

1964

## CONGRESSIONAL RECORD — SENATE

4619

only truly universal international money today. The U.S. dollar is legal tender only to U.S. citizens. Gold is the legal tender to the foreigners who hold U.S. dollars. So the importance of gold should never be underestimated. Any nation that possesses gold, can get in and stay in the game of international trade. Any country that has ample gold reserves has the buying power to acquire needed items from other nations. Thus, in peacetime or in wartime, gold is essential. Gold is a vital defense fuel in wartime. Recent events have clearly indicated how important gold is to Russia. She has failed in her agricultural program, as she has in so many of her other plans. So Russia has been selling gold in the hundreds of millions in recent months in order to buy food to refill her bare cupboards.

In the United States today, our Federal Government still possesses a large amount of gold. About \$15½ billion worth. But, we have been losing our gold reserves rapidly since 1957. It has been a consistent one-way flow of gold—out.

Before explaining the causes of our flow of gold out of this country, I'd like to mention a few other items about gold.

London, England, has for many centuries been the gold marketing center of the world. Back in the year 1250 gold was selling on the London market at \$4 an ounce, adjusted to U.S. dollars. For 450 years the price of gold was free to fluctuate and to bring whatever people thought gold was worth. It went up continually. In the days of Columbus gold brought \$10 an ounce. By the year 1700 gold was up to \$25 an ounce. Then the price was pegged at \$22 an ounce through the adoption of a gold standard. That price was kept firm until World War I set in and the price of gold began to rise. After World War I England had too much money and credit issued against its gold reserves and the English pound failed. The price of gold was raised, the English pound was devalued.

Then the United States was going into the 1930's and the days of the great depression. Franklin D. Roosevelt was elected President. Someone sold him on the idea that if the price of gold was raised, the prices of goods would raise, salaries would raise, sales would increase, unemployment would be substantially reduced and prosperity would come back to the United States.

In 1934 the price of gold was raised from \$20.67 an ounce to \$35 an ounce. The U.S. dollar was devalued in terms of gold. But the depression didn't go away. Unemployment remained high. Prices did not rise. We were still in a depression when World War II came along and produced enough jobs and industrial activity to propel us forward in a war economy—a momentum that continued after World War II ended.

The price of gold has continued on that \$35 peg since 1934 with the exception of a flurry in the London gold market during the Cuban crisis in 1960, when for a short time gold went up to \$41 an ounce.

In 1934, concurrent with the increase in the price of gold, legislation was enacted making it illegal for a U.S. citizen to own gold. Citizens were required by law to turn in their gold coins and their gold certificate currency for new paper money. Since that date the U.S. dollar could not be redeemed for gold by a U.S. citizen. Coin collectors may now hold gold coins if they are dated prior to 1933. Today a U.S. double eagle (\$20 gold piece) sells for about \$50. In terms of a \$20 gold coin of U.S. mintage, a present \$20 U.S. currency bill is worth about 40 percent of its former value in terms of gold, or about \$8.

The new gold standard set up in 1934 allows foreign dollar holders to exchange their U.S. dollars for U.S. Treasury gold at \$35 an ounce. This is because our international monetary system is different from our domestic monetary system, in accord-

ance with U.S. monetary laws. Today, some foreign nations buy gold from the U.S. Treasury at \$35 an ounce, some with dollars our Government may have given them in foreign aid, they then mint the gold into their own national gold coins, not for circulation as money but for sale as a commodity. They receive anywhere from \$50 to \$70 an ounce for such gold transactions. A good bargain for them. I know of one foreign gold mine that sells most of its gold production to gold hoarders in the Orient at \$70 an ounce.

Now let us turn our attention to the real issue about our gold and our U.S. dollars. The issue is, Why are we losing so much of our gold?

When Franklin D. Roosevelt became President, the United States had: \$4 billion on gold reserves; \$2 billion in gold was required as reserves in gold for our Federal Reserve currency notes and deposits; \$500 million in gold was owed foreigners because of their U.S. dollar holdings.

