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CONGRESSIONAL RECORD — SENATE

August 11

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. MUNDT. Mr. President, I call up my amendment 1177 and ask that it be stated.

The PRESIDING OFFICER (Mr. McGovern in the chair). The amendment of the Senator from South Dakota will be stated.

The legislative clerk read as follows:

On page 1, between lines 6 and 7, insert the following:

"TITLE I—DEVELOPMENT LOAN FUND

"Sec. 101. Section 201(d) of the Foreign Assistance Act of 1961, as amended, which relates to the Development Loan Fund, is amended to read as follows:

"(d) Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds (except funds loaned under section 205 and funds which prior to the date of enactment of the Foreign Assistance Act of 1964 were authorized or committed to be loaned upon terms which do not meet the minimum rates set forth herein) be loaned (1) in the case of commercial loans, at a rate of interest of less than the rate arrived at by adding one-quarter of 1 per centum per annum to the rate which the Secretary of the Treasury determines to be equal to the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the date the application for the loan is approved and by adjusting the result so obtained to the nearest one-eighth of 1 per centum, and (2) in the case of noncommercial loans, at a rate of not less than 2½ per centum per annum. With respect to commercial loans, payments constituting principal on any such loan may be postponed during the period from the date on which the funds are initially made available under the loan to the date on which the productive enterprise or facility which is the subject of such loan commences operations or is available for operational use, and thereafter such payments of principal shall become due at intervals of not less than one year until repayment in full is made in not more than twenty-five years. Noncommercial loans shall be repaid in regular installments within not more than twenty-five years. For the purposes of this subsection—

"(A) the term "commercial loans" includes loans made, as determined by the President, for the development of productive enterprises or facilities directly used in the operation of productive enterprises, such as equipment, machinery, supplies, or materials, and for the acquisition of land necessary for the development of productive enterprises or facilities, and

"(B) the term "noncommercial loans" includes all other loans."

Redesignate the succeeding sections under part I accordingly.

Mr. MUNDT. Mr. President, this is an amendment offered on behalf of myself, the Senator from Oregon [Mr. MORSE], the Senator from Ohio [Mr. LAUSCHE], and the Senator from Colorado [Mr. DOMINICK].

If I may have the attention of the Senators, it will not take long to discuss the amendment.

Senators will recall the vote earlier today on the so-called Gruening amend-

ment. This is a modification of what was proposed in that amendment, which moves in the same direction, but not as far or as fast. I believe that it is a more reasonable and acceptable approach than the Gruening amendment.

The difference primarily between the amendment recommended by the Senator from Alaska [Mr. GRUENING] and voted down by a margin of four votes and this amendment is twofold.

In the first place, instead of charging substantially 4 percent interest on all loans made, this development loan proposal divides development loans into two types—first, the profit-making loans, the purely commercial loans; and second, the nonprofit-making loans or the non-commercial loans, such as a loan for a schoolhouse, a highway, or something which involves a nonrevenue-producing project.

The first section of amendment No. 1177 provides that for commercial loans the interest rate shall be the prevailing cost to the U.S. Government plus one-quarter of 1 percent carrying charge. In the commercial revenue-producing type of development loan, that would be the amount which would be collected to establish a reasonable table of amortization so that the loan would be repaid fractionally every year for 25 years once the commercial installation had been completed.

In the nonrevenue-producing loan, we provide an interest rate of 2½ percent per annum, which is substantially 2 percent plus a carrying charge.

That is substantially the interest rate used on REA loans. It is one-half of a percent less even including the service charge than we charge veterans when they make loans; and they, of course, receive special consideration—to which they are entitled—by virtue of the fact that they are veterans.

In my opinion, this could be called a good faith amendment. It is a good faith amendment, in the first place, because it provides good faith on our part, in that we recognize the difference between a commercial loan designed to make money for the borrower and a noncommercial loan designed to serve the people of some backward or developing country.

It is a good faith amendment, in the second place, because it provides for a manifestation of good faith on the part of the borrowers. It sets up an amortization table so that they can start paying the money back fractionally year by year. Thus, they establish the bookkeeping procedures and the fiscal habits of making the repayment, so that the government overseas which makes the loan has to begin the process of repayment; whereas under our present system of the 10-year period of nonpayment, frequently the governments have changed and the new person in charge asserts that he should not be compelled to pay back a loan made by his predecessor. There are now no bookkeeping habits, and there are no fiscal habits; and as a consequence we never collect on the loan.

