; 7 U. S. C. 1704) as amended, is further amended by adding after paragraph (h) the following new paragraph:*

*(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."*

SEC. 545. DEFINITIONS.—For the purposes of this Act—

(a) The term "commodity" includes any commodity, material, article, supply, or goods.

(b) The term "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 requirement, adequate carry-over, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

(c) The terms "equipment" and "materials" shall mean any arms, ammunition, or implements of war, or any other type of material, article, raw material, facility, tool, machine, supply item that would further the purpose of chapter 1 of title I, or any component or part thereof, used or required for use in connection therewith, or required in or for the manufacture, production, processing, storage, transportation, repair, or rehabilitation of any equipment or materials, but shall not include merchant vessels.

(d) The term "mobilization reserve," as used with respect to any equipment or materials, means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the event of war or national emergency until such time as adequate additional quantities of such equipment or materials can be procured.

(e) The term "excess," as used with respect to any equipment or materials, means the quantity of such equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment or materials.

(f) The term "services" shall include any service, repair, training of personnel, or technical or other assistance or information necessary to effectuate the purposes of this Act.

(g) The term "Armed Forces of the United States" shall include any component of the Army of the United States, of the United States Navy, of the United States Marine Corps, of the Air Force of the United States, of the United States Coast Guard, and the Reserve components thereof.

(h) The term "value" means—

(1) with respect to any excess equipment or materials furnished under chapter 1 of title I the gross cost of repairing, rehabilitating, or modifying such equipment or materials prior to being so furnished;

(2) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve other than equipment or materials referred to in paragraph (3) of this subsection), the actual or the projected (computed as accurately as practicable) cost of procuring for the mobilization reserve an equal quantity of such equipment or materials or an equivalent quantity of equipment or materials of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment or materials furnished;

(3) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve but with respect to which the Secretary of Defense has certified that it is not necessary fully to replace such equipment or materials in the mobilization reserve, the gross cost to the United States of such equipment and materials or its replacement cost, whichever the Secretary of Defense may specify; and

(4) with respect to any equipment or materials furnished under chapter 1 of title I which are procured for the purpose of being so furnished, the gross cost to the United States of such equipment and materials.

In determining the gross cost incurred by any agency in repairing, rehabilitating, or modifying any excess equipment furnished under chapter 1 of title I, all parts, accessories, or other materials used in the course of repair, rehabilitation, or modification shall be priced in accordance with the current standard pricing policies of such agency. For the purpose of this subsection, the gross cost of any equipment or materials taken from the mobilization reserve means either the actual gross cost to the United States of that particular equipment or materials or the estimated gross cost to the United States of that particular equipment or materials obtained by multiplying the number of units of such particular equipment or materials by the average gross cost of each unit of that equipment and materials owned by the furnishing agency. *Notwithstanding the foregoing provisions of this subsection*

(h) and for the purpose of establishing a more equitable pricing system for transactions between the military departments and the Mutual Defense Assistance Program, the Secretary of Defense shall prescribe at the earliest practicable date, through appropriate pricing regulations of uniform applicability, that the term "value" (except in the case of excess equipment or materials) shall mean—

(1) the price of equipment or materials obtaining for similar transactions between the Armed Forces of the United States; or

(2) where there are no similar transactions within the meaning of paragraph (1), the gross cost to the United States adjusted as appropriate for condition and market value.

(i) The term "United States Government agency" means any department, agency, board, wholly or partly owned corporation, or instrumentality, commission, or establishment of the United States Government.

(j) The term "agency administering nonmilitary assistance" shall refer to any agency to which authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

(k) The term "officer administering nonmilitary assistance" shall refer to any officer to whom authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

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SEC. 548. UNEXPENDED BALANCES.—Unexpended balances of funds heretofore made available under authority of this Act are hereby authorized to be continued available for the general purposes for which appropriated, and may be consolidated with appropriations made available beginning in fiscal year [1956] 1957 for the same general purposes under the authority of this Act. *Provided, however, That except for funds appropriated pursuant to section 407, relating to Palestine Refugees, and section 418, relating to the President's Fund for Asian Economic Development, unexpended balances in excess of \$200,000,000 not obligated by June 30 [1955] 1956, in accordance with the provisions of section 1311 of the Supplemental Appropriation Act, 1955 (Public Law 663, Eighty-third Congress), or reserved in accordance with the provisions of section 110 of the Mutual Security Appropriation Act, 1955 (Public Law 778, Eighty-third Congress), are not authorized to be continued available after such date.*

[SEC. 549. (a) STATEMENT OF CONGRESSIONAL POLICY.—It is the sense of the Congress that inasmuch as—

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world.

those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

(b) It is the sense of the Congress that assistance under this Act shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence. ]

SEC. 549. *It is the sense of the Congress that the President should explore with other nations the establishment of an International Food and Raw Materials Reserve under the auspices of the United Nations and related international organizations for the purpose of acquiring and storing in appropriate countries raw or processed farm products and other raw materials, exclusive of minerals, with a view to their use in—*