We were in a deep depression but we were in no trouble over gold. We had \$1½ billions in gold above all our gold requirements. But, when the price of gold was raised to \$35 an ounce in 1934, several things happened to increase our gold supply. First, our gold reserves went up by the 70 percent gold price raise, the amount of increase from \$20.67 to \$35 an ounce. Second, because gold mining became more profitable, gold production also increased substantially. Third, a large flow of gold came in from other nations when the price was raised. This was because the price was good and also because Europe began, during that period, to buy goods from us in preparation for War II and during War II. A great deal of U.S. exports were paid for in gold. Our U.S. gold reserves increased every year for 15 years and finally peaked out in 1949 at almost \$25 billion. From 1949 on we began to lose our gold. Not because we lost any of our trade or any of our strength, but because we commenced giving away too many of our U.S. dollars to foreigners. Billions of our dollars were given away on ill conceived and ill planned methods of trying to buy the defeat of communism. We simply began trying to buy with our U.S. dollars the support of any nation our Government thought would be our ally against Russia. Some of the nations we supported with our U.S. dollar gifts were themselves Communist countries. At first we did a great deal of good in helping Europe back on its feet in a war reconstruction job. Then, after they did get back on their feet, we continued to give them our dollars when they no longer needed them. And we are still giving away our dollars to them, far too many. When we began this dollar give-away program we were the greatest industrial power on earth. We still are the strongest nation on earth. We had to have great strength to be able to give away \$108 billion in foreign aid and to spend another \$684 billion on defense items in the past 18 years, and still be able to keep going.

(George Washington warned our infant Republic against making foreign alliances.)

But with all this spending, our foreign aid friends are not impressed, and our foreign enemies are not afraid of us. We are attacked in the Panama Canal Zone by Communists who then charge us with aggression. Even little Cuba is able to shut off our water with impunity. We have more chaos, more anarchy, more aggression, and more confusion in the world today than ever before. And this, after all the billions we have spent to bring peace to the world. Our massive and our reckless spending in this area has been a costly flop. We even gave Russia \$11 billion worth of lend-lease aid and only a token was ever paid back. Now Russia is working on a scheme to get the U.S. Government to guarantee her the credit to buy

food from us on a time payment plan. No private lending institution in the United States would be likely to loan money to such an unworthy customer. Some of the dollars we gave foreigners were used to buy things from us and this has helped to contribute to our immediate prosperity. But, billions of these dollars have been turned into take away our gold reserves and \$26 billion more are still stacked up against us, and our gold resources.

The drain on our official gold stocks since 1957 has been very heavy. Our gold reserves still amounted to \$23 billion in 1957. Then, all the free world countries, other than the United States, had almost \$15 billion in gold. Today we are down to about \$15½ billion while our free world foreign aid friends have increased their own gold reserves to \$26 billion. Of their gains in gold, \$8 billion of it came from the U.S. Federal Government vaults.

We lost our gold to foreign nations simply because we gave them too many of our U.S. dollars free. In no year since we have been losing our gold have we exported less goods and produce than we have imported. Our actual balance of trade has always been in our favor. The entire deficit in what is commonly called our balance of payments, has been very simply because of all the free dollars we have sent abroad. These free dollars have given rise to the huge dollar claims by foreigners against our U.S. gold. There are items in the balance of payment, other than trade or foreign aid. There are foreign investments abroad, vacation travel abroad, etc., but in the final analysis the gold we are losing is because of the proportion of the total \$108 billion we have given in foreign aid, that has not been spent back in the United States. This has left a huge balance of dollars stacked up in the hands of the foreign central banks and governments and which are now claims against our remaining gold. France, Germany, Spain, England, Italy, and other nations are among the beneficiaries of our dollar handout programs. Because of this situation we are continuing to lose our gold and even so, we are continuing to give away more dollars. This also has a great influence on our domestic interest rate structure. At this time we are required to keep interest rates high so that the foreign owned dollars will be left with institutions paying interest rather than to be turned into gold which draws no interest.

Today we have left in our U.S. gold reserves about \$15½ billion in gold; \$12 billion are needed as a 25-percent gold reserve for our Federal Reserve currency and deposit system; and \$3½ billion of gold are left.

Obviously, \$3½ billion are far short of the \$26 billion of potential claims against our remaining gold. We are now in the position of a houseman in a high-stake poker game, who is so far behind that he doesn't dare let the game end. He couldn't pay off.

