

being served a notice to do so. A fine of \$50 per day for such failure to comply is provided here also, upon conviction of the owner in court. The principal change which H.R. 7441 would incorporate in this section of the present law is to add dead, dangerous, or diseased trees to the list of nuisances coming under its purview.

The District of Columbia Board of Commissioners has informed this committee that such dead, dangerous, or diseased trees pose a safety hazard in the District, for which reason their being listed as abatable nuisances is justified. This view has been supported by the District of Columbia Department of Licenses and Inspections, and the District of Columbia Department of Public Health.

For some years, under the authority of an agreement between the U.S. Department of Agriculture, the National Park Service, and the District of Columbia Department of Highways and Traffic, District employees have removed trees afflicted with Dutch elm disease from private property in the city when the owners have failed to remove them. In these instances, the District employees have been acting as agents of the Federal Government. However, the city has never had any authority to remove trees from private property for any reason other than the presence of Dutch elm disease.

This provision of H.R. 7441, which would grant this removal authority, specifies that a "dead" tree is one of which no part is living; a "dangerous" tree must constitute a danger to persons or property on public space, and a "diseased" tree must be one which is infested with a major pathogenic disease which causes it to be a threat to the health of any other tree. Also, it is stipulated that the authority to remove a dangerous or diseased tree shall be exercised by the Commissioners only after every reasonable effort has been made to abate the condition by other means.

The Chief of Quarantines and Hearings, Plant Quarantine Division, U.S. Department of Agriculture, and the Superintendent of National Capital Parks have expressed their endorsement of the Commissioner's request for this authority with respect to diseased trees.

As in the case of unsafe structural conditions, it is proposed in H.R. 7441 that costs to the District incurred when the city is obliged to abate these nuisances will be assessed as taxes against the properties, and collected in the same manner.

The present act specifies methods of serving the notices referred to above, and established an order of precedence for the use of these methods. This bill seeks to amend this section by eliminating this order of precedence so as to provide greater flexibility in the choice of methods of serving notice. Further, this bill provides that whenever any method other than personal service is utilized, a copy of the notice shall also be sent to the owner by mail.

H.R. 7441 will also provide the Commissioners with authority to order an unsafe building vacated, by serving of proper notice, when in their judgment the condition is imminently dangerous to the occupants. Failure of any occupant to obey such an order would be punishable by a fine not to exceed \$300, or imprisonment for not more than 30 days.

On August 3, 1964, public hearings were conducted with regard to H.R. 7441 by the Subcommittee on Public Health, Education, Welfare, and Safety. A representative of the District Commissioners appeared and testified in support of the bill's enactment. No one appeared in opposition to the bill.

Legislation identical with this bill except for the tree provision set forth above, was approved by the Senate in the 86th and 87th Congresses.

No additional cost to the District government is anticipated by this bill because property owners will be assessed costs involved.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 11380) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

The ACTING PRESIDENT pro tempore. The pending question is on agreeing to amendment No. 1175, offered by the Senator from Alaska [Mr. GRUENING].

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll.

[No. 532 Leg.]

Aiken	Hayden	Muskie
Allott	Hickenlooper	Nelson
Bartlett	Hill	Neuberger
Bayh	Holland	Pastore
Beall	Humphrey	Pearson
Bennett	Inouye	Pell
Bible	Jackson	Prouty
Boggs	Javits	Proxmire
Brewster	Johnston	Randolph
Burdick	Jordan, N.C.	Ribicoff
Byrd, Va.	Jordan, Idaho	Robertson
Byrd, W. Va.	Keating	Russell
Carlson	Kuchel	Saltinger
Case	Lausche	Saltonstall
Church	Long, Mo.	Scott
Cooper	Magnuson	Simpson
Cotton	Mansfield	Smathers
Curtis	McCarthy	Smith
Dirksen	McClellan	Sparkman
Dodd	McGee	Stennis
Dominick	McGovern	Symington
Douglas	McIntyre	Talmadge
Eastland	McNamara	Thurmond
Ellender	Mechem	Tower
Ervin	Metcalf	Walters
Fong	Miller	Williams, N.J.
Fulbright	Monroney	Williams, Del.
Goldwater	Morse	Yarborough
Gruening	Morton	Young, N. Dak.
Hart	Moss	Young, Ohio
Hartke	Mundt	

Mr. HUMPHREY. I announce that the Senator from Tennessee [Mr. GORE], and the Senator from Louisiana [Mr. Long] are absent on official business.

I also announce that the Senator from Nevada [Mr. CANNON], the Senator from Pennsylvania [Mr. CLARK], and the Senator from Oklahoma [Mr. EDMONDSON] are necessarily absent.

I further announce that the Senator from New Mexico [Mr. ANDERSON] and the Senator from Massachusetts [Mr. KENNEDY] are absent because of illness.

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. HRUSKA] is necessarily absent.

The PRESIDING OFFICER. [Mr. SALINGER in the chair]. A quorum is present.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 11380) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to Senate amend-

ment No. 1175 proposed by the Senator from Alaska [Mr. GRUENING].

Mr. GRUENING. Mr. President, I speak on my amendment No. 1175, which aims to reform the existing Foreign Assistance Act in regard to interest rates on development loans. Such loans are being made now at no interest whatever, although there is a nominal three-quarters-of-1 percent service charge.

I submitted this amendment last year, with a number of cosponsors, and it was defeated by a vote of 44 to 30.

The administration, of course, opposed this change.

What our AID administrators are doing is concealing grants which should not be concealed. This bill might have a subtitle, which I borrow from a piece of legislation the "truth in lending" bill long sponsored by the distinguished Senator from Illinois [Mr. DOUGLAS], and so my amendment might be called the truth in foreign aid lending amendment.

About 3 years ago there was a movement in the Congress against the idea of giving grants in our foreign aid programs. It was said, "Let us make loans instead." So we started making so-called loans.

These transactions are not really loans at all. They are called loans, but they are concealed grants as well as loans.

In the first 2 years of this policy, we loaned \$1,315,775,000; and the cost of servicing that amount was not far from another \$1 billion. The concealed grants were in the neighborhood of \$900 million. So actually it was costing Uncle Sam more than \$2 billion to make these loans, but with a showing of only \$1,315 million.

In the years 1961 and 1962, the average was \$657 million, if we divide the total amount of the loans in 1961 and 1962 by two.

That amount has now increased substantially.

One the desk of each Senator will be found a list of the loans of this character that were made in 1963. It will be found that they amounted to \$1,057,925,000.

If Senators will go over this list and see what the projects are, it will be clear that little or no discretion is being exercised as to whether they are for self-liquidating projects such as powerplants or industries, or for other projects which are not self-liquidating, such as schools or roads.

There was a striking example of that last year. I was in Cairo a year ago last February and was present at the signing of a \$30 million loan to Egypt's dictator, Nasser, to build a powerplant for west Cairo. A powerplant is a revenue-producing project. Revenues start as soon as the plant is completed and the current is turned on. In that particular case, being a dictator, Nasser could charge whatever he wanted to charge, and the consumers would have to pay it.

What were the terms of that loan? There was to be no repayment of principal for 10 years. During that period we shall be borrowing money at an interest rate of roughly 4 percent, to be paid by the American people. So we are out about \$12 million before the payments

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even begin. Then we are out the difference between three-quarters of 1 percent, which is not really an interest charge but a service charge, and 4 percent. So at the end of 40 years, which is the time given to repay this loan of \$30 million, there is another \$23 or \$24 million concealed.

On another occasion—a recent occasion—the Bureau of the Budget was shocked at the idea of making loans that concealed grants. It happened in connection with the amended Alaska omnibus bill. One of its provisions was to have the Federal Government loan some money to the State of Alaska to tide it over because of the great loss of revenue caused by the earthquake with the interest rate fixed at 3½ percent. I offered an amendment to make the interest rate for loans to a State that had suffered unparalleled damage three-quarters of 1 percent, the rate applied to a \$100 million loan to Chile after an earthquake there. The Bureau of the Budget opposed my amendment declaring in writing that the amendment would provide a subsidy of \$14.2 million, if the full \$25 billion were borrowed. Thus, the effect on the Federal Government would be a cost of \$14.2 billion grant plus \$10.5 billion interest. In other words, the Bureau of the Budget declared itself in opposition when it was proposed to lend to the State of Alaska, after this unparalleled disaster, some \$14 billion in grants, but it is not at all shocked when we lend \$1,057 billion to 35 foreign countries in the last fiscal year, at the terms they opposed for our own citizens. It should be noted that our development loans carry this three-fourths of 1 percent service charge even when there has been no disaster.

The countries that have received such loans are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica—Jamaica even got in there while she was still a colony—Nicaragua, Panama, Peru, Uruguay, Venezuela, Korea, Afghanistan, India, Nepal, Pakistan, Turkey, Egypt, Cameroon, Ethiopia, Ivory Coast, Liberia, Mali, Niger, Nigeria, Somalia, Sudan, Tanganyika, Tunisia, and Uganda.

Hope was expressed in the previous debate, when I sponsored a similar amendment, that the AID administration would show some discretion in making these loans; that where a project was self-liquidating, as in the case of a powerplant, the terms of a true loan at businesslike interest rates showing some concern for the American taxpayer would prevail, but apparently there was no discretion.

The impressive list which is on every Senator's desk indicates the extent to which the U.S. administrators have been prodigal, spendthrift, and wanton in spending the American taxpayers' dollar.

I think it is all wrong. We have no right to pretend that these are loans when they are both loans and grants. This is one of the many concealments that take place in our foreign aid program.

I am in favor of foreign aid. I voted for it. But I am extremely critical of many abuses in our foreign aid pro-

grams of the numerous concealed spigots that pour out the money, directly and indirectly.

The coffee agreement which the Senate recently voted for is another concealed spigot. It will be a great subsidy to a number of coffee-producing countries, 14 of them in the Western Hemisphere, and some in Africa. I voted for it. I voted for it with some of the misgivings that the Senator from Illinois [Mr. DOUGLAS] voiced, and the burden that I feared it would place on the American consumer. Yet I felt it was desirable to assist some of those countries and help stabilize their economies. But there does not seem to be enough concern about the multiplicity of spigots through which American dollars are ladled out abroad. I am sure many of our colleagues are not even aware of them.

We were told by the administration that this \$3.4 billion program was a bare-bones program, and that for that reason it should not be cut or amended, but should be accepted as it is.

However, there was a very interesting colloquy between the Senator from Missouri [Mr. SYMINGTON] and Mr. David Bell, AID Administrator, during the hearings on this bill. I read that colloquy:

Senator SYMINGTON. You come out with a figure of \$3.4 billion. I turn that over to somebody trying to be objective and say, "Give me what the true figure is." He then gives me a figure of \$6 billion as actually the foreign aid we are going to give or loan this year. That includes incidentally over \$2 billion of Public Law 480 money. * * * The AID program is not a \$3.4 billion program. It is a \$6 billion program. Right?

Mr. BELL. (Hon. David E. Bell, Administrator, Agency for International Development). Somewhere between five and six; yes, sir.

Mr. President, I could develop this point at some length. I believe we should stop making these "soft" loans. They are not loans at all. It would be much better to go back to outright grants. Egypt's Nasser was boasting that he was paying back our loans and that those transactions were loans, not grants. He knows perfectly well that it was a grant and our administrators should be frank enough to admit it. He was included in another such loan the following year. The one I referred to occurred the previous year.

I hope my amendment will be accepted. It would put an element of truth in the foreign aid program. It would save a great deal of money. At the rate we are going, with loans of this kind of over \$1 billion a year and concealed grants of \$800 million, with this amendment we would have much more money to use on legitimate aspects of foreign aid.

Mr. LAUSCHE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. WALTERS in the chair). Does the Senator from Alaska yield to the Senator from Ohio?

Mr. GRUENING. I yield with pleasure to my friend from Ohio.

Mr. LAUSCHE. The probability is that the Senator from Alaska knows that an amendment has been submitted, sponsored by Senators MUNDT, MORSE,

and myself, which fixes one rate of interest on commercial loans and another rate of interest on noncommercial loans. On commercial loans, which are loans made for the development of productive enterprises or facilities directly used in the operation of productive enterprises, the rate of interest shall be equal to the average rate which the Treasury must pay in borrowing the money; the second half of the amendment provides that on noncommercial loans the rate of interest shall not be less than 2½ percent.

Mr. GRUENING. I should say that is a very desirable amendment. If the pending amendment fails, I shall support the Senator's amendment. It is certainly a step in the right direction. I still think, however, that we are perpetuating a fraud on the American people when we are making loans at a rate lower than what it costs the American people to get the money.

Mr. LAUSCHE. Do I correctly understand that the Senator's amendment fixes the rate of interest equal to what the Treasury is paying on all loans, whether commercial or noncommercial?

Mr. GRUENING. The Senator is correct.

Mr. LAUSCHE. In that respect the two amendments differ. Is that correct?

Mr. GRUENING. They do differ. I believe the amendment sponsored by the Senator from Ohio is more moderate. It does not go as far as my amendment goes. I shall be glad to support it if my amendment fails. In any event, I believe that we should stop fooling the American people. If some of these countries are too poor to pay back loans, let us make grants to them. Many of the loans will not be repaid anyway. I may sound like a cynic, but that, I am convinced, will inevitably happen. Ten years from now, when the first payments become due, those who arranged them will no longer be here. They will have gone elsewhere. Then, instead of it being called a default, what will happen will be called a refunding or refinancing operation; or some other euphemistic term will be applied. Then, when the second due date arrives 20 years hence those who had the refunding arrangements will be gone. Their successors will be able to absolve themselves of past follies.