Let me point out why I believe this is a salutary reform which is essential in order for Senators in turn to be operating in good faith with our constituents.

If a loan is a loan, it should be repaid. If a loan is a loan, it should bring some interest to the one who provides the money. To me, the only difference presently between a loan and a grant is that the loan pays interest of one-fourth of 1 percent. The so-called interest payment statistics show that that is less than the cost to us of servicing the loan, so there is no good faith at all. We tell our home folks that we did not vote for a giveaway, that we did not vote for a grant, but voted for a loan; but it is not a loan if it bears only one-fourth of 1 percent interest and is not repayable before 40 years.

I should like to read a letter to the Senate, written by John Funari, Legislative Programs Coordinator for the Department of State in the AID Agency. I raised the question earlier as to what happened to commercial borrowing overseas, and who gets the benefit of the so-called loans at three-fourths of 1 percent. I called attention particularly to the Premier Automobiles, Ltd., of India, which has been borrowing this money.

Let me illustrate what happened.

This letter was addressed to Pat Holt, writing at my request to the AID group who make the official answer, and is dated July 2, 1964:

DEAR PAT: Thank you for your request of June 25 for a detailed explanation of the development loan to Premier Automobiles, Ltd., of India (loan 386-H-059).

This loan was made directly to Premier; it did not first pass through the Government of India.

This was taxpayers' money which we loaned to an automobile company to manufacture automobiles at a profit in India.

Reading on:

However, under a special procedure known as a two-step loan repayment—

I interpolate to say that this should be called the foxtrot loan repayment program rather than the two-step loan program, because there is something rather "foxy" about it.

To continue reading:

the Indian Government will repay the United States for the loan in dollars, over a 40-year period, at three-fourths of 1 percent interest, with 10 years' grace.

Which means it could be a 50-year loan. I continue:

Premier, in turn, will make principal and interest payments to the Indian Government, in rupees, over a 15-year period, at 5¼ percent interest, with 2 years' grace.

In other words, we are placing the Government of India in a sweet brokerage position where they take our money, collect 5¼ percent interest from the Premier Automobile Co., with a 2-year grace period, and repay it to us over 40 years, after a 10-year grace period, at three-fourths of 1 percent interest.

I cannot think of anything more startling or convincing that this testimony of the AID officials themselves as to what happens when we try to disguise a grant as a loan by requiring only three-fourths of 1 percent interest.

Continuing with the letter:

By legislative mandate, U.S. development loans must be repaid in dollars. India's need

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for foreign exchange, particularly U.S. dollars, and its external debt burden over the next decade, are sufficiently severe that short grace periods and high interest rates on U.S. loans would be detrimental to its development efforts. The United States, accordingly, extends more liberal terms and rates.

Mr. President, I ask unanimous consent to have the entire letter printed in the RECORD.

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., July 2, 1964.

Mr. PAT M. HOLT,
Acting Chief of Staff, Committee on Foreign
Relations, U.S. Senate, Washington, D.C.

DEAR PAT: Thank you for your request of June 25 for a detailed explanation of the development loan to Premier Automobiles, Ltd., of India (loan 386-H-059).

This loan was made directly to Premier; it did not first pass through the Government of India.

However, under a special procedure known as a two-step loan repayment, the Indian Government will repay the United States for the loan in dollars, over a 40-year period, at three-quarters of 1 percent interest, with 10 years' grace. Premier, in turn, will make principal and interest payments to the Indian Government, in rupees, over a 15-year period, at 5¼ percent interest, with 2 years' grace.

By legislative mandate, U.S. development loans must be repaid in dollars. India's need for foreign exchange, particularly U.S. dollars, and its external debt burden over the next decade, are sufficiently severe that short grace periods and high interest rates on U.S. loans would be detrimental to its development efforts. The United States, accordingly, extends more liberal terms and rates.

As a private company, engaged in business for profit, Premier can and should pay customary commercial rates for the loan. "Softer" terms would effectively grant Premier an unfair competitive advantage. As its earnings are primarily in rupees, Premier is obliged to pay the Indian Government in rupees, not dollars.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely yours,

JOHN FUNARI,
Legislative Programs Coordinator.

Mr. MUNDT. Mr. President, I point out that they not only collect 5¼ percent and pay the USA only three-fourths of 1 percent, but they also take a 2-year grace period from the automobile company out of a 10-year grace period, which thus makes it an 8-year period with interest payments on the part of Premier Automobiles but the Government of India waits on 10 full years before starting to pay our money back to us.