So why are we losing our gold?

Why does a man's bank balance decline? A bank balance goes down and into overdrafts because more checks are written than deposits made. The truth is that our Federal Government has overdrawn our gold resources by a wide margin. And that is where our gold losses begin and end. The problems are created by the excessive spending habits of our Federal Government. The matter of overdrafts against our gold has gotten out of hand. Meantime our Federal Government goes merrily on its way spending still more and inflating our currency system. Whenever we have a deficit in Federal Government spending at home, and that has been happening every year, we inflate our currency and bank deposit system. These have gone up by \$86 billion since 1957.

The gold back of each U.S. dollar in currency and bank deposits is now down to less than 5 cents. If we subtract foreign dollar

claims now against our remaining gold then we have no gold left to back our monetary system. Whenever we have a deficit in our foreign financial transactions, the balance of payments, then the claims against our gold goes still higher. Last year, in 1963, this deficit was \$3 billion. Taking both of these deficits together, the foreign and our domestic deficits, our Federal Government is putting too great a squeeze on our gold and that is why we are losing our gold.

Who in Government is responsible for this state of affairs? It isn't simply the Democrats or the Republicans. It is the entire system of bureaucracy that may have properly started back in 1932 but has never stopped growing. We do have in Government today, many sound-thinking Democrats and Republicans who are trying hard to correct excessive spending in Government. These people do not wear high-buttoned shoes. And you do not need to put on high-buttoned shoes to support them. In general, however, our administrations and our Congress since World War II have been guilty of failure to stop excessive spending.

#### WASTE IN FOREIGN AID PROJECTS

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the RECORD an article which appeared in Sunday's Washington Post, headlined "\$8.5 Million Aid Wasted, GAO Says."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Mar. 8, 1964]  
\$8.5 MILLION AID WASTED, GAO SAYS

U.S. aid administrators were accused yesterday of wasting \$8.5 million on projects in Turkey and Iran and misleading Congress about their progress.

The charge was made by the General Accounting Office, which checks on Federal spending for Congress, in a report to the House and Senate.

It said the funds were used to build highways and railroads that were not needed and wound up going nowhere. In seeking the money from Congress, the report added, the administration presented incomplete and inaccurate information and withheld other facts that should have been presented.

The Agency for International Development (AID) disagreed with the findings and blamed them on "a fundamental difference" between it and the GAO over the nature of the projects.

The report covers four rail and highway projects carried out under the economic development program for Central Treaty Organization nations between 1957 and 1962. Such projects are supposed to aid two or more CENTO countries and advance regional economic development, not aid individual nations.

The economic need for the projects said the GAO, was so dubious they were considerably cut back. Only one—a Turkey-Iran highway—has the regional characteristics required for such projects, it added.

Mr. MORSE. Mr. President, the article bears out charges of the continuation of the shocking waste of the whole aid program. The article reads in part:

United States aid administrators were accused yesterday of wasting \$8.5 million on projects in Turkey and Iran and misleading Congress about their progress \* \* \*

The article reads further:

The funds were used to build highways and railroads that were not needed and wound up going nowhere. In seeking the money from Congress, the report added, the Administration presented incomplete and

inaccurate information and withheld other facts that should have been presented.

I plead with my colleagues in the Senate that, before the new debate on the foreign aid program starts in this session of Congress, they read the reports of the Comptroller General's Office, for one report after another repeats and proves this shocking waste of the taxpayers' dollars. The taxpayers are entitled to better protection from the Congress than they have been getting in the foreign aid program.

#### SECRETARY OF DEFENSE McNAMARA AND SOUTH VIETNAM

Mr. MORSE. Next, Mr. President, I ask unanimous consent to have inserted in the RECORD a series of newspaper articles setting forth statements by the Secretary of Defense in regard to promises vis-a-vis South Vietnam.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Post, Mar. 10, 1964]  
VIETNAMESE LOOKING FOR McNAMARA MAGIC

SAIGON, March 9.—U.S. Defense Secretary Robert S. McNamara, now on a tour of trouble spots in this war-torn country, appears to have inherited the late President Kennedy's image as the guardian of the South Vietnamese people.