Therefore, Mr. President, we are in large part actually giving the money away. There is no question about that in my mind. I hope the amendment will prevail.

I ask for the yeas and nays.

The PRESIDING OFFICER (Mr. SALINGER in the chair). Is the request sufficiently seconded?

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GRUENING. I am glad to yield to the Senator from Illinois.

Mr. DOUGLAS. I assume that the very informative table which the Senator has prepared will be made a part of the RECORD.

Mr. GRUENING. Yes; it will be made a part of the RECORD.

Mr. DOUGLAS. The table shows the interest rate to be three-quarters of 1

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percent. Is that interest rate to be applied throughout the 40-year period, or does it serve as the rate for the first 10 years; and will the interest rate after the first 10 years be 2 percent?

Mr. GRUENING. I believe an amendment was adopted last year which raised the interest rate after a certain period of time.

Mr. DOUGLAS. After 10 years.

Mr. GRUENING. Yes. I am not positive whether that will remain in this bill or not. In any event, there will be a considerable period of time in which we shall be making concealed grants,

whether the interest rate is three-quarters percent or 2 percent.

Mr. DOUGLAS. In the report, at page 42, in the statement of individual views by the Senator from Oregon, the Senator from Ohio, and the Senator from South Dakota, it is stated, in the third paragraph:

In 1963, the Congress amended the law to require a minimum interest rate of 2 percent after the 10-year grace period during which the interest may still be (and usually is) as low as three-fourths percent.

I take it, so far as the law is concerned, that after 10 years the minimum interest rate is presumed to go up to 2 percent.

Mr. GRUENING. The Senator is correct. However, we still incur a substantial loss in that we are borrowing the money at 4 percent or 3½ percent. So a lesser interest rate abroad is still a grant, although it may be a less generous grant. We should make a grant if a country is too poor to pay back a loan. But we should not deceive the American people by calling such transactions loans.

I ask unanimous consent that the table showing the loans made at this rate be included in the Record at this point.

There being no objection, the table was ordered to be printed in the Record, as follows:

Loans made by the Agency for International Development to foreign countries during calendar year 1963 at ¾ of 1 percent for 40 years¹

[Repayable in dollars]

Country	Borrower purpose	Date of loan agreement	Number years repayment	Interest rate	Amount of loan
LATIN AMERICA					
Argentina.....	Government of Argentina:	<i>1963</i>			
	Central Housing Bank.....	June 3	40	¾	\$12,500,000
	Route 12 road project.....	Jan. 21	40	¾	6,700,000
	Road program loan.....	Mar. 18	40	¾	30,500,000
Bolivia.....	Government of Bolivia:	June 3	40	¾	3,000,000
	Grain storage facilities.....	Oct. 10	40	¾	21,700,000
	Access roads.....	Aug. 1	40	¾	7,200,000
	La Paz-El Alto Highway.....	Aug. 17	40	¾	3,400,000
Brazil.....	Government of Brazil:	.....	40	¾	2,200,000
	El Alto Customs Center.....	.....	40	¾	2,400,000
	Banco Industrial, S.A., assist in financing subloans.....	.....	40	¾	3,700,000
	Agricultural Bank.....	.....	40	¾	4,000,000
Chile.....	Government of Brazil:	Mar. 6	40	¾	2,000,000
	Credito E Financiamiento, S.A. Development Bank.....	Mar. 11	40	¾	25,500,000
	CIA de Carbonos Coloidois Carbon Black Plant.....	Apr. 24	40	¾	2,400,000
	Emergency stopgap assistance.....	Oct. 29	40	¾	35,000,000
Colombia.....	Government of Chile: Development program.....	Jan. 31	40	¾	4,000,000
	Government of Colombia:	.....	40	¾	7,500,000
	Feasibility studies.....	June 26	40	¾	10,000,000
	National Housing Institute of Colombia, self-help housing.....	.....	40	¾	2,000,000
Costa Rica.....	Government of Colombia:	.....	40	¾	10,000,000
	Colombia Institute of Agrarian Reform, supervised agrarian credit.....	.....	40	¾	2,000,000
	Mineral Resources Survey.....	Sept. 18	40	¾	5,000,000
	Banco Nacional de Costa Rica:	.....	40	¾	2,000,000
Dominican Republic.....	Government of Costa Rica:	July 23	40	¾	1,500,000
	Agricultural development.....	.....	40	¾	1,400,000
	Slum replacement housing.....	.....	40	¾	2,100,000
	Cachi hydroelectric project.....	.....	40	¾	5,000,000
Ecuador.....	Government of Ecuador:	.....	40	¾	2,100,000
	Metro emergency water supply.....	.....	40	¾	2,700,000
	IBRC/AIC highway program.....	.....	40	¾	2,000,000
	CO FISA: Financing subloans.....	Dec. 23	40	¾	1,600,000
El Salvador.....	Government of Ecuador:	Jan. 2	40	¾	2,700,000
	National Housing Bank Savings & Loan Association.....	.....	40	¾	2,000,000
	Government of Ecuador:	Sept. 1	40	¾	1,600,000
	Quito, Quevede Road.....	Sept. 4	40	¾	2,400,000
Honduras.....	Government of Ecuador:	Sept. 2	40	¾	1,600,000
	Economic and engineering studies.....	.....	40	¾	2,400,000
	Administrative and fiscal reform.....	.....	40	¾	8,900,000
	Republic of El Salvador:	.....	40	¾	4,500,000
Jamaica.....	Government of El Salvador:	.....	40	¾	1,050,000
	Primary school construction.....	Sept. 18	40	¾	1,500,000
	Agricultural loan program.....	.....	40	¾	1,000,000
	INSAFI.....	.....	40	¾	6,000,000
Nicaragua.....	Government of Honduras small water systems.....	Aug. 22	40	¾	1,050,000
	Government of Jamaica project assistance.....	Nov. 29	40	¾	1,500,000
	Government of Nicaragua: Las Mercedes Airport.....	July 25	40	¾	1,000,000
	Instuto de Acueductos water supply and sewerage system.....	Feb. 6	40	¾	8,600,000
Peru.....	Government of Peru:	.....	40	¾	3,000,000
	Lima water sewerage.....	Mar. 15	40	¾	6,000,000
	Feasibility studies.....	.....	40	¾	2,600,000
	Banco Hipotecario del Uruguay: Home construction.....	Feb. 28	40	¾	10,000,000
Uruguay.....	C.A. Bank for Economic Integration: Feasibility studies.....	Nov. 29	40	¾	2,600,000
	C.A. Bank for Economic Integration: Home loan department.....	.....	40	¾	9,500,000
	Government of Korea: Changsong Coal Mine District.....	Dec. 7	40	¾	2,625,000
	Government of Korea: Changsong Coal Mine District.....	Dec. 3	40	¾	2,000,000
Venezuela.....	Government of Afghanistan:	Mar. 23	40	¾	8,400,000
	Ariana Afghan Airlines.....	Dec. 3	40	¾	16,000,000
	Transport equipment.....	.....	40	¾	25,100,000
	Government of India:	.....	40	¾	7,700,000
Afghanistan.....	Government of India:	May 21	40	¾	240,000,000
	Ramsangdam thermal power.....	Mar. 8	40	¾	16,000,000
	Delhi C thermal power.....	.....	40	¾	25,100,000
	Satpura thermal power.....	.....	40	¾	7,700,000
India.....	Central Ropeway F project.....	Oct. 21	40	¾	16,000,000
	Nonproject imports.....	Feb. 25	40	¾	15,850,000
	Chandrapura thermal, stage II.....	Oct. 21	40	¾	80,000,000
	5th railway loan.....	.....	40	¾	5,100,000
Korea.....	Tarapur nuclear power.....	Dec. 7	40	¾	80,000,000
	Cuega coal washery plant.....	Nov. 29	40	¾	5,100,000

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Loans made by the Agency for International Development to foreign countries during calendar year 1963 at 3/4 of 1 percent for 40 years — Con.

[Repayable in dollars]

Country	Borrower purpose	Date of loan agreement	Number years repayment	Interest rate	Amount of loan
1963					
NEAR EAST AND SOUTH ASIA—CON.					
Nepal.....	Government of Nepal: Nepal Industrial Development Corp.....	Dec. 8	40	3/4	\$1,000,000
Pakistan.....	Government of Pakistan:				
	Sawmill and timber extraction.....	Oct. 23	40	3/4	2,200,000
	Malaria eradication program.....	Feb. 28	40	3/4	3,800,000
	Airport and airways equipment.....	Mar. 22	40	3/4	2,100,000
	Salin conservation and reclamation project No. 2.....	do	40	3/4	10,800,000
	General commodities 2d.....	Mar. 27	40	3/4	30,000,000
	Chalna anchorage project.....	Mar. 22	40	3/4	3,600,000
	Feasibility studies.....	Mar. 27	40	3/4	2,000,000
	CPS and Maini, Rechna DCAB project.....	Aug. 15	40	3/4	750,000
	Coastal embankment project.....	do	40	3/4	6,500,000
	General consultants.....	Aug. 15	40	3/4	4,400,000
	Third commodity loan.....	Sept. 28	40	3/4	70,500,000
	General service in public health.....	Dec. 9	40	3/4	1,500,000
	Investigative services.....	Nov. 20	40	3/4	5,600,000
	5th railway loan.....	do	40	3/4	14,500,000
	Telecommunication expansion.....	Oct. 23	40	3/4	4,700,000
	Machinery pool organization, WAPCA.....	Dec. 9	40	3/4	5,000,000
	Mechanical equipment.....	Nov. 20	40	3/4	1,500,000
Turkey.....	Government of Turkey:				
	Keban and Ciceroz feasibility studies.....	July 15	40	3/4	350,000
	Feasibility studies.....	Oct. 15	40	3/4	3,000,000
	General commodities.....	Sept. 11	40	3/4	35,000,000
United Arab Republic (Egypt).....	Government of United Arab Republic:				
	Cairo west power project.....	Feb. 20	40	3/4	30,600,000
	Cardboard project.....	Nov. 12	40	3/4	5,700,000
AFRICA					
Cameroon.....	Government of Cameroon: Extension of railway system.....	Aug. 27	40	3/4	9,200,000
Ethiopia.....	Government of Ethiopia: 3d highway program.....	Dec. 2	40	3/4	4,000,000
Ivory Coast.....	Government of Ivory Coast: Highway equipment.....	Nov. 29	40	3/4	1,700,000
Liberia.....	Government of Liberia: National Medical Center.....	Dec. 5	40	3/4	5,300,000
	Monrovia Power Authority: MT coffee hydroelectric project.....	Sept. 26	40	3/4	24,300,000
	Government of Liberia: Monrovia junior-senior high school.....	Oct. 23	40	3/4	1,700,000
Mali.....	Government of Mali:				
	Teachers training college.....	Dec. 4	40	3/4	2,100,000
	Central Veterinary Laboratory at Bamako.....	do	40	3/4	1,100,000
Niger.....	Government of Niger: Development bank.....	Dec. 14	40	3/4	500,000
Nigeria.....	Government of Nigeria:				
	Ibadan water supply.....	Dec. 4	40	3/4	12,100,000
	Calabar-IKCM Rd.....	do	40	3/4	8,600,000
	Government of Somalia: Chisimaic port.....	do	40	3/4	3,600,000
Somalia.....	Government of Sudan:				
	Industrial development bank.....	July 14	40	3/4	2,000,000
	Khartoum sewerage.....	Dec. 7	40	3/4	3,800,000
Tanganyika.....	Government of Tanganyika:				
	Dar es Salaam water supply system.....	May 20	40	3/4	2,200,000
	Urban water supplies.....	Dec. 4	40	3/4	1,300,000
	University college.....	Oct. 9	40	3/4	800,000
	Teacher training college.....	Dec. 4	40	3/4	800,000
	Commodity development training center.....	do	40	3/4	250,000
	Agricultural college.....	do	40	3/4	1,250,000
	Program loan.....	Dec. 6	40	3/4	1,000,000
	Electrical equipment.....	do	40	3/4	300,000
Tunisia.....	Government of Tunisia:				
	Water and irrigation projects.....	Feb. 15	40	3/4	2,400,000
	Commodity assistance.....	June 20	40	3/4	15,000,000
	Construction of university.....	Oct. 31	40	3/4	1,800,000
	Agricultural equipment.....	do	40	3/4	6,500,000
Uganda.....	Government of Uganda:				
	Development bank.....	Oct. 4	40	3/4	2,000,000
	Secondary schools.....	Oct. 11	40	3/4	2,400,000
Grand total for all countries.....					1,057,925,000

RECAPITULATION

Country	Total amount	Country	Total amount	Country	Total amount
Argentina.....	\$74,400,000	Peru.....	\$11,600,000	Liberia.....	\$31,300,000
Bolivia.....	18,900,000	Uruguay.....	6,000,000	Mali.....	3,200,000
Brazil.....	33,900,000	Venezuela.....	12,500,000	Niger.....	500,000
Chile.....	35,000,000	Korea.....	9,500,000	Nigeria.....	20,700,000
Colombia.....	23,500,000	Afghanistan.....	4,625,000	Somalia.....	3,600,000
Costa Rica.....	17,000,000	India.....	414,150,000	Sudan.....	5,800,000
Dominican Republic.....	2,100,000	Nepal.....	1,000,000	Tanganyika.....	7,900,000
Ecuador.....	6,300,000	Pakistan.....	169,450,000	Tunisia.....	25,700,000
El Salvador.....	15,800,000	Turkey.....	38,350,000	Uganda.....	4,400,000
Honduras.....	1,050,000	United Arab Republic (Egypt).....	36,300,000		
Jamaica.....	1,500,000	Cameroon.....	9,200,000	Total.....	1,057,925,000
Nicaragua.....	1,000,000	Ethiopia.....	4,009,000		
Panama.....	6,000,000	Ivory Coast.....	1,700,000		

¹ Source: "Status of Loan Agreements" (W-224), Agency for International Development, as of Mar. 31, 1964, Office of the Controller, AID.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Alaska [Mr. GRUENING].