My amendment, therefore, seems to me to be a modest and logical step in the direction of keeping good faith, all aimed at doing to a lesser extent what the Gruening amendment would have done to a larger extent by requiring a 4-percent flat rate.

I am sure that some Senators who voted in the negative on the Gruening amendment should now be inclined to vote in the affirmative on my amendment, because it would break the development loans up as between a profit-making loans for the recipient country,

or the recipient firm, and the development loans which in turn are noncommercial, nonproductive, nonprofit-making loans on which we continue the REA interest rate plus the one-half of 1 percent carrying charge.

I think the issue is clear. I have no desire to discuss it at great length. It seems to me that we shall well serve our constituents and the cause of AID by writing in this provision so that henceforth we shall have this distinction between loans and grants. And if there is an occasion, as there may well be, for AID appeals, that we should extend a grant on the part of the American taxpayer to some especially worthy area, so be it. But let it be labeled as a grant. Let us do it knowingly and knowledgeably with the people back home knowing that on that particular occasion a grant has been called for, a grant is justified, and a grant is made. But in the area where we are making loans, it seems to me this is a salutary step which will tend to start AID operating on an economic and effective basis, enabling it to deal in turn with recipient countries on a basis which will make it possible for us to continue our assistance overseas without pauperizing the American taxpayer.

Mr. President, I yield the floor.

Mr. LAUSCHE. Mr. President, with respect to this amendment, the Senator from Oregon [Mr. MORSE] and I offered it in the committee. It was rejected. I, of course, felt disappointed that it was.

I made my argument on the amendment when the amendment of the Senator from Alaska [Mr. GRUENING] was being considered. In that discussion, I pointed out that Senator MUNDT had received a most startling letter. I did not identify the parties. But the mere narration of what took place in the transaction outlined in the letter addressed by AID to Senator MUNDT is indicative of what is happening. I believe that the proposal offered on behalf of the Senator from Oregon [Mr. MORSE], the Senator from South Dakota [Mr. MUNDT], and me, is reasonable.

Commercial loans shall bear the going rate of interest that our Government is compelled to pay in borrowing the money, frequently, to make the loan. That rate, according to the present going rate, would be 3¾ percent. On noncommercial loans, used to build highways, dock facilities, sanitation facilities, waterworks, and other public service installations, the rate shall be not less than 2½ percent. Even the rate of 2½ percent will be substantially below the rate charged by other developed countries in the world in making the loans. I point out to my colleagues that if we are lending at a very low rate, it is thoroughly obvious that every borrower will be running to our counter to get the money.

I believe this is a sound amendment. I think it ought to be passed. It is reasonable, and my hope is that the Senate will agree to the amendment.

Mr. FULBRIGHT. Mr. President, the arguments against the amendment are very similar to those that have already been made on the amendment of the

Senator from Alaska. The argument made by the Senator from South Dakota [Mr. MUNDT] that this is a mild and more moderate amendment is erroneous, I believe. His amendment places a limit of 25 years on the period of the loan. But the practice today is to have a limit of 40 years. The rate of interest charged on commercial loans is very definitely an administrative problem, as we have already explained today at great length, and determined by vote. The distinction between program and project loans has been explained at great length. One of the activities in the Alliance for Progress area is program loans, in which loans are made to the Government to foster private enterprise, among other purposes.

The Senator from Oregon and others have insisted in the committee on the encouragement of private enterprise. If we wanted to place an obstacle in the course of promoting private enterprise, we could do it by increasing the interest rate for development loans to the point where private enterprise in this country could very well suffer from the terms of the amendment. This might depend to some extent on the interpretation of the amendment.

It is very uncertain as to what the term "commercial loans" means. I assume that the sponsor would mean to exclude from that term such things as dams, ports, and railroads. Railroads are considered as infrastructure, just as roads are. They are sometimes private, as in this country and in other countries. But in many cases railroads are not privately owned. Traditionally, in France, England, and many of the underdeveloped countries, the railroad is not privately owned. So there is a problem of interpretation. But I should say that this amendment is more restrictive in many ways, and on the whole a more difficult one to live with than the previous one, which was defeated a short time ago.

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

Mr. FULBRIGHT. I yield.

Mr. SALTONSTALL. The Senator is making the argument that if the interest rate which is proposed in amendment No. 1177 is so low that no commercial banks or professional lenders of money would be willing to make the loan at that rate, therefore we tie up the loans to foreign countries for commercial purposes. Is that the argument of the Senator?