Many Vietnamese look upon McNamara as virtually the savior of the country and seem to expect him to produce a magic formula for driving out the Communist Vietcong guerrillas.

This was revealed today in an informal survey of several parts of Saigon, including the poorer areas.

Many peoples, apparently as the result of Government propaganda, believe McNamara is going to give the green light for South Vietnamese forces to march across the border and invade Communist North Vietnam.

A Vietnamese-speaking newsmen found many people, particularly refugees from the Communist North, strongly in favor of this idea.

The Government has publicly promoted the idea of "marching north" and students who greeted McNamara yesterday carried Government-printed banners advocating this policy.

But a large student demonstration scheduled for this morning, reportedly to ask McNamara for support in marching north, was called off. There was no immediate explanation.

During last year's Buddhist crisis, the people looked to Mr. Kennedy to bring down the regime of President Ngo Dinh Diem. When Diem was finally toppled in November the credit was given largely to Mr. Kennedy.

One man interviewed today said: "Kennedy helped us last year. Now the United States will help us again, won't it? What is McNamara going to say?"

Some American officials are concerned about this popular expectation that McNamara is going to make a dramatic announcement producing a solution to the war situation.

They point out that final decisions must come from Washington after McNamara returns with his recommendations.

[From the Washington Post, Mar. 10, 1964]  
McNAMARA VOWED UNLIMITED U.S. AID, VIET OFFICIAL SAYS

(By Nicholas Turner)

SAIGON, March 9.—U.S. Defense Secretary Robert S. McNamara has made it clear that

American aid to South Vietnam "will from now on be total, unlimited, and without conditions," a South Vietnamese spokesman asserted today.

The spokesman said this came out of McNamara's initial talks with South Vietnamese leaders yesterday and that it meant no set limit would be placed on U.S. aid to South Vietnam.

Assistant Defense Secretary Arthur Sylvester, McNamara's spokesman, said later that he did not hear the Defense Secretary use the expression attributed to him, but it was considered by informed observers that the statements were not contrary to what McNamara said yesterday.

The Vietnamese spokesman, Col. Tran Ngoc Huyen, also said American leaders would not make "soothing statements, such as predicting the end of the war at a definite date."

McNamara and the Premier, Maj. Gen. Nguyen Khanh, visited three villages in the war-torn Mekong River Delta today and were cheered by thousands of South Vietnamese.

Other members of his party included Gen. Maxwell Taylor, Chairman of the U.S. Joint Chiefs of Staff.

At least 10,000 persons swarmed in the main street of one village, Hoa Hao, as McNamara and Khanh walked down it, shaking hands with persons in the crowd.

At the city of Can, McNamara and Khanh gave donations of 500,000 plasters (about \$7,000) each toward the rebuilding of several hundred houses burned down last week.

The enthusiasm of Hoa Hao's welcome swept security arrangements aside. Anyone could have slipped a hand grenade into McNamara's pocket with ease.

However, McNamara's tour was marred when two of the four crewmen aboard a U.S. helicopter accompanying his helicopter flight through the Mekong Delta were killed when their helicopter crashed into a river.

The dead were two gunners. The pilot and the copilot were rescued. The crash was blamed on a mechanical failure.

At each of McNamara's three stops, he emphasized that U.S. support for the South Vietnamese war against the Communist Vietcong guerrillas would continue to whatever degree was necessary.

He also repeatedly stressed U.S. support for General Khanh and told crowds that Khanh needed the support of the people.

[From the New York Times, Mar. 6, 1964]

#### McNAMARA NEWS CONFERENCE EXCERPTS

I have two brief announcements to make.

First, I have issued instructions today to reduce the B-70 program from three aircraft to two. This action is concurred in by the Secretary of the Air Force and by the Chief of the Air Staff. It is a result of a very comprehensive review of the project we have just completed and it reflects our concern over the continued delays in the program. These delays have been brought about by severe technical difficulties.

At the time the three-aircraft program was formulated and approved, the first flight was scheduled for December 1962. The program is already some 18 months behind that schedule and the first aircraft has not yet been completely assembled. To date, some \$1.5 billion have been allocated to the project, with the prospect that more would be required were we to attempt to compete it with three airplanes.