Mr. MORSE. Mr. President, first I wish to extend my high compliment to the Senator from Alaska for offering his amendment.

As the Senator knows, he and I have been criticizing the three-quarters of 1 percent loans, with a 10-year grace period in which no money needs to be paid, and a 40-year period in which to pay back the loans.

I believe it will be found, if the RECORD is checked—I shall do so and correct the

RECORD if what I say is not correct—that some of the loans in the past have been for periods longer than 40 years. I have no doubt that the battle which some of us have put up on the floor of the Senate in recent years for reforms of foreign aid has produced some changes; certainly

not enough, but what has been done is better than nothing at all.

One of the changes has been at least a little shift of position on the part of those downtown in respect to the interest rate problem.

Although we are still making loans at three-quarters of 1 percent for the first 10 years, the amendment which was adopted last year provides that the loans, after 10 years shall bear a minimum of 2 percent interest. About \$2½ billion in hard loans was lent at less than 2 percent and \$745,600,000 in soft loans also carried a rate of less than 2 percent before Congress amended the law.

In fairness to the AID Administrators, it must be mentioned that some loans are being negotiated at rates somewhat above 2 percent. We do not have the figures as to the amount of such loans. If I can obtain the figures before the day is over, I ask unanimous consent that they may be inserted in the Record at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

AID advises that between 1948 and 1952 five loans were made for 45 years each. All are repayable in dollars.

AID advises that in fiscal 1964, five loans were negotiated carrying interest rates in excess of 2 percent. In amount, they totaled \$23,300,000. Four were at 3½ percent, and one was at 5¼ percent. Under the Alliance for Progress program, four loans were made at interest rates above 2 percent. Three were at 5½ percent and one was at 5¾ percent. In amount, they totaled \$9,500,000.

Mr. MORSE. The Record should also be clarified in regard to another matter. I have been a critic of the policy of soft loans. Since 1961 we have not been making many soft loans, although we have a considerable amount of outstanding soft loans made previously.

I ask unanimous consent that if I can obtain the exact figures during the day, as to outstanding soft loans, those figures be inserted at this point in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

The outstanding balance on June 30, 1964, of loans made by AID and predecessor agencies which are repayable in local currencies totals \$1,879,400,000.

The outstanding balance on June 30, 1944, of loans made under Public Law 480 including so-called Cooley loans and repayable in local currencies is \$2,368,120,000. Cooley loans account for \$104,022,000 of this figure.

Mr. MORSE. However, we are still making a great many soft loans under Public Law 480 arrangements. Of course, those loans represent as much American taxpayer money and American taxpayer interest as any other kind of loan.

I am just as critical of soft loans in connection with Public Law 480 funds as I am in connection with any other funds.

The Senator from Alaska must not despair, nor give up hope. The going is tortuous; the road is long; but we are making a little progress. We are hoping that between now and the time the next foreign aid bill comes before the Senate, the American people will catch up. When the American people catch up, they will bring this administration

to an accounting concerning the inefficient, wasteful, unsound foreign aid bill which Congress continues to shackle as a yoke upon the economic necks of the American people.

We shall continue to make progress. During the past 2 weeks officials at the State Department level have expressed their great concern about my minority views this year. I quote them directly and accurately when I say that they said to me:

Your minority views give us much concern, because we have no answers to them.

They have no answers to them because the criticisms I make in my views cannot be answered, and the State Department knows it. So they have proposed a 2-day conference with me in December. I have said that they can have such a conference only on condition that my colleagues on the Committee on Foreign Relations who may wish to attend may participate, because I am satisfied that any members of the committee who wish to take part in a conference with representatives of the State Department for 2 days will be in agreement that drastic changes will be needed in the foreign aid bill that will come before the Senate next year.

One of our difficulties has been that policy changes and policy reforms have not been agreed upon before the bill has come here. I have been in the Senate long enough—20 years, now—to know the handicap we are under in having policy changes made by members of the same party in Congress after an administration position has been announced. If policy changes are desired, there is a stronger hope of getting them if some such arrangements as State Department officials have suggested to me twice in the past 2 weeks can be made.

I replied that I would attend such a conference with enthusiasm. The Department realizes that next year it must bring to us a bill that will meet some of the major criticisms in my minority views. They appreciate that they will be headed for increasing trouble on foreign aid. Why? Because, at long last, it is sinking through the heads of the State Department and the AID administration that there is a rising revolt on the part of the taxpayers of this country against the foreign aid program—and there should be.

The State Department fully recognizes that if it does not do something to improve the foreign aid situation next year, that revolt will begin to express itself at the ballot box. Some of it will express itself at the ballot box in November 1964—and it should. I hope the American people will express their dissatisfaction with the foreign aid program. I have said many times that the only test of a politician is his voting record, not his talk. Some of the voting records in Congress on foreign aid will result in an accounting by the American people in November 1964.

We all know that this bill will pass the Senate today or tomorrow without substantial changes. But it will pass, in my judgment, to the everlasting discredit of Congress.

The Senator from Alaska has offered an amendment that represents sound reform, and I shall vote for it. We shall make our record. We shall call it to the attention of Members of the Senate next year if, at the December conference which the State Department has told me it is planning, it does not make this proposal as one of its policy changes.

I congratulate the Senator from Alaska. I am proud to support his amendment.

Mr. GRUENING. I thank the Senator from Oregon.

When this proposal was debated a year ago, the distinguished Senator from North Carolina [Mr. ERVIN] placed in the Record an article published in a daily newspaper of San Jose, Costa Rica. The article described the activities of that country's Foreign Minister, who had come here to tap our Treasury. He described how Costa Rica was receiving a \$45 million loan, but he said, "What we are getting from you is considered a gift." He made it very clear that it was a gift. One interesting thing that was developed in the article was that a part of the loan was to be used to pay Costa Rica's share of Central America's one-third contribution to the construction of the Inter-American Highway.

Some 20 years ago, a treaty was entered into with the Central American countries in which it was agreed that Uncle Sam would pay two-thirds of the cost of construction of the highway, and that the beneficiaries—six Central American countries—would pay one-third. When I was in Central America 2 years ago, representing the Committee on Public Works, I found that with one exception all of the Central American countries were paying their share out of U.S. foreign aid funds. In other words, they were using our money to pay us back. That is typical of the many loose practices that prevail in our foreign aid program. They are practices which should be tightened up.

Mr. LAUSCHE. Mr. President, as I stated a moment ago, in the Committee on Foreign Relations the distinguished Senator from South Dakota [Mr. MUNDT], the distinguished Senator from Oregon [Mr. MORSE], and I offered an amendment which is in substance identical with the amendment offered by the distinguished Senator from Alaska, but actually is somewhat milder. The Senator from Alaska contemplates that an interest rate shall be charged which is equal to the average interest that the Treasury pays on all money that it borrows.

The amendment offered by the Senator from South Dakota, the Senator from Oregon, and me is divided into two parts. Commercial loans would bear a rate of interest equaling the average rate that the Treasury pays in borrowing money to make the loans. The second part deals with what are known as noncommercial loans. In that category would be embraced loans for the building of schools, dock facilities, highways, waterworks, sanitation installations, and the like. Our amendment provides that on noncommercial loans the interest rate shall be not less than 2½ percent.

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The comparison, therefore, would be that the rate of interest under the amendment of the Senator from Alaska would in all instances be about 4 percent. Under the amendment offered by the Senator from South Dakota, the Senator from Oregon, and me, the rate of interest would be 4 percent on commercial loans and not less than 2½ percent on noncommercial loans.

I am sure that the Department of State objects to the amendment of the Senator from Alaska and, of course, does not look favorably upon the approach that the Senator from South Dakota, the Senator from Oregon, and I have to the program. The State Department has contended that it has been in the process of begging other nations—our allies, which make loans—to reduce the rate of interest which they charge. It was argued that the World Bank is making loans at a very low rate of interest, and that inasmuch as the World Bank is making loans to the underdeveloped countries out of a certain fund at a low rate of interest, our Government should not depart from that practice.

In answer to that argument, I point out to the Senate that, in effect, we fixed the rate of interest in the World Bank. We hold a 30-percent interest, if not more; thus, we are the ones who established the rate of interest that the World Bank charges on the loans it makes to underdeveloped countries. I know that on the basis of the facts, it does not sound reasonable that we should be charging a low rate of interest when our allies are generally charging a rate of interest much higher.

Mr. MORSE. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. MORSE. I congratulate the Senator from Ohio and the Senator from South Dakota for the magnificent work they did in the Foreign Relations Committee in the interest fight. The Senator is correct. The argument of the State Department was that because the World Bank charges a lower rate of interest than the Senator from Ohio, the Senator from South Dakota and I were asking for, we should not be charging a higher rate. As the Senator has just pointed out, we put up at least 30 percent of the World Bank money. It is a rather strange argument that because we participate in a joint enterprise under the World Bank for aid to underdeveloped countries for projects which are sorely needed in those countries at a low rate of interest, we should soak the American people a second time with an interest rate below the cost of use of the money for direct loans from the United States.

If we are to invest in the projects at all, they should be economically sound, so that they can pay out. If they cannot pay out, we should not waste American taxpayers' money on such projects. We should stop talking about the fact that we are really doing something for these countries, if we are not investing our money in sound projects.

The time has come for the foreign aid authorities to be required by Congress to save the taxpayers' money when there

is a direct loan between the United States to another country in projects which will pay out. If they will not pay out, we should save the American taxpayers' money. If they do pay out, they will pay back a very small percentage in any event. It is the old "gimmick" of re-funding, renegotiating, and reloaning; and it will continue interminably. Finally, the whole transaction will be recognized as a bad debt, and will be written off the books.

Mr. GRUENING. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. GRUENING. Can the Senator from Ohio or the Senator from Oregon tell me whether there has been any discussion in the sessions of the Foreign Relations Committee on the reloaning of this money, which we lend at virtually no interest rate, by the recipient government at much higher rates?

Mr. LAUSCHE. I anticipate that the Senator from South Dakota [Mr. MUNDT] will be in the Chamber before this discussion is concluded. It is my understanding that the Senator from South Dakota has a letter or information to the effect that there is one country—and I shall not identify the country, although I know the name of it—to which we once loaned money at an interest rate of three-quarters of 1 percent before the 1961 law was passed. That country loaned the money to a private enterprise to build a manufacturing plant and the lender to the private enterprise was collecting a rate of interest far in excess of the interest which the country had to pay to the United States, which loaned the money in the first place.

That is the only instance I know of.

A country in the Middle East borrowed from us at three-fourths of 1 percent interest. It took that money and loaned it to its own citizens and was collecting a higher rate of interest by far than it was paying to the United States.

Mr. MORSE. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. MORSE. Let me say to the Senator from Alaska that if he will take the repayment of loans of countries A, B, C, D, E, F, on through the alphabet, in the past 10 years, to any one foreign power, we do not have to be hit on the head with a baseball bat to know "how come."

It is difficult to show that we made a loan and the recipient used the money to pay off a debt to some other country. Let me put it this way: If we take a list of any payments which have been made by countries A, B, and C to any foreign power which previously loaned them money at a higher interest rate, the conclusion is perfectly obvious that there is a relationship between their repayments and the loan they received from the United States. They have been playing the United States for a sucker in that kind of interest-rate shell game.

The time has come to invest our money by way of loans only in repayable projects. If countries do not wish to borrow our money on those terms, let them go somewhere else to get it.

It is about time for the U.S. Govern-

ment to start telling other countries that they are trying to blackmail and black-jack us into giving them a loan on the basis of threats, and that if they do not like it, to go somewhere else fast.

Mr. GRUENING. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. GRUENING. Two years ago, in order to stop the extreme abuses involved in this reloaning situation, which sometimes involved usurious amounts of interest—16, 18, and 20 percent—I sponsored an amendment that the recipient country would not be permitted to reloan the money at more than 5 percent higher than the interest rate. In other words, on a three-quarters-of-1-percent loan, they would not be permitted to reloan it at more than 5¾ percent. This was, of course, violently opposed by the administration. Nevertheless, by some miracle it passed the Senate by a vote of 74 to 16.

The State Department representatives told the conferees that this reasonable reform would ruin the foreign aid program. If we stopped these usurious practices, they said, the program would be wrecked; that one could not change the established customs of other countries. So, the amendment was deleted. And the abuses it sought to correct, continue.

This is an evidence of how vigilant some are, not in behalf of the American taxpayers but on behalf of the interests of those in foreign countries who utilize all kinds of improper and usurious practices.

If the money which we lend at three-quarters of 1 percent for 40 years is then reloaned at 6, 8, 10, or 15 percent compounded, or even more, the recipient countries make profits from our philanthropy running into many millions of dollars.