Mr. FULBRIGHT. The program loans that I have mentioned are made in accordance with the overall plan for the development of a country. And they are not earmarked by our Government for the building of a specific project. They are really designed to finance the import of equipment, machinery, and goods from this country for the development of private enterprise. Such loans fall under the definition of "commercial loan."

It is not a question of extending a loan of \$30 million, or \$50 million to Brazil, for example, for a major program. AID may make available a part of that money to finance imports of goods, equipment, and so on, for industrialization. That is a typical program loan.

We argued this question at great length in connection with the previous amendment. For that type of program loan, the amendment now before us would call for an interest rate of 3½ percent at the present time. That rate would go up as our interest rate goes up.

That would certainly make it much more difficult for them to try to finance their own development. I do not know whether the loan program could continue to function at all. But the AID officials have informed me that this amendment would be a great obstacle to the use of our funds in the development of private enterprise in underdeveloped countries.

On the other hand, the committee has been encouraged by all kinds of amendments with regard to the guarantee funds, and have had many exhortations to develop private enterprise.

We are supposed to do everything we can to encourage the development of private enterprise. But this amendment creates considerably more severe terms, and would make administration of the lending program extremely difficult. It would mean the Administrator would have to decide, for example, whether a loan might ultimately go to a fertilizer factory, a factory that is in business for profit, and privately owned, or a publicly owned facility that is nonprofitmaking, such as a dam.

Mr. SALTONSTALL. But it does go to the government?

Mr. FULBRIGHT. It does go to the government, that is correct. The program loans are in accordance with the criteria that we stipulate. For example, under the Alliance for Progress a country may undertake certain reforms in their tax system or land system or undertake other so-called self-help programs in order to become eligible for a loan in support of their development plan. That is a normal procedure.

There may be a private project that the government is financing. For instance, the letter referred to an automobile factory. That is a good example of a loan that a recipient government would make. It is also possible to make a direct loan to such an enterprise.

Program loans normally are indirect. They are made through the Government. Money is made available by the Government. In the case which the Senator from South Dakota [Mr. MUNDT] mentioned, the foreign government pledges to repay us in dollars at the end of the term of the loan. The transaction between the government and the plant involved would be in rupees. There is a vast difference whether a plant repays in rupees or not. The government assumes the burden of making available foreign exchange. That is where the real difficulty lies. As the Senator knows, those currencies are not convertible. No matter how many rupees are paid to the foreign government, the government must somehow get dollars to repay us. I do not think it is particularly relevant to make the point that the foreign government receives a higher rate of interest paid in rupees than we get when the government is required to repay us in dollars. That is the main problem we are

trying to attack in the whole AID problem program. Saying that they pay 6, 7, or 10 percent in rupees is not particularly relevant if the government pays, as it must, in dollars. Such talk breeds confusion.

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

Mr. FULBRIGHT. I yield.

Mr. COOPER. My question is an expansion of the question asked by the Senator from Massachusetts. I started by saying that I assumed the purpose of the AID program was to encourage countries to develop their own industries and facilities in order to make progress.

Mr. FULBRIGHT. That is correct.

Mr. COOPER. We wish to see that our assistance is used effectively and efficiently and is not wasted. We are paid for our contribution. We receive a reasonable rate of interest for it. But the whole point of the program is to see its ultimate purpose succeed. Otherwise we would merely be turning over our money for no purpose.

I gather from what the Senator has said that he believes that the whole purpose of a program—for example, the Alliance for Progress program—if we should place too restrictive limitations on it, even with respect to interest, might be defeated.

Mr. FULBRIGHT. I believe the Senator is quite correct. We are not in this business as a banker seeking to make money. We have created the Import-Export Bank for a certain purpose. That institution has made a great deal of money. We do not pretend to make money out of AID operations. Whatever benefit we receive is through helping those countries to help themselves and to grow.

That purpose is primarily political and is intended to bring stability in the world. It influences all aspects of our international relations.

The program is not a scheme to make money. I do not believe anyone would attempt to justify it on that ground. We wish to minimize the amount that the program costs. That is quite correct. Under existing law, without the amendment, interest rates are minimal. They are not the maximum rates that could be charged. However, when a country begins to make some progress and it is felt that it is capable of carrying a larger burden, more interest is charged. About \$10 million in development loans has been loaned at 3½ percent. Two percent is a minimum. That rate of interest is in the law now. Senators will recall that in 1961 the policy of requiring countries to obligate themselves to repay us in dollars replaced the old grant and soft currency loan programs. Initially, grants were made. We realize now that if the Marshall plan had been financed with dollar repayable loans, even without any interest, we would be \$4 billion or \$5 billion ahead today. That would have been the case if we had done then what we are doing now under the law.