Now, secondly, Gen. Maxwell D. Taylor and I, and other members of our party, will leave tonight at midnight for South Vietnam. The purpose of our trip is to discuss with Ambassador Henry Cabot Lodge and Gen. Paul D. Harkins and with Gen. Nguyen Khanh and members of his Government the effectiveness of U.S. training and logistical support for the South Vietnamese in their resistance to the Communist-dominated Vietcong.

1964

## CONGRESSIONAL RECORD — SENATE

4621

Our trip is a further affirmation of the U.S. commitment to furnish whatever economic aid, and whatever military training and logistical support is needed by the South Vietnamese to suppress this insurgency and to continue to furnish that support for whatever period it is required.

## MILITARY ISSUE RAISED

Question. Mr. Secretary, do you believe there can be a military solution to the problem in South Vietnam within the present rules?

Secretary McNAMARA. I think the problem in South Vietnam is very clearly a political-economic-military problem. It is a problem that requires the support of the people, if it is to be solved. General Khanh, the Premier of South Vietnam, has in his first 30 days in office done much to build the support of the people.

He is clearly sensitive to the need for increasing their economic welfare, as well as for providing physical security for them. So I think he is aware as we are of the interrelationship among the political, economic and military facets of the problem.

Question. Mr. Secretary, there has been some controversy in the past over your appraisal of how we were doing in South Vietnam? Would you like to try again? How are we doing?

Answer. I have said that the situation was serious there on a number of occasions.

## OCCASIONS RECALLED

In October, upon our return from the September trip, and in December, upon my return from NATO via South Vietnam, and in January. You probably recall those. In October, I said, "the political situation in South Vietnam remains deeply serious."

In December, I stated, "we observe the results of the very substantial increase in the Vietcong activity, an increase that began shortly after the new government was formed on November 2, and it has extended over a period of several weeks."

And then in January, in my statement to the Congress, I stated "the situation there continues very grave" and I went on to discuss why. Then on the day after that I elaborated further on it and stated that the situation was very grave, but that within the previous 2 weeks there had been progress, and we were encouraged by that progress.

I wouldn't change my appraisal, I think, of these past 4 months. During that 4-months period, the country has had three governments, each of the new governments has changed Cabinet members, each of the new governments has changed provisional governors and each of the new governments has made changes in the senior military leadership.

The Vietcong have sought to take advantage of the resulting period of confusion. They have substantially increased their rate of incidents, their terror attacks, their harassments, and their military attacks upon the Vietnamese.

That level of attack is higher today than it was 6 months ago. It is lower today than it was at sometimes within the past few weeks and it is lower today than it was in November and December. What the future holds, I can't say.

Question. Mr. Secretary, a two-part question on Vietnam, sir. First, can you tell us whether you still think it is feasible and advisable, as you have said in the past, to withdraw most of our military aid mission by the end of 1965; and, second, what criteria will you be using in your trip to determine just how we stand there?

Answer. Well, first, as to our training and logistical support and the possibility of withdrawing personnel. As you know, we withdrew a thousand men in December of last year. These men included, for example, two military police units, U.S. Military Police

units, which had been guarding certain installations in South Vietnam. During the period that they were assigned there, South Vietnamese troops were trained to take over those functions.

## NO REASON FOR STAYING

We saw no reason, and the Government of South Vietnam saw no reason, why our military police units should remain in South Vietnam to do a job that the South Vietnamese had been trained to perform and were entirely competent to perform and, therefore, we withdrew them.

That is the standard that we are applying in determining when to withdraw U.S. military personnel from South Vietnam. I think I made very clear in my introductory statement that we shall furnish whatever military training and logistical support the South Vietnamese require to effectively counter the insurgency campaign, and we shall continue to furnish that support for as long as it is required. But I think that you should expect us, I think the American people should expect us, to conclude a training mission after a reasonable length of time.

Question. In connection with Vietnam, Mr. Secretary, would the withdrawal or removal of American dependents in South Vietnam add to the effectiveness of our effort there and will you consider that on this trip?