Mr. LAUSCHE. Mr. President, I should like to read what was placed in the report by the Senator from South Dakota [Mr. MUNDT], the Senator from Oregon, and myself:

The administration opposes harder U.S. loan terms primarily on two grounds: First, that the movement of U.S. policy in this direction would interfere with the administration's efforts to induce other developed countries to soften their terms; and second, that it would aggravate the balance-of-payments problems of the borrowing nations. Neither argument is persuasive.

It is my understanding that we made some progress with Canada in inducing it to make some small loans at a low rate of interest. Otherwise, our efforts have not been successful.

I read further from the report:

With respect to the first argument, the administration lays great stress on the fact that loan terms of other developed countries have become softer in recent years. Nevertheless, with the exception of a portion of the Canadian loans, the softest of these loans still carry shorter maturities and interest twice as high as the softest U.S. loans.

To the extent that foreign borrowing aggravates an underdeveloped country's balance-of-payments problem, aggravation is certainly caused more by borrowing from Europe than from the United States.

Certainly, they pay much higher interest than they pay the European nations. I continue to read:

So long as the Congress tolerates a situation in which U.S. money is available for half the cost of European money, the United States will continue to be faced with requests for easy help on balance-of-payments problems which are partially due to European credits. Thus, to some degree, we are helping to make it possible for underdeveloped debtors to pay their European creditors.

Mr. MORSE. And, I add, they were made at higher interest rates.

Mr. LAUSCHE. Mr. President, I believe that is the point that the Senator from Oregon makes. We loan at a low and soft interest rate. And while our money probably is not used directly to pay a high interest rate to some other creditor country, indirectly it is so used.

Those are the reasons why the three Senators whose names I have mentioned filed a dissenting opinion and have an amendment pending before the Senate.

Mr. MORSE. Read it further.

Mr. LAUSCHE. We contemplate calling it up as a substitute at a later hour in the event the amendment of the Senator from Alaska [Mr. GRUENING] is rejected.

The Senator from Oregon [Mr. MORSE] requested that I read further from the dissenting views. I read further:

A hardening of U.S. loan terms would correct this situation. It would also serve notice on the Europeans that we do not intend indefinitely to make soft loans while they made hard ones. Instead of interfering with efforts to persuade the Europeans to soften their loans terms, it might well contribute to those efforts.

A hardening of U.S. loan terms will also have the salutary effect of imposing better habits of fiscal discipline and responsibility on the borrowing countries by requiring them to plan their affairs more carefully and to exercise greater self-restraint.

Mr. MORSE. Mr. President, will the Senator yield for 30 seconds, or less?

Mr. LAUSCHE. I yield.

Mr. MORSE. Of course, if the Senate agrees to either the amendment of the Senator from Alaska [Mr. GRUENING], or the amendment which the Senator from Ohio [Mr. LAUSCHE], the Senator from South Dakota [Mr. MUNDT], and I have proposed, we would still be substantially below their usual interest rate. They could still soften their interest rates down to the interest rate called for by either of those amendments and still not be below the interest rate of the United States. If we could get them down to the interest rate we are proposing of 4 percent for commercial loans and 2 or 2½ percent for other loans—which is in our amendment—it would still be a softening process on their part so far as the fixing of interest rates is concerned.

Mr. LAUSCHE. Mr. President, I regret that the table which is set forth on page 43 of the report does not show how much money has been loaned by other countries, at what is supposed to be a low interest rate.

I am quite sure that the facts will show that the loans made by other countries have been at high interest rates. The table shows that Canada's high interest rate is as high as 6 or 7 percent. France's interest rate is 7 percent and up. Germany's interest rate is 6 to 7 percent and up. In Italy, the lowest rate charged is 3 to 4 percent, and the highest is 7 percent or more. The Netherlands on some few loans have made a low interest-rate charge, but their high interest rate is 3 to 4 percent. In Portugal, the high interest rate is 7 percent and up.

I repeat that if all the facts were shown, they would disclose that the amount of loans made at the low interest rate is negligible, and that the loans made at high interest rates are substantial. They come to us because of our low interest rate.

Mr. MORSE. Mr. President, will the Senator yield further?

Mr. LAUSCHE. I yield.

Mr. MORSE. Mr. President, I again compliment the Senator from Ohio for the demolition which he is doing. He is demolishing the weak case of the State Department and the AID representatives in regard to the interest rate. As I pointed out in my speech yesterday, when one starts to analyze the list of countries to which other countries are making the loans, he will be surprised at the large percentage of such loans made to their former political colonies—still their economic colonies. There are still areas that France, Great Britain, Belgium, and the Dutch dominate economically. The loans which they make to their former territorial colonies—which are still their economic colonies—involve a high degree of self-interest. They are still charging those colonies an interest rate that is on the average far above our own interest rate.

Mr. LAUSCHE. Mr. President, until a few years ago we were charging three-fourths of 1 percent. That was charged, I believe, 2 years ago. We are now charging 2 percent, with 10 years of grace during which the interest rate is three-fourths of 1 percent and the maturity date is 40 years. During the grace period of 10 years no payments on the principal amount are required. At the 11th year the interest rate becomes 2 percent.

In my judgment, we are not moving in the right direction. We are not in fact helping those to whom we are lending money. We are causing them to be

neglectful. We are allowing them to cast aside all discipline and sound management.

Moreover, we are not acting justly with the taxpayers of the United States. In addition, we have created a situation in which all the applicants are coming to our country for loans because of the low interest rates which we charge. And they will continue to come unless we harden the terms.

I favor the hardening of the terms under which we make the loans.

I ask unanimous consent that there be made a part of my statement in the RECORD the individual views contained in the report as set forth on pages 42, 43, and 44, and signed by the Senator from South Dakota [Mr. MUNDT], the Senator from Ohio [Mr. LAUSCHE], and the Senator from Oregon [Mr. MORSE].

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

INDIVIDUAL VIEWS

We strongly believe that this bill should contain provisions hardening the terms of development loans and loans under the Alliance for Progress. An amendment to this effect was rejected by the committee by a vote of 8-7, a decision which we shall urge the Senate to overturn.

Historically, the foreign aid program has gradually moved from a program which was almost all on a grant basis to a program which (excluding military assistance) is composed of roughly 60 percent loans and 40 percent grants. This progress is welcome. It has been, we think, too slow; but we are here concerned not so much with increasing the loan component as with the nature of the loans which comprise that component.

Until the Congress took a small step last year toward hardening loan terms, the common administration policy was to make loans at three-fourths of 1 percent interest and a maturity of 40 years including a 10-year grace period on repayment of principal. In 1963, the Congress amended the law to require a minimum interest rate of 2 percent after the 10-year grace period during which the interest may still be (and usually is) as low as three-fourths percent.

To call a transaction of this nature a "loan" is to be something less than candid. Loans on such soft terms contain an element of grants and a concealed subsidy in the interest rate. We are deceiving ourselves and the American people if we pretend that this is a loan program. The three-fourths percent interest during the grace period barely covers the cost of administering the loan. Even the 2 percent interest charged after the grace period is far below the cost of the money to the U.S. Treasury, which is now paying 3½ percent.

Under the current requirements of the Foreign Assistance Act, the average interest on development and Alliance for Progress loans is 1.7 percent.

This is far below what most other developed countries are charging, as shown in the following table:

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DAC donor countries bilateral terms of aid, 1962—Commitments

	Interest rates			Maturities			Grace period (most liberal)
	Lowest	Highest	Weighted average (percent)	Longest	Shortest	Weighted average (years)	
Belgium.....	Nonavailable.....	Nonavailable.....	5.5	5 to 10 years.....	5 to 10 years.....	7.5	Not available.
Canada.....	¼ of 1 percent.....	6 to 7 percent.....	(?)	50 years.....	do.....	(1)	
Denmark.....							
France.....	1 to 3 percent.....	7 percent and up.....	4.4	40 years and up.....	1 to 5 years.....	23.3	3 years.
Germany.....	do.....	6 to 7 percent.....	4.2	20 to 30 years.....	do.....	17.0	7 years.
Italy.....	3 to 4 percent.....	7 percent and up.....	4.9	10 to 20 years.....	do.....	9.8	
Japan.....	5 to 6 percent.....	do.....	6.1	do.....	do.....	8.1	5 years.
Netherlands.....	0 to 1 percent.....	3 to 4 percent.....	5.0	40 years and up.....	20 to 30 years.....	20.0	85 percent, 10 years.
Norway.....							
Portugal.....	0 to 1 percent.....	7 percent and up.....	4.6	20 to 30 years.....	1 to 5 years.....	22.4	3 years.
United Kingdom.....	do.....	6 to 7 percent.....	5.6	40 years and up.....	do.....	26.3	7 years.
Total, other DAC.....			5.1			19.8	
United States.....	0 to 1 percent.....	6 to 7 percent.....	2.6	40 years and up.....	1 to 5 years.....	20.9	10 years.
Total, DAC.....			3.6			25.8	

1 Not available.

NOTE.—Data available lack precision or consistency; these average terms should be regarded as rough orders of magnitude.

The administration opposes harder U.S. loan terms primarily on two grounds: First, that the movement of U.S. policy in this direction would interfere with the administration's efforts to induce other developed countries to soften their terms; and second, that it would aggravate the balance-of-payments problems of the borrowing nations. Neither argument is persuasive.

With respect to the first argument, the administration lays great stress on the fact that loan terms of other developed countries have become softer in recent years. Nevertheless, with the exception of a portion of the Canadian loans, the softest of these loans still carry shorter maturities and interest twice as high as the softest U.S. loans.

To the extent that foreign borrowing aggravates an underdeveloped country's balance-of-payments problem, aggravation is certainly caused more by borrowing from Europe than from the United States. So long as the Congress tolerates a situation in which U.S. money is available for half the cost of European money, the United States will continue to be faced with requests for easy help on balance-of-payments problems which are partially due to European credits. Thus, to some degree, we are helping to make it possible for underdeveloped debtors to pay their European creditors.

A hardening of U.S. loan terms would correct this situation. It would also serve notice on the Europeans that we do not intend indefinitely to make soft loans while they make hard ones. Instead of interfering with efforts to persuade the Europeans to soften their loans terms, it might well contribute to those efforts.

A hardening of U.S. loan terms will also have the salutary effect of imposing better habits of fiscal discipline and responsibility on the borrowing countries by requiring them to plan their affairs more carefully and to exercise greater self-restraint. A grace period of 10 years provides a considerable incentive to postpone the day of planning to meet regular payments. With respect to politically unstable countries, a 10-year grace period increases the risk that a change in government might lead to default of the loan.

For all of these reasons, we urge the Senate to support an amendment which we intend to offer and which will make the lending part of the foreign aid program loans in fact as well as in name. Under the existing law, the so-called loans are in reality little more than grants. If the U.S. Government is going to make grants to foreign countries—and in some instances there may be a case for doing so—we should at least be honest with ourselves and with the American people and call them grants. We

cannot justify making grants and calling them loans.

KARL E. MUNDT.
FRANK J. LAUSCHE.
WAYNE MORSE.

Mr. LAUSCHE. Mr. President, I now suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. Nelson in the chair). The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. GRUENING. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. LAUSCHE. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue to call the roll.

The legislative clerk resumed the calling of the roll.

Mr. LAUSCHE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Alaska [Mr. GRUENING].

Mr. FULBRIGHT. Mr. President, the amendment is one of the most drastic of all amendments that are being offered to change the character of this program. The Administrator, Mr. Bell, has summed up the arguments on the amendment very succinctly.

I ask unanimous consent that his letter be printed in the RECORD at this point in my remarks.

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

DEPARTMENT OF STATE, AGENCY
FOR INTERNATIONAL DEVELOP-
MENT,

Washington, D.C., August 6, 1964.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand several amendments concerning interest rates and amortization schedules have been proposed to H.R. 11380, the Foreign Assistance Act of 1964. The purpose of these amendments would be to raise the present minimum interest rate of 2 percent (with a three-fourths of 1 percent rate during the grace period), limit

or eliminate the present 10-year grace period, and shorten the present 40-year maturity on dollar-repayable development loans.

These amendments are a cause of deep concern for they threaten the effectiveness of the development loan program, the central feature of foreign assistance. Congress recognized, in passing the Foreign Assistance Act of 1961, that by shifting to dollar-repayable loans from grants or local currency repayable loans, a much greater burden was being placed on the less-developed countries receiving U.S. assistance. Consequently, minimum repayment terms for development loans were set to meet the capacity of the borrower to repay. Last year the terms were modified by raising the minimum interest rate to 2 percent after the expiration of the grace period. Further hardening of these minimum terms would work against the very goals of economic development and stability the U.S. mutual assistance program tries to achieve.

In the case of one proposed amendment, the interest rate would be increased to 2½ percent, the grace period on principal reduced to 2 years, and maturity date shortened to 30 years. A second proposed amendment would set the interest rate by adding one-fourth of 1 percent to average interest rate on the U.S. debt, which, for example, in 1964 would be approximately 3½ percent. A third proposed amendment tries to create a distinction between "commercial" and "non-commercial" loans; for the former, the interest rate would be the same as proposed in the second proposed amendment, for the latter, the interest rate would be set at 2½ percent. This amendment would, in addition, require principal repayment on "commercial loans" within 25 years after the commencement of operation of the facility financed and, in the case of "noncommercial loans," within 25 years.