- (1) *preventing extreme price fluctuations in the international market in these commodities;*
- (2) *preventing famine and starvation;*
- (3) *helping absorb temporary market surpluses of farm products and other raw materials (exclusive of minerals);*
- (4) *economic and social development programs formulated in cooperation with other appropriate international agencies.*

*Participation by the United States in such an International Food and Raw Materials Reserve shall be contingent upon statutory authorization or treaty approval, as may be appropriate. The President shall include in each of the semiannual reports required by section 534 an account of action taken under this section.*

**OTHER ACTS AMENDED BY THE MUTUAL SECURITY ACT  
OF 1956**

PUBLIC LAW 174—79TH CONGRESS, AS AMENDED

JOINT RESOLUTION Providing for membership of the United States in the Food and Agriculture Organization of the United Nations

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized to accept membership for the United States in the Food and Agriculture Organization of the United Nations (hereinafter referred to as the "Organization") the Constitution of which is set forth in appendix I of the First Report to the Governments of the United Nations by the Interim Commission on Food and Agriculture, dated August 1, 1944.*

SEC. 2. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum not exceeding \$625,000 during the first fiscal year of the Organization and sums not exceeding [ \$2,000,000 ] \$3,000,000 annually thereafter as may be



required for expenditure under the direction of the Secretary of State for the payment by the United States of its proportionate share in the expenses of the Organization : *Provided, That the percentage contribution of the United States to the total annual budget of the Organization shall not exceed 31.5 per centum.*

SEC. 3. In adopting this joint resolution, it is the sense of the Congress that the Government of the United States should use its best efforts to bring about, as soon as practicable, the integration of the functions and the resources of the International Institute of Agriculture, with those of the Organization, in a legal and orderly manner, to effect one united institution in such form as to provide an adequate research, informational, and statistical service for the industry of agriculture.

SEC. 4. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States accept any amendment under paragraph 1 of article XX of the Constitution of the Organization involving any new obligation for the United States.

SEC. 5. In adopting this joint resolution the Congress does so with the understanding that paragraph 2 of article XIII does not authorize the Conference of the Organization to so modify the provisions of its Constitution as to involve any new obligation for the United States.

SECTION 4 OF THE ACT OF MAY 26, 1949 (5 U. S. C. 151c)

SEC. 4. The Secretary of State may promulgate such rules and regulations as may be necessary to carry out the functions now or hereafter vested in the Secretary of State or the Department of State, and he may delegate authority to perform any of such [functions to] *functions, including if he shall so specify the authority successively to redelegate any of such functions, to officers and employees under his direction and supervision.*

SECTION 32 (b) (2) OF THE SURPLUS PROPERTY ACT OF 1944, AS AMENDED (50 U. S. C. APP. 1641)

(2) In carrying out the provisions of this section, the Secretary of State is hereby authorized to enter into an executive agreement or agreements with any foreign government for the use of currencies, or credits for currencies, of such government held or available for expenditure by the United States or any agency [thereof (or) *thereof including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended (or deposited pursuant to agreements entered into pursuant to section 115 (b) (6) and 115 (h) of the Economic Cooperation Act of 1948, as amended*), and not required by law or agreement with such government to be expended or used for any other purpose, for the purpose of providing, by the formation of foundations or otherwise, for (A) financing studies, research, instruction, and other educational activities of or for American citizens in schools and institutions of higher learning located in such foreign country, or of the citizens of such foreign country in American schools and institu-

tions of higher learning located outside the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, including payment for transportation, tuition, maintenance, and other expenses incident to scholastic activities; or (B) furnishing transportation for citizens of such foreign country who desire to attend American schools and institutions of higher learning in the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, and whose attendance will not deprive citizens of the United States of an opportunity to attend such schools and institutions: *Provided, however,* That no such agreement or agreements shall provide for the use of an aggregate amount of the currencies, or credits for currencies, of any one country in excess of \$20,000,000 or for the expenditure of the currencies, or credits for currencies, of any one foreign country in excess of \$1,000,000 annually at the official rate of exchange for such currencies, unless otherwise authorized by Congress, nor shall any such agreement relate to any subject other than the use and expenditure of such currencies or credits for currencies for the purposes herein set forth: *Provided further,* That for the purpose of selecting students and educational institutions qualified to participate in this program, and to supervise the exchange program authorized herein, the President of the United States is hereby authorized to appoint a Board of Foreign Scholarships, consisting of ten members, who shall serve without compensation, composed of representatives of cultural, educational, student and war veterans groups, and including representatives of the United States Office of Education, the United States Veterans' Administration, State educational institutions, and privately endowed educational institutions: *And provided further,* That in the selection of American citizens for study in foreign countries under this paragraph preference shall be given to applicants who shall have served in the military or naval forces of the United States during World War I or World War II, and due consideration shall be given to applicants from all geographical areas of the United States. The Secretary of State shall transmit to the Congress not later than the 1st day of March of each year a report of operations under this paragraph during the preceding calendar year. Such report shall include the text of any agreements which have been entered into hereunder during the preceding calendar year, and shall specify the names and addresses of American citizens who are attending schools or institutions of higher learning in foreign countries pursuant to such agreements, the names and locations of such schools and institutions, and the amounts of the currencies or credits for currencies expended for any of the purposes under this paragraph in each such foreign country during the preceding calendar year.