Answer. This is one of the questions I will look into while I am out there. The number of military personnel with dependents in South Vietnam is very small. I have forgotten the exact number. The total number of military dependents is something on the order of 700.

Question. Mr. Secretary, what standards will you use in Vietnam to judge the success or failure?

Answer. Well, I think the level and growth of the economy, for example, is one. And this, by the way, affords an interesting comparison with North Vietnam. I have said the situation in South Vietnam is serious. It is. It is grave. But we should not fail to overlook the accomplishments in that country of the past 10 years, and the rate of growth of the economy is one, and particularly it is impressive when one compares that with the situation in North Vietnam, which is facing very serious economic problems.

I will obviously be interested in the action that General Khanh has taken to broaden his Government. From what we hear here, he has taken many steps indeed to making it a more representative Government than was true in either of the two previous governments.

Obviously, our major attention, particularly General Taylor's and mine, will be devoted to the military plans. General Khanh has laid down some very ambitious plans. He has indicated he wishes to aggressively expand the military operations in the field, particularly night operations, increase the number of days per month that military units campaign in the field.

## ASSISTANCE-LEVEL STUDY

Question. Mr. Secretary, you said one of the purposes of your trip is to review the level of assistance by the North Vietnamese to the Vietcong. Are you suggesting there that your findings in that regard might significantly influence our policy in Vietnam?

Answer. I don't wish to suggest any conclusion I'll draw. I simply want to get at the facts. There has been evidence that in the last 6 months the North Vietnamese support of the Vietcong has increased.

We have seen, for example, through the capture of Vietcong weapons the introduction of larger bore weapons than had been seen previously, .75 mm recoilless rifles for example, obviously of Communist Chinese manufacture; heavy-duty machineguns, obviously of Chinese Communist manufacture;

more sophisticated mines, particularly water mines, more sophisticated sabotage devices, with advanced timing mechanisms, obviously of Chinese Communist manufacture.

So the volume of support, the character of support, the trend of support, from the North Vietnamese of the South Vietnamese efforts are all items that we will be examining.

Mr. MORSE. Mr. President, I do not know when the Secretary of Defense was invested with authority to take over American foreign policy, but the statements and promises which are being made in regard to South Vietnam have no justification, and he should be held to an accounting, because millions of Americans are beginning to recognize that it is time for us to get out of South Vietnam and stop the shocking waste of American blood and American money in that country.

I shall have more to say about this subject before the week is over, because, I repeat, the administration should be brought to an accounting for the shocking waste of American blood and American money in South Vietnam.

## HAWAII'S TRADE ROLE

Mr. MORSE. Mr. President, I ask unanimous consent that an article entitled "Hawaii's Trade Role," from the Honolulu Advertiser, be printed in the CONGRESSIONAL RECORD. I commend Dr. Joseph E. McLean for bringing about the conference referred to in the article.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

## HAWAII'S TRADE ROLE

Earlier this month a small group of men from Japan, the Philippines, Taiwan, India, Pakistan, Australia, Malaya, and the United States met in Honolulu for 5 days.

They were attending a conference "on economic cooperation for development and trade in the Pacific" sponsored by the State of Hawaii and the East-West Center.

Their papers were technical, for these are technical men. But the significance of such a conference, and in Hawaii, was evident.

Governor Burns, at a luncheon meeting at which Under Secretary of State Hilsman spoke, said, "This must go down as one of the most important days in Hawaii's future as the crossroads of the Pacific."

And President Hamilton of the University of Hawaii said the conference drew upon "the resources of State, scholar, and scientist," plus the experiences of practitioners.

Many papers were presented, including those of Indonesian and New Zealand representatives who at the last minute were unable to attend, and these were followed by discussions.

Typical subjects were the prospects of promoting an expansion of manufactured and agricultural exports; regional cooperation to stimulate industrialization in the less developed countries; the problem of stabilizing prices of primary commodities; the form which foreign aid and technical assistance should take; the effects of economic growth upon a country's balance of payments.

These are not the kind of problems that are solved at one conference or a dozen. But a session such as that held here contributes to eventual solutions. As Dr. Joseph E. McLean, the East-West Center's conference director, puts it:

"Conferences may open the door to new techniques, to new knowledge, to new understanding, or even to administrative or policy action."