I believe all three amendments should be defeated because they do not reflect the reality of international economic development. First, terms on loans for economic development must be fitted to the capacity of the recipient to service its foreign debt. The World Bank has estimated the total outstanding foreign debt of 74 developing countries had risen 2½ times from 1955 to 1962; service payments have tripled in the last 7 years. In the case of some countries, the present debt-service payments are 25 percent or more of their export earnings. It is vital that the structure of this debt be stretched out so the bulk of it falls due at a time when the process of development has brought about the growth needed to finance the debt. To do otherwise would encourage irresponsible debt practices such as postponement or default, divert badly needed resources

from development to debt-service and thus prolong the need for external assistance and increase the need for new funds from the United States.

Second, the adoption of these amendments would frustrate and undermine the efforts of the United States to obtain more realistic terms from other developed countries. The U.S. effort has been increasingly successful; the fact that U.S. terms are better than most DAC members is the strongest incentive for other developed countries to increase the amount and improve the terms of their assistance. It must always be kept in mind that the purpose of U.S. foreign assistance is not to compete with other donors but to help the less-developed countries. It serves no useful purpose to increase dangerously the debt-service of less-developed countries merely for the sake of comparability with other developed countries at harder, unrealistic terms. The most likely result of across-the-board hardening of U.S. development loan terms would be to reverse the present trend in other donors' terms and to push them to harder terms, thereby further accelerating the debt problem of less-developed countries. Let me assure you that the United States will continue its strenuous efforts to encourage other developed countries to increase the amount of their assistance and to move more rapidly to terms comparable to those of the United States.

Third, AID will continue to set interest rates and repayment terms to fit the borrower's capacity to repay. In a number of cases these terms have been significantly harder than the present statutory minimum of 2 percent (three-quarters of 1 percent in the grace period). I would expect the number of loans at medium terms to increase as development proceeds. Moreover, average interest rates on overall U.S. lending to key less-developed countries are close to the cost of the Treasury because Export-Import Bank loans are on commercial terms. Adoption of these amendments would thus raise the overall average terms in some countries above the terms of other donors and beyond the point of prudent fiscal policy.

Let me close by reemphasizing that all development loans authorized by the Foreign Assistance Act are repayable in dollars. In addition, any development loans to private enterprises, whether directly or through the recipient government, are on prevailing commercial terms.

For these reasons, and because it is in the best interest of the United States, I hope these amendments will not be adopted.

Sincerely yours,

DAVID E. BELL.

Mr. FULBRIGHT. Mr. President, for emphasis, I wish to read a few paragraphs for the information of the Senate at this time. There are several amendments, of course, of a somewhat similar nature, as has already been stated by the Senator from Ohio:

These amendments are a cause of deep concern for they threaten the effectiveness of the development loan program, the central feature of foreign assistance. Congress recognized, in passing the Foreign Assistance Act of 1961, that by shifting to dollar-repayable loans from grants or local currency-repayable loans, a much greater burden was being placed on the less developed countries receiving U.S. assistance. Consequently, minimum repayment terms for development loans were set to meet the capacity of the borrower to repay. Last year the terms were modified by raising the minimum interest rate to 2 percent after the expiration of the grace period.

I remind the Senate particularly that, in 1961, for example, three-quarters of 1 percent was the interest rate during

the whole period of many loans. Today it is 2 percent. That was the rate last year.

I continue to read:

Further hardening of these minimum terms would work against the very goals of economic development and stability the U.S. mutual assistance program tries to achieve.

I believe all three amendments should be defeated—

He is referring to three different variations, but all of them have the same objective and are quite simple—

because they do not reflect the reality of international economic development. First, terms on loans for economic development must be fitted to the capacity of the recipient to service its foreign debt. The World Bank has estimated the total outstanding foreign debt of 74 developing countries had risen 2½ times from 1955 to 1962; service payments have tripled in the last 7 years. In the case of some countries, the present debt service payments are 25 percent or more of their export earnings. It is vital that the structure of this debt be stretched out so the bulk of it falls due at a time when the process of development has brought about the growth needed to finance the debt. To do otherwise would encourage irresponsible debt practices such as postponement or default, divert badly needed resources from development to debt service and thus prolong the need for external assistance and increase the need for new funds from the United States.

Second, the adoption of these amendments would frustrate and undermine the efforts of the United States to obtain more realistic terms from other developed countries. The U.S. effort has been increasingly successful; the fact that U.S. terms are better than most DAC members is the strongest incentive for other developed countries to increase the amount and improve the terms of their assistance. It must always be kept in mind that the purpose of U.S. foreign assistance is not to compete with other donors but to help the less-developed countries. It serves no useful purpose to increase dangerously the debt service of less-developed countries merely for the sake of comparability with other developed countries at harder, unrealistic terms. The most likely result of across-the-board hardening of U.S. development loan terms would be to reverse the present trend in other donors' terms and to push them to harder terms, thereby further accelerating the debt problem of less-developed countries.

Third, AID will continue to set interest rates and repayment terms to fit the borrower's capacity to repay. In a number of cases these terms have been significantly harder than the present statutory minimum of 2 percent (three-fourth of 1 percent in the grace period). I would expect the number of loans at medium terms to increase as development proceeds. Moreover, average interest rates on overall U.S. lending to key less-developed countries are close to the cost to the Treasury because Export-Import Bank loans are on commercial terms. Adoption of these amendments would thus raise the overall average terms in some countries above the terms of other donors and beyond the point of prudent fiscal policy.

Let me close by reemphasizing that all development loans authorized by the Foreign Assistance Act are repayable in dollars. In addition, any development loans to private enterprises, whether directly or through the recipient government, are on prevailing commercial terms.

I have read from a part of the letter in which the very able Administrator of

the program protests this amendment most vigorously. He has told me that this amendment is probably the most serious one he knows of to be offered, as concerns the terms of the policy of the Foreign Assistance Act.

Also, I have a very interesting report from Paris relative to these loans. I refer to an article by a special foreign correspondent, Bernard Nossiter, of the Washington Post. I shall read a portion of the article. It refers to the effort to increase the rates in accordance with the pending amendment:

The provision would double the minimum interest rate that the United States may charge for development loans.

If the Senate adopts this proposal—and it has strong support—officials fear that it would seriously undermine their long campaign to persuade other nations to liberalize their aid terms.

The whole subject is particularly sensitive at this moment. The leading Western Powers and Japan meet in Paris on Thursday and Friday—

The article was published in the Washington Post of July 22—

for their yearly review of aid programs and policies.

The struggle to make aid terms easier is based on a widespread belief that many important nations receiving help already have saddled themselves with outsized repayment burdens. Among others, the World Bank has joined the fight for easier terms.

A little later the article states:

A year ago, the committee under U.S. prodding, resolved that aid terms should be easier. Ironically, the United States is winning this battle. Between 1961 and 1963, the proportion of aid loans made by development committee members with a charge of less than 3 percent more than doubled.

Canada now is seeking legislation permitting 50-year loans at three-quarters of 1 percent. West Germany, regarded as the most tight-fisted aid giver, reported that the average length of its outstanding loans to poor nations in 1963 was 19 years. This was an increase of more than a third since 1961.

Mr. President, I ask unanimous consent that the entire article be included in the RECORD at this point.

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

U.S. OFFICIALS WORRIED BY MOVE TO BOOST FOREIGN AID LOAN RATES

(By Bernard D. Nossiter)

PARIS, July 21.—U.S. officials here are deeply worried over a little-noticed sleeper amendment that has been proposed to the foreign aid bill.

The provision would double the minimum interest rate that the United States may charge for development loans.

If the Senate adopts this proposal—and it has strong support—officials fear that it would seriously undermine their long campaign to persuade other nations to liberalize their aid terms.

The whole subject is particularly sensitive at this moment. The leading Western Powers and Japan meet in Paris on Thursday and Friday for their yearly review of aid programs and policies.

HEAVY BURDENS CITED

The struggle to make aid terms easier is based on a widespread belief that many important nations receiving help already have saddled themselves with outsized repayment burdens. Among others, the World Bank has joined the fight for easier terms.

The amendment that officials say is embarrassing has been offered by Senators KARL MUNDT, Republican, of South Dakota, and FRANK LAUSCHE, Democrat, of Ohio. It would require the aid agency to charge recipients the same interest cost paid by the U.S. Treasury.

The minimum aid charge now is 2 percent and the current yield on long-term Treasury bonds is a little more than 4 percent. The difference may not sound like much, but it would add \$6 million in interest charges on a \$10 million loan running 30 years.

NARROWLY DEFEATED

The Mundt-Lausche amendment was beaten in the Senate Foreign Relations Committee by only an 8-to-7 vote. The prevailing congressional colliness toward aid, perhaps reinforced by Senator BARRY GOLDWATER's attacks, could, it is feared, create a climate that would enable the amendment to pass.

Aid experts say that countries like India, Pakistan, Brazil, and Argentina are already laboring under too heavy a load of repayments. Turkey gives up about half of its foreign aid for charges on previous debts.

The recent United Nations trade conference took note of this problem, and urged aid-givers to offer softer terms. This meeting of poor and rich nations has had a surprisingly strong effect on the thinking of authorities in several leading European countries.

TO REVIEW POLICIES

The non-Communist world's aid policies will be reviewed at the end of the week here in a meeting of the Development Assistance Committee. The Committee includes the United States and 11 other principal aid donors. It was set up to measure aid contributions and make policies more consistent.

A year ago, the committee, under U.S. prodding, resolved that aid terms should be easier. Ironically, the United States is winning this battle. Between 1961 and 1963, the proportion of aid loans made by development committee members with a charge of less than 3 percent more than doubled.

Canada now is seeking legislation permitting 50-year loans at three-quarters of 1 percent. West Germany, regarded as the most tight-fisted aidgiver, reported that the average length of its outstanding loans to poor nations in 1963 was 19 years. This was an increase of more than a third since 1961.

The U.S. delegation to the development group's meeting will be led by William Gaud, deputy aid administrator, and former Congressman Frank Coffin, Democrat, of Maine, the permanent U.S. delegate to the committee.

Mr. FULBRIGHT. Mr. President, to sum up, increasing the interest rates to the figure provided in the amendment would hamstring the administration of the program. Many countries are unable to service loans at those interest rates. This proposal fixes a rate that can almost be obtained in some of the international agencies, such as the International Bank. It is somewhat lower than the International Bank or Export-Import Bank rate, but adoption of these rates would take the aid program out of the lending business.

It seems to me more logical, if the Senate wishes, to stop the program rather than to pretend to have the program and hold out the hope that there is an aid program, while making the terms so severe that an underdeveloped country struggling to get on its feet could not obtain a loan. One of two

things would happen—either it would not get the loan or else it would not be able to service it. That would cause a great setback to the effort we are making in the international field. That would be worse than not making the loan at all. This is a very important amendment, and it should be voted down; or, if not, the Senate should stop the program and should go out of the development assistance business.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. SALTONSTALL. Mr. President, is not the purpose of the development loans to make it possible for countries to grow and produce economically so that they can hope to do more business with us in the days to come? To make the interest rate too high would mean that they could not get started in that development.

Mr. FULBRIGHT. The Senator is quite correct. The purpose is to do what the Senator says. If it is a worthy and sensible purpose, we should make the money available on reasonable terms. It should be noted that since 1961 these loans have been made repayable in dollars at the minimum rate, although some are higher than that.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. DOUGLAS. First, let me say that it is my intention to support the position of the Senator from Arkansas. However, I believe that, in the interest of truth, certain facts should be made clear, so that we in the United States will not have a guilt complex in connection with this program.

First, is it not correct to say that the interest rates charged by the World Bank, the Export-Import Bank, foreign governments, and private parties are very much in excess of the interest rates which we charge?

Mr. FULBRIGHT. It is certainly true of the Export-Import Bank and the World Bank.

Mr. DOUGLAS. Is it not also true so far as foreign government loans are concerned?

Mr. FULBRIGHT. It has been true. However, there has been a marked tendency within the past 2 years for countries, particularly members of the Development Assistance Committee of OECD to reduce their terms. I have just read the information with respect to what Canada is seeking to do, namely, to provide a 50-year term at three-fourths of 1 percent interest. That is a completely new approach on the part of Canada.

At page 43 of the committee report Senators will find the interest rates. All I can say is that they have been much higher, but that now they are beginning to come down, due to our prodding, primarily. We have been doing our best to persuade the members of OECD to soften their terms. That is the hopeful part of it. Not only has this been true in the area of foreign lending, but the Senator also knows that in their domestic lending nearly all these countries traditionally have maintained a higher

interest rate than we employ in our domestic lending. For example, that is true of Germany and France. Of course all this is more or less relative.

Mr. DOUGLAS. I invite attention to the fact that the weighted average of the Belgium loans is 5.5 percent; on French loans, it is 4.4 percent; on German loans, it is 4.2 percent; Italy, 4.9 percent; Japan, 6.1 percent; Netherlands, 5 percent; Portugal, 4.6 percent; United Kingdom, 5.6 percent. The U.S. average is 2.6 percent. On this particular type of loan, the interest rate is $\frac{3}{4}$ percent.

There may have been some improvement—and I am glad that there has been—but certainly the existing disparity is great.

Mr. FULBRIGHT. The Senator is quite correct. It was worse than it is now. I invite the Senator's attention to the fact that while the situation in other donor countries is not as favorable from the standpoint of absolute amounts, a better case can be made with regard to levels of aid as related to the gross national products of these countries. The grant assistance of these countries has been a higher percentage of the total aid than is the case with us. I have before me a comparative study of the grants, shown as a percentage of the total aid of a particular country.

In the case of a country like Belgium, it is 94 percent. In the case of Canada, it is 76 percent. In the case of France, it is 86 percent. Grants represent a substantially higher percentage of total aid.