We provided the assistance partly in grants and partly in loans. It could have been all loans. The part designated as grants should have yielded very low

interest rates. They could not all have been serviced. They would have had to default if the interest had been too high.

We are moving away from a grant program. The area that was formerly grants has largely become low interest loans. These rates are the lowest rates provided for any kind of loans. There are some grants for schools and technical assistance purposes. But under the Alliance for Progress program, all development loans are now on the basis of a minimum interest rate of 2 percent with a 10-year grace, at three-quarters of 1 percent and 40 years to repay. The loans do not have to be repaid for 40 years. That is not the law, but that has been the practice.

The amendment would provide a 25-year limit, and would raise the rate of interest to 3½ percent on so-called commercial loans, and 2½ percent on non-commercial loans. These would be raised from 2 percent to 2½ percent.

Mr. President, I submit that the amendment would create the great risk of making the program excessively difficult to administer, and would defeat the whole purpose of the program, as the Senator from Kentucky has put it.

Mr. SALTONSTALL. Mr. President, will the Senator yield for one more question? The procedure is somewhat difficult to understand.

Mr. FULBRIGHT. I yield.

Mr. SALTONSTALL. I should like to state an example and ask if in substance I am correct. A bank in Brazil might make a loan in pesos to a commercial customer in Brazil which would be repaid in pesos.

Mr. FULBRIGHT. We do not set the interest charged by the bank in Brazil.

Mr. SALTONSTALL. No. I say in substance that we would try to tell them what interest rates they should charge. Would we not?

Mr. FULBRIGHT. No. The amendment relates to what they would agree to pay us. The amendment states that the loan agency cannot lend at less than 3½ percent interest under present conditions. That is 0.75 percent over the average rate of our loans—that is, in the case of so-called commercial loans.

Mr. SALTONSTALL. That means that the bank in Brazil would be required to charge more than that rate.

Mr. FULBRIGHT. I am sure that it would have to charge more. The significant part about the argument that they would charge a great deal more is that the lenders would pay the Government of Brazil in cruzeiros. In their own country they deal in cruzeiros. However, they must repay us in dollars, and that is the essential difficulty in all these cases.

The program is very difficult. If we are to have such a program, it should be made workable. A chance to administer it successfully should be afforded.

It would be better to end the program than to try to tie the borrowers down with unworkable requirements and then complain about the bad job they do.

The amendment is similar to the so-called selection-out amendment about which we argued the better part of a

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day last week. If we are to allow the Agency to operate, we ought at least to give it the same opportunity that we have given the Foreign Service to select out their personnel in order to improve the quality of their operations. We quarreled about that subject the other day. If we are to impose conditions on the program that would make it virtually impossible to operate, why not end the program and say, "Let us have no more development loans"? If we are to undertake the program, we ought to give the administrators of the program a reasonable amount of discretion. I know of no complaint about this aspect of it. The complaints have usually been with regard to administration of the military program. With all deference, I suggest that in the military area those countries have been given a vast quantity of arms that they were unequipped to maintain properly and utilize.

Many of the most startling stories have concerned the military aid program. In this particular area I do not know that there has been great complaint.

I point out again that the program was undertaken in response to our urging that it be changed from one consisting of grants to one consisting of loans with low interest rates. The nations receiving the loans would pledge themselves to repay us in dollars. Our experience under the Marshall plan indicated that such a plan would be a great improvement. If we set interest rates at a level which would approach commercial rates, the program would no longer be an aid program. We might as well stop it and let those desiring loans go to the International Bank or the Chase National Bank and see if they could not do business in that way. The experience is that they have not been able to obtain loans in that way in the past.

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

Mr. FULBRIGHT. I yield.

Mr. MUNDT. The Senator has explained the financial terms of the amendment correctly. I should like to address a statement to the Senator from Massachusetts [Mr. SALTONSTALL], but I see that he has left the Chamber.

Mr. FULBRIGHT. Direct it to me. I shall listen.

Mr. MUNDT. I shall make the statement for the benefit of the RECORD, and the Senator from Massachusetts can read it in the RECORD tomorrow. There is an element in the amendment which moves in the direction of what the Senator from Massachusetts was talking about. I refer to lines 5 and 6, where the provision appears:

Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower.