"All this has been especially true of our Conference on Pacific Trade and Development. It seems to me that the scholars participating \* \* \* have taken a long step forward in developing a freer exchange of ideas.

"The discussions have been lively and uninhibited. To the extent that the scholars succeed in their endeavors, we shall thereby reduce the burdens upon future statesmen and soldiers \* \* \*.

"Building an economic community in the Pacific is one way of reducing international tensions in the years ahead. This, of course, was one of the reasons why Governor Burns and the Center were interested in this conference from the beginning."

Under Secretary Hillsman, whose responsibility is the area of Far Eastern affairs, said on his arrival from a visit to Australia, New Zealand, and Fiji that he was struck by Hawaii's role in the economics of the Pacific, and that it was fitting that the conference should be held here.

Hillsman's observations came only 2 months after Secretary of Commerce Hodges called these islands "the gateway to the Pacific marketplace."

Hodges saw Hawaii as "the natural headquarters for many managerial functions of firms exporting to the Pacific market. As a forward base, as an advanced distribution and sales center, you are without equal."

Governor Burns, who is dedicated to moving Hawaii ahead in the field of trade relations, was described by Dr. McLean as the prime mover in bringing about the recent conference.

The Governor, Mr. McLean, and Prof. P. T. Ellsworth, visiting professor of economics at the University of Hawaii, who was chairman of the conference, are to be commended for promoting this latest interchange of Pacific area knowledge and experience.

#### TELEGRAM FROM T. GABRIEL DUQUE, OF PANAMA

Mr. MORSE. Mr. President, I ask unanimous consent that a telegram I have received from T. Gabriel Duque, ex-President of Panama, be printed in the CONGRESSIONAL RECORD. I appreciate having the views of ex-President Duque, who now is publisher of *La Estrella de Panama* and the *Star and Herald*.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

JANUARY 19, 1964.

Senator WAYNE MORSE,  
Washington, D.C.:

It is with the utmost sincerity that I express to you my heartfelt gratitude as a Panamanian for the clear, precise, courageous statements you made in the Senate of the United States when you referred to the crisis which has arisen with my country. Your intelligent and lofty position shows there are North Americans capable of understanding reality, of denouncing unhesitatingly the blunders and mistakes of the Government of the United States, and of suggesting timely and effective measures for the effective correction of the errors which have been committed. I pray that your ideas will prevail, pointing the right way to your Government in order that justice may be done to Panama, which has suffered from misunderstanding for over half a century, in order that the United States may recover its prestige so severely damaged by the events of which my country has been the victim.

Cordially,

T. GABRIEL DUQUE,  
Ex-President of Panama and Publisher  
of *La Estrella de Panama* and the  
*Star and Herald*.

#### THE PANAMA CRISIS

Mr. MORSE. Mr. President, I ask unanimous consent that there be inserted in the CONGRESSIONAL RECORD a column by Inez Robb on the Panama crisis. It, too, shows the shortcomings of the past U.S. foreign policy toward Panama. I agree with Miss Robb's major observations and congratulate her.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

##### USE THE STICK

(By Inez Robb)

If there is a time and place in which the United States is always advised to walk softly and carry a big stick, it is Panama.

In that small, sensitive country, we are the builders, operators, and the owners of one of the Seven Wonders of the modern world.

This country cannot give up the Panama Canal or surrender control of such an indispensable link in our own defense and that of our allies. So it is little short of treason for chauvinist Americans of any age needlessly to endanger the American position in Panama and seriously embarrass the Government in its day-to-day operation of the canal and its day-to-day relationships with the Panamanian Government and people.

So if I were wielding the big stick at the moment, I would walk softly in the Canal Zone and apply it vigorously to the American teenagers and the adults who encouraged them in sparking the riots in Panama in which at least 24 persons, including three American soldiers, were killed. That alone is a terrible price—24 lives—for an arrogant prank that everyone involved well knew could bring trouble.