Mr. DOUGLAS. May I comment on that?

Mr. FULBRIGHT. One reason for it is that this aid is confined largely to former colonial areas.

Mr. DOUGLAS. That is correct. The Senator from Arkansas has now touched a crucial point. Loans by France are made almost exclusively to her former colonial possessions in Africa, with which France has very intimate economic relationships. France has obtained, for these possessions, duty free entrance for their raw materials to the Common Market. It is obvious that France intends to retain virtual economic control over these developing nations in Africa. I imagine that the same thing is true so far as Belgium is concerned. The Portuguese money goes largely to what we used to call Portuguese East Africa and Portuguese West Africa, one of which is now called Angola.

The Senator has mentioned the fact that this money represents a larger proportion of the gross national product of those countries than is the case with the United States. This is true. That fact is played up by AID as an indication that European nations are more generous than we in providing foreign aid. But what AID does not mention is that the loans are made at extraordinarily high rates of interest. Many advocates of foreign aid—and I am a supporter, and always have been—do not tell the whole story. They present the side of the case most favorable to them, and they suppress the fact that, instead of making grants to nations outside the economic alliances, European countries

lend to their colonial possessions or former colonial possessions and that we lend to countries over which we have very little or no control.

I shall vote against the amendment offered by my good friend from Alaska [Mr. GRUENING], with great reluctance. My comments are meant to dispel any inferiority complex in the United States which is being inculcated. The fact is that we are more generous in making contributions to nations outside our economic control than are European countries. We are more generous in connection with interest terms. That fact should be frankly faced. I am ready to face it.

I believe that in the case of Latin America, the people are so poor that specially favorable terms should be made to them. But I do not believe anything is gained by concealing the fact that European nations, while they may be improving, still are not bearing their fair share.

Mr. GRUENING. Mr. President, will the Senator yield?

Mr. DOUGLAS. I do not have the floor.

Mr. FULBRIGHT. I agree with what the Senator has said about interest rates. All I can say is that formerly much of our development aid was on a grant basis and we are proceeding to make the program somewhat more realistic than before. At the same time, there is a gradual increase in the participation by Europeans at more lenient terms and conditions. Traditionally, the interest rate structure has been lower in this country. That is why we have had to have the tax equalization bill, because even in the commercial markets the interest rates charged in this country were substantially lower, on the whole.

Mr. DOUGLAS. The disparity between the rates which the European nations charge to countries abroad and their own domestic rates is also much less than the disparity in the United States.

We have an interest rate on long-time Government loans of 3½ percent. We have an interest rate on certain foreign loans of three-fourths of 1 percent, a rate which is only about one-fifth of what it is internally. We do not find France or even Great Britain lending to her colonial possessions at a rate one-fifth of what is charged at home.

Although I shall not support the amendment of the Senator from Alaska, his attitude is correct. But I hope the advocates of foreign aid—and I am one of them—will not get an inferiority complex and think that we are not as kind and generous as are the European nations. The truth is that we are more so.

Mr. GRUENING. Mr. President, far from having an inferiority complex because we are not generous enough, the fact is that in some ways and for some recipients we have been too generous. The remarks of the Senator from Illinois indicate that the AID administration does not always "level" with Congress; it does not tell us the whole story. We have to dig these errors out and discover them painfully.

If the Senator will look at the list of more than \$1 billion worth of loans we have made at a negligible interest rate, with a 10-year moratorium on the payment of principal, he will find that, indiscriminately, the list includes both enterprises that can and cannot make a profit. If we wish to assist in the building of a school or a road, if the recipient country is deemed too poor to repay a loan, perhaps we should make grants for that purpose. But that is entirely different from a profitmaking enterprise, that will begin to earn money the minute it is completed. It is in that category that we ought to improve the foreign aid loan program.

I, too, favor foreign aid; but I have opposed and continue to oppose the many abuses I have discovered since I began to study the program. It is difficult to have amendments agreed to because past administrations have resisted efforts at reform and have taken the position that everything in the program is nearly perfect and that no improvements are desired. That is why this amendment is desirable. It would be a step in the right direction. Even when such amendments have been adopted by the Senate, they have been taken out in conference at the behest of the State Department and AID Administrators.

Three years ago I offered an amendment which provided that countries to which we lent money could not relend it at more than 5 percent above the rate at which we lent it. In other words, if we lent the money at a rate of three-quarters of 1 percent, the recipient country could not lend it at a rate of more than 5¼ percent. Over the opposition of the administration, this amendment was adopted by the Senate by a vote of 74 to 16. But the AID representatives rushed up to the conference and said that the amendment would wreck the program. So these usurious practices still continue. The recipient countries continue to take our money, relend it at high interest rates, make a bonanza, for the few, while the people for whom Americans are making this sacrifice bear the costs.

Mr. MORSE. Mr. President, I offer the Bell letter, read by the chairman of the committee, to prove exactly the opposite of the conclusion reached by the chairman of the committee. If ever one wanted an exhibit that supports the amendment of the Senator from Alaska or supports the amendment offered by the Senator from South Dakota [Mr. MUNDT], the Senator from Ohio [Mr. LAUSCHE], and the Senator from Oregon, let him reread the Bell letter. If ever there was received from the AID administration or the State Department an epistle that expressed any concern about the American taxpayer, I think I would drop dead of a heart attack. If ever there was a place in which the American taxpayer received no consideration to any degree, it is at the State Department and the AID administration in connection with the foreign aid program.

If ever there was a time for Congress to make a great contribution both toward strengthening the foreign aid program and protecting the American taxpayer,

and at the same time perform a service to the recipient countries, now is the time to do it, through the Gruening amendment. I cannot think of anything that we could do by way of reforming our foreign aid program that would result in greater long-time benefits to the borrowing countries than the Gruening amendment, because this amendment would have a strong effect on changing the nature of the projects or the uses to which American money is put. We would find the recipient countries putting their economic houses in order. We would find them investing the money that they seek to borrow from us in projects that would pay out.

Comment has been made about the situation in Latin America. The interest rate problem is one of the great problems in Latin America. Do not overlook the fact that the legal interest rate in country after country in Latin America runs all the way from 12 percent to 30 percent. How can there ever be economic reform in Latin America with the legal interest rates running between 12 percent and 30 percent, if the United States makes loans to Latin America with American taxpayers' money at a rate of three-quarters of 1 percent, with 10 years in which to pay nothing, and after 10 years paying a minimum of 2 percent interest? If we want to perform a service for the mass of people in Latin America, I say, most respectfully, that we should adopt the Gruening amendment or the Mundt-Lausche-Morse amendment. It is necessary to have interest-rate reform in Latin America; otherwise the Alliance for Progress will not have the chance of a snowball in a hot oven.

How can homes be built in Latin America to be owned by the poverty-stricken people of Latin America, when legal interest rates from 12 to 30 percent, compounded? I do not know what we are thinking of when we continue this travesty in regard to interest rates.

Let us turn to Europe, where we have so many alleged allies who are making a sordid and sorry record of putting their nationalistic interests ahead of service to humanity in respect to so-called foreign aid on their part. We do not find anything about them in the Bell letter. It would be necessary to probe with a more powerful magnet than I have ever seen to drag out of the AID administration such facts as we are entitled to have in connection with this issue. We are not told how much money those countries are lending.

The AID administration is careful, in a letter like this, not to tell us to whom they are lending. The Senator from Alaska and the Senator from Oregon today, and in many other speeches, have brought out this point; but we are indebted to the Senator from Illinois [Mr. DOUGLAS] for pointing out that most of the loans of our alleged allies are going to their economic vassals. They are going to countries in which, for decades, they exercised control. They were their territorial colonies, and they are still their economic colonies. They have huge national investments in those countries. Go to any of them that are dominated by Portugal, the Netherlands, Great Britain,

Belgium or France. There we find the nationalistic economic empires of the dominating country. But we do not learn that from the Bell letter. We cannot drag it out of the State Department. We must take a militant position, as I have so frequently done, in regard to the State Department and the AID administration.

In my judgment, the AID administration and the State Department have been for years exploiting the American taxpayers with this shocking foreign aid program. It is about time to reform. This is one reform that ought to be adopted. I will tell Senators what our allies are doing in their dominated economic colonies. They are also making economic arrangements with those colonies to discriminate against the United States in connection with foreign trade. If Senators do not think so, let them talk to some of our agricultural exporters, who are trying to ship American agricultural products into those countries. Talk to some of our industrial exporters. Those former colonies are being persuaded to execute discriminating agreements against the United States in the field of foreign trade, because they are going to continue to do what they can to keep us out to the maximum extent possible, and let us in only to the minimum extent they are required by law to do so.

All we have to do is turn to the table in the separate views filed on the question of interest rates. The table is found on page 43 of the report. Let us see what the interest rates are. Take the column that deals with weighted average:

Belgium 5.5 percent. Canada—not available—although the next column gives the highest at 6 to 7 percent, and the lowest at three-fourths of 1 percent.

Again I ask the controlling question: How much? What is the total amount of the loan? It is a drop in the bucket compared to what the United States is doing.

In the column entitled "Weighted average," France is given at 4.4 percent; Germany 4.2 percent; Italy 4.9 percent; Japan 6.1 percent; the Netherlands 5 percent; Portugal 4.6 percent; and the United Kingdom 5.6 percent.

The weighted average for all countries is 5.1 percent. The weighted average for the United States is 2.6 percent.

What more do we need to know about how we are being played for suckers in this loan arrangement?

I heard Mr. Bell make his statement before the committee. He now makes an evasive reply in the letter which has just been read to the Senate. I say "evasive," because it does not tell the American people all the facts they should be told about this issue.

What the Senator from Alaska is asking for in his amendment still allows plenty of room for them to soften the interest policy still more without being as generous as we would be under the amendment.

It is Mr. Bell's argument that we should not insist that they bring the interest down even with that of our own. If they did, and the Gruening amendment were accepted, they would still

have great advantages in their trade arrangements with their economic vassals. We would still find great difficulty getting through their trade barriers.

France is not the only bad actor in this connection, although she is one of the worst. But she is not the only one. We do not find Great Britain, Belgium, the Netherlands, or any of the other countries listed doing any favors for the United States in this field. They will continue to discriminate against American farmers.

I say to the farmers of America, "Watch what AID is up to. Watch what the State Department is up to." The interest rate exploitation by the State Department and the AID people is an exploitation of the American farmer. In the last analysis, the policy will work to the discriminatory disadvantage of the farmer in regard to the export of American farm products.

I say to the businessmen of America, too, "Get your heads out of the sand. They are still working on you. They will kick you out as fast as they can build up their economic power in order to do it."

Mr. President, I close by asking: Who is going to think of the American taxpayer?

What is wrong with protecting the American taxpayers with an interest rate proposal that they pay for the cost of the use of the money, and pay what the American Government has to pay out of the Treasury for the use of the money. If they have any project which is not sufficiently self-liquidating in its purposes so that it can pay out an interest rate to cover the cost of the use of the money, we should not lend it.

In connection with the statement that certain countries have a higher percentage of grants than does the United States, there are two points I wish to have borne in mind: Look at the total amount of their loans and grants. It is a far cry from what we have done—since 1946, almost \$105 billion.

Is there no end to this?

What objection is there to putting such transactions on a sound business basis, so that the American taxpayer will not be fleeced and rooked to the tune of hundreds of millions of dollars each year?

I have such faith in the American people that I am satisfied that eventually they will catch up with the politicians. When they do, they will empty some seats in the Senate—and the sooner the better.

In my judgment, we cannot continue to support a foreign aid program that works the kind of economic injustice upon the American taxpayer that this program has been working.

Some of us have been trying to reform it. I said earlier in the day that the State Department at long last recognizes that it must be reformed. After the election and before the Department comes forward with the bill next year it wishes to have at least a 2-day conference at the State Department, which I have been invited to attend. It was suggested that the conference be with me, and I said, "Oh, no, I wish the members of the Foreign Relations Committee to have the benefit of the great enlighten-

ment that would result from that kind of conference."

State Department officials are scared. I really believe that they are worried. They know that they are going to get a majority of the Congress to go along with them this time, because an election is coming up, although they have no justification for continuing a program which should be reformed. If it should be reformed in December preparatory to next year, it should be reformed in August before the bill is enacted.

I am greatly disappointed. I have not thrown any bouquets at Mr. Bell or Mr. Rusk with regard to foreign aid, because in my opinion, they do not even deserve a boutonniere to say nothing of a bouquet. Mr. Rusk and Mr. Bell should have reformed the foreign aid program this year.

The Foreign Relations Committee should have reformed it, too, because it is a far cry from what the Foreign Relations Committee promised in last year's report.

In last year's report, great promises were made by the majority of the Foreign Relations Committee, warning the State Department that it had better do something about it or it would be in trouble this year.

It was forgotten, of course, that the great warning would be weakened by political expediency in 1964, because there is an election this year.

It is extremely difficult to bring about reforms during an election year.

The majority on the Foreign Relations Committee bring in a report this year which is very interesting to read in comparison with last year's foreign aid report.

Now is the time to start to reform.

Now is the time to keep faith with the American taxpayers.

Now is the time to serve notice on our alleged allies that we will not continue to pay through the nose when they make profits from our loans to them.

I said earlier in the day, in colloquy with the Senator from Ohio [Mr. LAUSCHE], that it is difficult to show that loan No. 1 to country X was used by country X to pay back a loan to some other country at a much higher interest rate.