## SECTION 933 OF THE FOREIGN SERVICE ACT OF 1946 (22 U. S. C. 1148)

## ORDERING RETURN OF PERSONNEL TO UNITED STATES ON LEAVES OF ABSENCE

SEC. 933. (a) The Secretary shall order to the continental United States, its Territories and possessions, on statutory leave of absence every officer and employee of the Service who is a citizen of the United States upon completion of two years' continuous service abroad or as soon as possible thereafter.

(b) While in the continental United [States on] *States, its Territories and possessions, on leave, the service of any officer or employee shall be available for such work or duties in the Department or elsewhere as the Secretary may prescribe, but the time of such work or duties shall not be counted as leave.*

SECTION 1441 (c) OF THE INTERNAL REVENUE CODE OF 1954

SEC. 1441. WITHHOLDING OF TAX ON NONRESIDENT ALIENS.

(a) \* \* \*

(c) EXCEPTIONS.—

(1) DIVIDENDS OF FOREIGN CORPORATIONS.—No deduction or withholding under subsection (a) shall be required in the case of dividends paid by a foreign corporation unless (A) such corporation is engaged in trade or business within the United States, and (B) more than 85 percent of the gross income of such corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under part I of subchapter N of chapter 1.

(2) OWNER UNKNOWN.—The Secretary or his delegate may authorize the tax under subsection (a) to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent.

(3) BONDS WITH EXTENDED MATURITY DATES.—The deduction and withholding in the case of interest on bonds, mortgages, or deeds of trust or other similar obligations of a corporation, within subsections (a) (b), and (c) of section 1451 were it not for the fact that the maturity date of such obligations has been extended on or after January 1, 1934, and the liability assumed by the debtor exceeds 27½ percent of the interest, shall not exceed the rate of 27½ percent per annum.

(4) COMPENSATION OF CERTAIN ALIENS.—Under regulations prescribed by the Secretary or his delegate, there may be exempted from deduction and withholding under subsection (a) the compensation for personal services of nonresident alien individuals who enter and leave the United States at frequent intervals.

(5) SPECIAL ITEMS.—In the case of amounts described in section 402 (a) (2), section 631 (b) and (c), and section 1235, which are considered to be gains from the sale or exchange of capital assets, the amount required to be deducted and withheld shall, if the amount of such gain is not known to the withholding agent, be such amount, not exceeding 30 percent of the proceeds from such sale or exchange, as may be necessary to assure that the tax deducted and withheld shall not be less than 30 percent of such gain.

(6) PER DIEM OF CERTAIN ALIENS.—*No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government*

*(directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended.*

SECTION 1011 OF THE UNITED STATES INFORMATION AND EDUCATIONAL EXCHANGE ACT OF 1948, AS AMENDED (22 U. S. C. 1442)

INFORMATIONAL MEDIA GUARANTIES

SEC. 1011. (a) The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States [against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however,* That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed \$10,000,000].

(b) *The Director is authorized to assume the obligation of not to exceed \$28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), together with the interest accrued and unpaid thereon, and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.*

(c) *The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).*

(d) *Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties. Such currencies shall be available, as may be provided for by the Congress in appropriation Acts, for use for educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other purposes of mutual interest as may be agreed to by the governments of the United States and the country from which the currencies derive.*

(e) *Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E)), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and*

(2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.

(f) The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.

(g) As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatever kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): Provided, That there shall be transferred from the special account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and used to make payments under informational media guaranties.

AGRICULTURAL TRADE DEVELOPMENT ASSISTANCE ACT OF 1954  
(7 U. S. C. 1691 ET SEQ.)

TITLE I—SALES FOR FOREIGN CURRENCY

SEC. 104. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, 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 which accrue under this title for one or more of the following purposes:

(a) To help develop new markets for United States agricultural commodities on a mutually benefiting basis;

(b) To purchase or contract to purchase strategic and critical materials, within the applicable terms of the Strategic and Critical Materials Stockpile Act, for a supplemental United States stockpile of such materials as the President may determine from time to time under contracts, including advance payment contracts, for supply extending over periods up to ten years. All strategic and critical materials acquired under authority of this title shall be placed in the above named supplemental stockpile and may be additional to the amounts acquired under authority of the Strategic and Critical Materials Stockpile Act. Materials so acquired shall be released from the supplemental stockpile only under the provisions of section 3 of the Strategic and Critical Materials Stockpile Act;

(c) To procure military equipment, materials, facilities, and services for the common defense;

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

(e) For promoting balanced economic development and trade among nations;

(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)). *Not less than 5 per centum of the aggregate of the foreign currencies accruing under this title, including currencies received in repayments of loans under subsection (g) of this section (which 5 per centum shall not be computed separately for each purchasing country but for all such countries combined), shall be used for the purposes of this subsection. 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 in 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.*

(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.*

*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: 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.*

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