By defying the gentlemen's agreement between the United States and Panama that the American and Panamanian flags shall fly side by side in the Canal Zone, American high school students, backed by adults, have not only the deaths of 24 persons on their conscience, but have also:

1. Made the U.S. position in Panama much more difficult.
2. Inexcusably and intolerably given the Communists, particularly the Castroite brand, a club with which to beat us, especially throughout Latin America where we are—for our own salvation—doing our utmost to combat Marxism.
3. Seriously embarrassed the Government and the President, not only in our relations with Panama but with all of South America.
4. Given the Panamanians an American-made opportunity to demand a drastic revision of the 60-year-old treaty under which this country holds the Canal Zone in perpetuity.

Many Panamanians in the past decade have been spooling for trouble, for any excuse to attack the American position. No one knows the touchy position better than Americans who live in the Canal Zone.

Since World War II we have lived in an increasingly angry and touchy world in which mounting national pride has been a prime factor in international relations. There is no defense of Panamanians looking for any excuse for a fight, but there is less excuse for Americans gratuitously presenting Panamanians with a readymade pretext.

By no stretch of imagination can that student flag raising in the zone be construed as an act of patriotism when it was done in defiance of U.S. Government regulations.

It was distressing to hear, via radio, some of the students responsible for the deed boasting of what they had done and of the adult encouragement they had received, when more than a score lay dead and Communists around the world were turning the tragedy into a field day.

Surely, the U.S. Government will find it expedient quietly to weed out the troublemak-

ers and the adults who encouraged them and ship all back to the United States. At least, they would no longer be in a position to cause an international incident by deliberately tossing a match into a tinderbox.

Our jingoists will say that the United States can crush Panama in 24 hours, and that is doubtless a generous estimate of time. But that is not the way this Nation does business, nor is it the way of the 20th century among civilized peoples.

The United States must continue to own, operate, and protect the canal not as a dictator or bully, but as a firm, friendly, and decent neighbor.

Mr. MORSE. Mr. President, I ask unanimous consent that a sound and penetrating column by Eliot Janeway on the Panama crisis be printed in the CONGRESSIONAL RECORD.

The column is effective testimony in support of the need for a thorough overhauling of our Panama foreign policy. I congratulate Mr. Janeway.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

So now we have a Suez of our own—right in our own backyard.

It was 7 years ago that the Suez crisis erupted over Nasser's demand to take over the Anglo-French canal. This was certainly a distant early warning to us in this hemisphere, long before the rise of Castroism. But it seems to have fallen on deaf ears.

Typically, the American reaction to Suez was: "It can't happen here." When England and France went to war against Egypt, President Eisenhower made his displeasure clear and effective enough to back them off and leave the canal in Egypt's hands.

Now we find ourselves hoist with our own petard. Panamanians want to clip the Eagle's wings just as Egyptians wanted to pull the Lion's tail. They can cite not only Eisenhower's stand against the European canal owner. They can also point to the recommendation Harry Truman made at the time to mediate the dispute by the device of internationalization (though, of course, it is nationalism, not internationalism, which is powering Panama's demands).

Even though we find ourselves the heirs to the embarrassing position of the Suez Canal owners, surprised and policyless despite 7 years of warning, we have a great deal more strength to bring to the bargaining table than did the British and the French. It is economic strength, and not of the old-fashioned imperialist variety. In fact, it is particularly timely to bring it under scrutiny now because it relates to the well-known controversy over tax loopholes, which is at the top of the senatorial agenda this year.

For there's no tax loophole bigger than the loophole known as the Panamanian Corporation which, of course, enjoys exemption from U.S. Federal taxes. There are at least two ways in which this loophole becomes a cornucopia for the economy of Panama for those Panamanians who are on the receiving end of the Yankee dollar.

The first relates to the sore subject of the merchant marine. We have, in fact, subsidized Panama into business at the expense of our own oceangoing commerce, our own port-serving industries, our own dying shipbuilding industry, and all the trades and jobs which formerly served them. The Panamanian-flag ship is one of the main reasons for the depression in U.S. shipping and shipbuilding which has reached crisis proportions. The demonstration of our inability to compete in the grain-carrying trade has just shown this to be the case.

The second endowment this tax loophole of the Panamanian Corporation gives Panama and Yankee dollar-owning Panamanians