If we consider repayments over the past 10 years to other countries for loans made at higher interest rates, compared with the amount of loans from the United States at a very low interest rate, one does not have to be much of an economist or expert in the field of interest rates to know that the borrowers were put in a position to pay their loans at high interest rates because of the low interest rate loans that they received from the United States. This particular gimmick—there is no mention of it by Mr. Bell—in the foreign aid bill ought to be torn by its roots.

What would we accomplish by this amendment from the standpoint of strengthening the interest of the mass of the people in the recipient countries? A great deal. We would force those countries to take a long look at their borrowings. We would force those countries to ask for money relating to proj-

ects that are economically sound instead of using the money to pay off loans from other countries at high interest rates. Proper use of the loans means jobs. It means employment. It means purchasing power. If we put our money into such projects, we will perform a great service for the mass of the people in those countries.

Reluctantly I have come to the conclusion that too much of the money that we are lending is not used for the kind of projects in which it ought to be used. Furthermore, I believe the time has come for us to serve notice on the people in every potential recipient country that the Treasury of the United States has a floor.

It is not a bottomless pit out of which we can dredge up more and more dollars in an unending supply. I believe that they ought to be told also that there is an awakening among the American taxpayers with respect to the entire policy of foreign aid. And more and more taxpayers are saying to the politicians, "Enough is enough." I believe that an increasing number of American taxpayers are saying, "We have already been taken for too much."

Mr. President, I strongly support the Gruening amendment. If it is defeated, I shall strongly support the Mundt-Lausche-Morse amendment.

I yield to the Senator from Illinois.

Mr. DOUGLAS. Mr. President, I thank the Senator.

On page 335 of the hearings, there is a very important table on comparative contributions by various countries in foreign aid and bilateral aid commitments. The second column gives the percentage of gross national product which each country has contributed.

In 1962, the United States contributed eighty-four-hundredths of 1 percent of its gross national product to foreign aid. This is sometimes compared with the contribution of France, which amounted to 1.26 percent. It is said that we are less generous than France. Of course, the French interest rate is much more than that which we charge. Furthermore, the money goes into the former French colonies of Africa—of which the Senator from Illinois and the Senator from Oregon spoke—which are tied by close trade provisions to the former imperialist country.

Mr. MORSE. That is correct.

Mr. DOUGLAS. At times even Portugal is cited as being more generous than the United States. It contributed 2.21 percent of its gross national product. That is almost three times the share of the gross national product which we contributed. But Portugal contributed only \$60 million. The interest rate, as we have shown, is very much higher, amounting on an average to 4.6 percent, and running for only 22 years, with a grace period of 3 years.

Mr. MORSE. Mr. President, let us face one of the ugly realities of international relations as to the 2.21 percent of the bilateral commitments of Portugal in such countries as Angola and Mozambique. I believe the amounts can be described as amounting in one way to the payment of tribute. Let us face it.

The Portuguese are going to be kicked out of Angola and Mozambique in the near future anyway. This process is an economic clipping by Portugal and Angola and Mozambique.

When one thinks of the human tyranny that Portugal has imposed upon the several millions in Mozambique and Angola, and we have Bell in the AID department trying to cite Portugal to the American people for the purpose of keeping down the interest rate, it is to his everlasting discredit. He should not even whisper anything about Portugal. I sat in the United Nations as a delegate of this country in 1960. I listened to a description of the sordid acts of Portugal in Angola and Mozambique. Portugal even opposed having a United Nations team go in to make an inspection. They knew that what would be seen would be to the everlasting discredit of Portugal. Yet Portugal is cited in this debate as an example for the United States to follow. I believe that we should not be making a single dollar of the American taxpayers' money available to Portugal until she gets out of Angola and Mozambique. Yet we give her military aid under this bill while she lends to her African colonies at high interest rates. If ever a population was shockingly discriminated against, abused, and exploited, it is the people of Angola and Mozambique. The 2.21 percent figure of Portugal is cited as an argument on the part of AID, for us to keep our interest rate down to 0.75 percent the first 10 years, and then raise it to a minimum of 2 percent after 10 years, with no payment on principal the first 10 years.

I do not know how we are going to get these facts across to the American people. But I would put them before any jury in America. I will state the case against Bell and Rusk to any jury in America; and they would not get a verdict once the American taxpayer obtained the facts.

I yield to the Senator from Illinois.

Mr. DOUGLAS. Mr. President, let me say first that I do not associate myself necessarily with the comments about the Secretary of State and the Director of the AID program.

Mr. MORSE. I understand that. No guilt by association should be attributed to the Senator from Illinois [Mr. DOUGLAS].

Mr. DOUGLAS. I thank the Senator.

Mr. MORSE. Before the Senator proceeds, I point out that the interesting thing about the loans of Portugal to Mozambique and Angola is that she does not even consider them colonies. She considers them as oversea parts of Portugal. By way of analogy they are considered to be Portugal states in Africa. That is mere nonsense.

Mr. DOUGLAS. The Senator from Arkansas pointed to the improvement of Canada, in the lowering of its interest rates.

Of course, we welcome this. But I believe it should be noted that in 1962 Canada committed only \$58 million for foreign aid, or sixteen-one hundredths of 1 percent of its gross national product, which is less than one-fifth of the proportionate aid given by the United States. And while we welcome this im-

provement on the part of Canada so far as interest rates are concerned, we also hope that the improvement will continue with respect to the volume of the loans as well.

Mr. MORSE. The Senator is correct. The Bell letter very carefully avoids telling the American people about the total amount.

Mr. DOUGLAS. Let us consider Denmark and Norway. Denmark gave the magnificent sum of \$1 million, which amounted to 0.01 percent of the gross national product of that country; whereas our contribution amounted to 0.84. So they contributed proportionately one eighty-fourth as much as we did.

If we consider Norway, we find that Norway gave \$4 million or 0.08 percent of the gross national product, which is less than one-tenth of what we gave. Belgium contributed 0.55 percent of the gross national product. That was in 1962. It would be interesting to note if that went to the Congo, which I believe was then a Belgium possession, and where the Union Miniere controls the mineral resources of that area.

Mr. MORSE. And which is of vital concern to the economy of Belgium.

Mr. DOUGLAS. Very much so. Italy contributed 0.15 percent, or about one-sixth as much as we did. Italy is a much poorer country and should not be expected to contribute as large a proportion. But there is quite a disparity there.

Japan contributed 0.5 percent. The Netherlands contributed 0.32 percent of its gross national product, which is a little over one-third of what we contribute.

In short, while I believe it is true that around the conference table, Secretary Rusk and Mr. Bell have tried to get the foreign countries to contribute more and to lower their interest rates in the interest of international amity, they soft pedal these arguments so far as the people of the United States are concerned.

While I am not going to be able to vote with the Senator from Alaska [Mr. GRUENING], and may not be able to vote with the Senator from Oregon [Mr. MORSE], they are performing a very valuable function in showing that the public is getting somewhat fed up with the continued leniency toward foreign governments and their continuing treatment of the United States as somehow being less charitable and less humane than we are. We can be proud of our record and there should be no adverse comments from abroad. On the contrary they are the ones who should reform.

Mr. MORSE. I thank the Senator from Illinois very much. He has made a very cogent and brilliant contribution to the debate. It has been of great help to the Senator from Alaska and the Senator from Oregon in substantiating the position that we have taken.

I realize that there are other reasons why the Senator from Illinois is still willing to go along with this arrangement. He is a much more ardent advocate of the objectives of foreign aid than is the Senator from Oregon. I am an ardent advocate of foreign aid, but, as the Senator knows, I think foreign aid

should be drastically reformed before it is continued. That is why I offered yesterday my amendment which would end it in 1966, and start it all over again on the basis of policies that I believe are sound and would result in reforms that ought to be adopted.

Mr. President, I ask unanimous consent to have printed at this point in the

RECORD the table appearing on page 335 of the hearings, together with certain other substantive explanatory material that goes along with the table, which the Senator from Illinois has so brilliantly discussed.

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

TABLE I.—1962 bilateral aid commitments¹ and various measures of donor capacity and interest

	Bilateral aid commitments	Bilateral aid commitments as percent of GNP ²	GNP per capita	Defense expenditures as percent of GNP	Bilateral commitments as percent of exports to LDC's	Bilateral commitments as percent of total trade with LDC's	Total LDC trade as percent of donor GNP
	<i>Millions</i>						
Belgium ³	\$70	0.55	\$1,381	3.3	12.8	5.5	10.0
Canada.....	58	.16	2,009	4.5	13.3	5.2	3.0
Denmark ⁴	1	.01	1,559	3.1	.6	.3	4.1
France.....	901	1.26	1,524	6.1	37.1	17.6	7.2
Germany.....	423	.50	1,558	5.1	16.8	7.8	6.4
Italy.....	60	.15	788	3.5	5.6	2.3	6.7
Japan.....	265	.51	647	1.1	11.4	6.0	8.6
Netherlands.....	42	.32	1,105	4.6	6.0	2.5	12.8
Norway.....	4	.08	1,423	3.7	3.4	1.3	6.0
Portugal.....	60	2.21	294	7.4	45.8	20.3	10.9
United Kingdom.....	556	.70	1,482	6.4	16.2	7.2	9.7
Total, other DAC.....	2,445	.60	1,135	4.7	17.6	8.1	7.5
United States.....	4,656	.84	2,974	9.4	64.9	35.1	2.4
Total, DAC.....	7,101	.74	1,766	7.4	33.8	16.3	4.5

¹ Grants and loans over 5 years.
² GNP at current market prices.
³ Bilateral gross expenditure figures.

⁴ 1961 figure.
⁵ Grant component is expenditure figure.

Mr. MORSE. Mr. President, I close by saying that in my judgment I would characterize the amendment of the Senator from Alaska—to be followed, if it is not agreed to, later this afternoon by the Mundt-Lausche-Morse amendment—as an American taxpayers' amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Alaska. On this question the yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.
 Mr. HUMPHREY. I announce that the Senator from Louisiana [Mr. LONG] is absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON] and the Senator from Massachusetts [Mr. KENNEDY] are absent because of illness.

I further announce that the Senator from Oklahoma [Mr. EDMONDSON], the Senator from Nevada [Mr. CANNON], and the Senator from Pennsylvania [Mr. CLARK] are necessarily absent.

I further announce that, if present and voting, the Senator from Louisiana [Mr. LONG], and the Senator from Pennsylvania [Mr. CLARK] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. HRUSKA] is necessarily absent and, if present and voting, would vote "yea."

The Senator from Arizona [Mr. GOLDWATER] is detained on official business.

The result was announced—yeas 44, nays 48, as follows:

[No. 533 Leg.]
 YEAS—44

- | | | |
|----------|-----------|--------------|
| Allott | Bible | Byrd, W. Va. |
| Bartlett | Boggs | Cotton |
| Beall | Burdick | Curtis |
| Bennett | Byrd, Va. | Dirksen |

- | | | |
|---------------|-----------|----------------|
| Dominick | Lausche | Simpson |
| Eastland | McClellan | Stennis |
| Ellender | Mecham | Symington |
| Ervin | Morse | Talmadge |
| Fong | Moss | Thurmond |
| Gore | Mundt | Tower |
| Gruening | Pearson | Walters |
| Hill | Proxmire | Williams, Del. |
| Johnston | Ribicoff | Yarborough |
| Jordan, N.C. | Robertson | Young, N. Dak. |
| Jordan, Idaho | Russell | |

NAYS—48

- | | | |
|--------------|-----------|----------------|
| Aiken | Inouye | Morton |
| Bayh | Jackson | Muskie |
| Brewster | Javits | Nelson |
| Carlson | Keating | Neuberger |
| Case | Kuchel | Pastore |
| Church | Long, Mo. | Pell |
| Cooper | Magnuson | Proty |
| Dodd | Mansfield | Randolph |
| Douglas | McCarthy | Salingor |
| Fulbright | McGee | Saltanostall |
| Hart | McGovern | Scott |
| Hartke | McIntyre | Smathers |
| Hayden | McNamara | Smith |
| Hickenlooper | Metcalf | Sparkman |
| Holland | Miller | Williams, N.J. |
| Humphrey | Monroney | Young, Ohio |

NOT VOTING—8

- | | | |
|----------|-----------|-----------|
| Anderson | Edmondson | Kennedy |
| Cannon | Goldwater | Long, La. |
| Clark | Hruska | |

So Mr. GRUENING's amendment was rejected.

Mr. HUMPHREY. Mr. President, I move that the Senate reconsider the vote by which the amendment was rejected.

Mr. SPARKMAN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ELLENDER. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The chief clerk stated the amendment as follows:

On page 6, beginning with line 12, strike out through line 3 on page 7, as follows:

"(a) Amend section 503, which relates to general authority, as follows:

"(1) In subsection (c) strike out 'and' at the end thereof and in subsection (d) strike out the period at the end thereof and substitute '; and'.

"(2) Add the following new subsection (e):

"(e) guarantying, insuring, coinsuring, and reinsuring any individual, corporation, partnership, or other association doing business in the United States against political and credit risks of nonpayment arising in connection with credit sales financed by such individual, corporation, partnership or other association for defense articles and defense services procured in the United States by such friendly country or international organization."

On page 7, line 4, strike out "(b)" and insert "(a)".

On page 7, line 15, strike out "(c)" and insert "(b)".

On page 8, beginning with line 3, strike out through line 2 on page 9, as follows:

"(d) Amend section 509, which relates to exchanges, as follows:

"(1) The section heading is amended to read as follows: 'EXCHANGES AND GUARANTIES'.

"(2) After the section heading insert "(a)".

"(3) Add the following new subsection (b):

"(b) In issuing guaranties, insurance, coinsurance, and reinsurance, the President may enter into contracts with exporters, insurance companies, financial institutions, or others, or groups thereof, and where appropriate may employ any of the same to act as agent in the issuance and servicing of such guaranties, insurance, coinsurance, and reinsurance, and the adjustment of claims arising thereunder. Fees and premiums shall be charged in connection with contracts of guaranty, insurance, coinsurance, and reinsurance. Obligations shall be recorded against the funds available for credit sales under this part in an amount not less than 25 per centum of the contractual liability related to any guaranty, insurance, coinsurance, and reinsurance issued pursuant to this part and the funds so obligated together with fees and premiums shall constitute a single reserve for the payment of claims under such contracts. Any guaranties, insurance, coinsurance, and reinsurance issued pursuant to this part shall be considered contingent obligations backed by the full faith and credit of the United States of America."

On page 9, line 3, strike out "(e)" and insert "(c)".

On page 9, line 6, strike out "(f)" and insert "(d)".

Mr. KUCHEL. Mr. President, may we have order.

The PRESIDING OFFICER. The Senate will be in order.

Mr. ELLENDER. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. ELLENDER. Mr. President, I wish to state that a conference will be held, beginning at 2 o'clock, on the independent offices appropriation bill and I am one of the conferees. So if Senators will remain in the Chamber for just a short while, I believe we can easily dispose of my amendment within 15 or 20 minutes.

My amendment will simply delete from the bill the new language that has been included therein to provide for guaranties of credit sales of military equipment. Specifically it deletes the language that has been added under section 503 and section 509 of the act. Sec-

tion 503, which is concerned with the general authority, includes language under subsection e which authorizes the President to issue guarantees against both political and credit risks of non-payment in connection with sales of military equipment to eligible foreign and international organizations.

Section 509 of the Foreign Assistance Act of 1961 has been further amended by the addition of a new subsection which authorizes the President to enter into contracts with exporters, insurance companies, financial institutions, and so forth, whereby such groups can be employed to act as agents in the servicing of the aforementioned guaranty contracts. The additional language in this subsection provides that fees and premiums are to be charged for the guaranties; that a reserve of 25 percent is to be established for the contingent liability, and that the guaranty is backed by the full faith and credit of the United States.

Mr. President, there are countless reasons for deleting the military sales guarantee program from the bill.

Among those reasons, it would appear to be a direct contravention of existing American policy toward the granting of military aid to the countries of Africa and Latin America.

As will be recalled, last year's act put a \$25 million ceiling on military grant aid to African countries, and a \$55 million ceiling on the granting of military aid to Latin American countries. Under the language now in the bill foreign countries in dire economic circumstances could purchase military hardware from our American military industrial complex and have these purchases guaranteed by the full faith and credit of our Government. Naturally this would tend to encourage military arms buildup in Latin American and African countries, while at the same time encouraging American production of these armaments.

Furthermore, on page 20 of the Senate Foreign Relations Committee report in reference to the guarantee provisions, it is stated:

A number of countries are now capable of purchasing the military equipment that heretofore they have received under the military aid program, but commercial sources of credit are unwilling to extend credit to many of them owing to underlying political instability and uncertainty.

I submit, Mr. President, that we have no business encouraging a further buildup of arms in countries to which this definition applies.

The language in the bill is so broad it would appear that false fronts could be established by foreign governments, perhaps aided and abetted by our own manufacturing concerns, to buy military goods and hardware. Once these were established they could then buy the companies' output with the sales being guaranteed by our Government. This is no doubt open to abuse. In other words, why should Fairchild, Douglas, General Motors or the other large suppliers to our arsenal be allowed to encourage the sales of hardware to foreign nations on their own terms, and with a full guarantee of the U.S. Government?

Needless to say, Mr. President, it is discriminatory against business in general to extend subsidies to our armament manufacturers, which is what would be the case if this guarantee by the Federal Government of privately financed sale of military equipment is permitted to remain in this bill.

In justifying the inclusion of the guarantee provision in the bill, the Senate Foreign Relations Committee pointed out that it is also consistent with efforts to reduce the deficit in the U.S. balance of payments. It is submitted that while the objective of reducing the deficit in our balance of payments is most desirable, it certainly is not necessary for our country to use such a means as is proposed here to obtain this laudable goal. The reduction of the deficit in our balance of payments through the sale of armaments of war, which necessarily amounts to nothing but waste and a depletion of the economic resources of our country, is no way to obtain a better balance-of-payments position.

While there is much concern expressed over obtaining a worldwide disarmament and while in this very connection the Congress has appropriated in the past few years almost \$25 million to finance the disarmament agency, it is indeed contradictory to set up in this bill an agency that would further the military industrial complex in our country. There is no question but that if the military industrial complex is permitted to expand thusly, world disarmament will be taken that much further from our grasp.

I believe that we should think a long time before doing such a thing. In the past we have limited the amount of military equipment and hardware that is to be given to the countries of Latin America and Africa. But here we are opening the door wide to permit the military industrial complex to sell military hardware to anyone the President may select.

I believe this is a step in the wrong direction. In the past we have gotten into a great deal of trouble because we gave certain countries military assistance. We are suffering from that in many areas of the world. If the military sales guaranty provisions remain in this bill, I can foresee a great deal of military equipment being sold to Israel and to certain Arab countries, which will no doubt create a situation, whereby we may be called in to try to stop a war.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. I merely wish to say that I did not raise any objection when the bill was reported to the Senate, although, like other members of the committee, I reserved the right to vote for any amendments which might be offered to it.

I am very apprehensive about this new section in the bill, which authorizes the President to guarantee payment for sales made by munitions makers to foreign countries. I believe if we guarantee gun-running, or whatever it may be called, or sales of munitions, or the means of making war by other countries, we will likely find some people encouraging con-

flicts between countries, possibly between friendly countries, in order to make large sales of munitions and; with this guarantee by the U.S. Government, we can possibly see them working countries like Turkey and Greece to the limit to increase their sales.

Mr. ELLENDER. The Senator is exactly correct.

Mr. AIKEN. This provision of the bill would guarantee them against loss.

Mr. ELLENDER. That is exactly correct. That was a point I failed to emphasize, but I wish all Senators would take note of it.

Mr. AIKEN. I shall support the Senator's amendment.

Mr. ELLENDER. I hope not only that the Senator from Vermont will support it, but that every Senator will support it.

Mr. AIKEN. We cannot go into the business of guaranteeing people who stir up wars against any loss if some of their equipment becomes lost or destroyed on the way to delivery, or if their customer winds up on the short end of the conflict.

Mr. ELLENDER. The language is so broad that the hardware could be sold to almost any country in Latin America, for example, and then resold to other countries within that area of the world. It could also be done in Africa and in other areas of the world. I say, as the Senator from Vermont has just said, that we should not permit our Government to be an agent of the munitions companies in the movement and sale of their military equipment and hardware. I urge the adoption of my amendment.

Mr. SPARKMAN. Mr. President, I shall speak briefly on the amendment. I am sorry that the Senator from Vermont [Mr. AIKEN] has left the Chamber. I do not believe he has given the proper interpretation to the proposal that is contained in the bill. It is not to assist private gunrunners; it is a part of our regular military assistance program. In other words, these contracts would be let just as they would be let whether there was a guarantee or not, but only to the countries to which we are extending military assistance. Then, when the contract was let, let us say, to an airplane manufacturer to sell airplanes of a certain type to a certain country, under this plan, the Government would guarantee the payment of the contract. Without this plan being written into the law, the Government would pay the company cash. This arrangement would permit more flexibility in the handling of the funds. In my opinion, it is good business.

I am disturbed by the statement of the Senator as to the broadness of the language. The chairman of the committee is away from the Chamber now, but if the Senator from Louisiana will withdraw his request for the yeas and nays, I shall be glad to accept the amendment and take it to conference. I remind him that the language which he proposes to strike out is contained in the House bill and will be in conference regardless. But, at least, it will give us an opportunity to explore the situation more and perhaps agree upon different language.

In that event, we should be glad to have suggestions from the Senator from

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Louisiana, to help us work out a good business arrangement, for that is what the intent of the language really is. This arrangement is to be used in only certain countries. We have been given a list of the countries in which it is proposed to be used, together with the amount of money that will be allocated to each country. There are only seven: Argentina, Peru, India, Iran, Iraq, Israel, and Saudi Arabia.

Mr. ELLENDER. Some of those are countries that I had named when I spoke on my amendment. The Senator from Alabama knows very well what could happen.

Mr. SPARKMAN. I heard the Senator's remarks. I realize the truth of what he says. But I believe it would be well for us to have in the RECORD a statement of the intent.

It is not a case of saying to gunrunners, "If you sell to this country, that country, or some other country, the United States will guarantee your sales." It is not a gunrunning program. It is a program, first of all, that would have to be authorized under the military assistance program. Second, export licenses would have to be issued by the government. It could not be a gunrunning program, by any means.

I am willing to let the language be stricken and to go to conference with the situation as it would then be.

Mr. ELLENDER. My purpose in presenting the amendment to the Senate is to have that language stricken.

Mr. SPARKMAN. We cannot strike it finally; the Senator understands that, does he not?

Mr. ELLENDER. I understand that; but I wish, at least, to strike the language from the Senate bill. That is my purpose.

Mr. SPARKMAN. I am willing to do that.

Mr. ELLENDER. Mr. President, under those conditions, I ask unanimous consent that the order for the yeas and nays on this amendment may be rescinded and that the Senate may be permitted to vote. In that event, I shall ask for the approval of the amendment.

The PRESIDING OFFICER. Without objection, the order for the yeas and nays is rescinded. The question is on agreeing to the amendment of the Senator from Louisiana.

The amendment was agreed to.

Mr. ELLENDER. Mr. President, I move that the Senate reconsider the vote by which the amendment was agreed to.

Mr. MORSE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H.R. 7301) to amend section 341 of the Internal Revenue Code of 1954.

The message also announced that the House had agreed to the amendment of

the Senate to the bill (H.R. 9653) to extend the authority of the Postmaster General to enter into leases of real property for periods not exceeding 30 years, and for other purposes.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 1839) to amend the Tariff Act of 1930 to provide for the free importation of wild animals and wild birds which are intended for exhibition in the United States; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS, Mr. KING of California, Mr. BOGGS, Mr. BYRNES of Wisconsin, and Mr. CURTIS were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 4649) to amend the Internal Revenue Code of 1954 to authorize the use of certain volatile fruit-flavor concentrates in the celer treatment of wine; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS, Mr. KING of California, Mr. BOGGS, Mr. BYRNES of Wisconsin, and Mr. CURTIS were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 8000) to amend the Internal Revenue Code of 1954 to impose a tax on acquisitions of certain foreign securities in order to equalize costs of longer-term financing in the United States and in markets abroad, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS, Mr. KING of California, Mr. BOGGS, Mr. BYRNES of Wisconsin, and Mr. CURTIS were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 8864) to carry out the obligations of the United States under the International Coffee Agreement, 1962, signed at New York on September 28, 1962, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses, and that Mr. MILLS, Mr. KING of California, Mr. BOGGS, Mr. BYRNES of Wisconsin, and Mr. CURTIS were appointed managers on the part of the House at the conference.

The message further announced that the House had agreed to the amendments of the Senate to the bill (H.R. 10222) to strengthen the agricultural economy; to help to achieve a fuller and more effective use of food abundances; to provide for improved levels of nutrition among economically needy households through a cooperative Federal-State program of food assistance to be operated through normal channels of trade; and for other purposes.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 11296) making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, and

offices for the fiscal year ending June 30, 1965, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. THOMAS, Mr. EVINS, Mr. MAHON, Mr. OSTERTAG, and Mr. JONAS were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 11369) making appropriations for military construction for the Department of Defense for the fiscal year ending June 30, 1965, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. SHEPPARD, Mr. SIKES, Mr. MAHON, Mr. JONAS, and Mr. CEDERBERG were appointed managers on the part of the House at the conference.

ORDER FOR RECESS UNTIL 10 A.M.
TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business tonight, it stand in adjournment until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 11380) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. MORSE. Mr. President, I call up my amendment No. 1211 and ask that it be read.

The PRESIDING OFFICER (Mr. RIBICOFF in the chair). The amendment will be stated.

The Chief Clerk read as follows:

On page 13, between lines 13 and 14, insert the following new subsection:

"(g) At the end thereof add the following new section:

"SEC. 621. LIMITATION ON AGGREGATE AUTHORIZATION FOR USE IN FISCAL YEAR 1965.—Notwithstanding any other provision of this Act, the aggregate of the total amounts authorized to be appropriated for use during the fiscal year 1965 for furnishing assistance and for administrative expenses under this Act shall not exceed \$3,000,000,000."

Mr. MORSE. Mr. President, before I ask for the yeas and nays, I wish to make a unanimous-consent request. Legislative counsel has informed me that a technical change should be made in the amendment. "Section 621" should read, instead, "Section 620(A)." I ask unanimous consent that the technical change be made.

The PRESIDING OFFICER. The Senator from Oregon has a right to modify his amendment.

Mr. MORSE. Mr. President, I should like to have the attention of the distinguished majority leader for a moment. It will make a great deal of difference in the presentation of my amendment if I may have a yeas-and-nays vote on the amendment. I should like to have a sufficient number of Senators in the Cham-