Mr. FULBRIGHT. That provision is in the present law. That is a policy statement in the law already. That is not new.

Mr. MUNDT. That is correct. That is in conjunction with the new interest rate. When Joe Valachi of Cosa Nostra was before the Subcommittee on Investigations headed by the distinguished col-

league of the Senator from Arkansas, he said that among criminals there was a practice called Shylocking. They would collect money at one rate of interest and someone would get into trouble, and they would Shylock the interest rates to astronomical levels.

A great deal of "shylocking" has been going on with our American money overseas. I gave an example of an auto company in India. There are other places where the borrowing nation can get money from us at three-quarters of 1 percent and the foreign government gets anywhere from 10 to 15 or 20 percent interest, a sort of blending of interest and other charges, and still has to pay only three-quarters of 1 percent.

Mr. FULBRIGHT. I do not see that the Senator's argument provides a reason to vote for his amendment, because under section 201(d) of the act, it is provided:

Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds (except funds loaned under section 205 and funds which prior to the date of enactment of the Foreign Assistance Act of 1963 were authorized or permitted to be loaned upon terms which do not meet the minimum terms set forth herein) to be loaned at a rate of interest of less than 2 per centum per annum commencing not later than ten years following the date on which the funds are initially made available under the loan.

That is in the law. There is no reason to vote for the Senator's amendment. It is already in the law.

Mr. MUNDT. This amendment relates to a new program, providing for charging something at least resembling commercial rates for people who are borrowing money to go into enterprises for profit. The Senator said he had difficulty knowing just what is meant by a commercial loan. It is set out in the amendment on pages 2 and 3. I read from it:

(A) the term "commercial loans" includes loans made, as determined by the President, for the development of productive enterprises or facilities directly used in the operation of productive enterprises, such as equipment, machinery, supplies, or materials, and for the acquisition of land necessary for the development of productive enterprises or facilities, and

(B) the term "noncommercial loans" includes all other loans.

So it would specifically apply to the Premier Automobile Co., which is symbolic.

Mr. FULBRIGHT. What about a port or a railroad?

Mr. MUNDT. If it were a privately owned railroad, it would come under the heading of commercial loans. If it were a Government railroad operated for the benefit of the people at a loss, it would not so qualify. The question would be determined by the President.

Mr. FULBRIGHT. In effect what the Senator is doing is encouraging them to be socialistic. He would raise the interest rate for loans for private enterprise and keep them low for Government enterprises. It is directly contrary to what the Senator and many of his colleagues have complained about in the past.

Mr. MUNDT. It seems to me that the

cases mentioned by the Senator from Arkansas are rare. There are some underdeveloped countries that cannot pay 2½ percent. We propose to give them a grant and tell them it is a grant. We do not try to deceive the people by saying it is a loan when they pay only three-fourths of 1 percent and do not have to repay it for 40 to 50 years, and nothing at all for 10 years. That is not a loan. That is a masquerade party, because there is no possibility of collecting what is due us under those terms.

Mr. FULBRIGHT. If we had loaned France money at no interest at all, under the Marshall plan, we would be happy to get the loan back. I regret very much we did not do that, instead of loaning them the \$5 billion as we did. France's repayments are current under the loans made through the Marshall plan.

If countries agree to repay a loan, I cannot understand that it is a grant, even though there is no interest.

Mr. MUNDT. Let me explain it by simple, South Dakota arithmetic. If we borrow money at 3¼ percent, and lend it for 50 years at three-quarters of 1 percent, over that period of time—

Mr. FULBRIGHT. It is 40 years, not 50 years.

Mr. MUNDT. With a 10-year grace period. Very well, let us take 40 years. If we borrow money at 3¼ percent and we receive three-quarters of 1 percent for 40 years, the difference between those two is well over 100 percent. It is not only a grant, but a grant with a bonus, because the country is receiving more than the original grant. That is an arithmetical process on which the Senator from Arkansas and the Senator from South Dakota should be able to agree.

Mr. FULBRIGHT. I do not follow the Senator's arithmetic.

Mr. MUNDT. I will say it again.

Mr. FULBRIGHT. I do not want the Senator to repeat it. I heard what he said. I do not agree with him.

Mr. MUNDT. How can the Senator disagree?

Mr. FULBRIGHT. In the first place, the Senator said it was 50 years rather than 40 years.

Mr. MUNDT. I will take 40 years as the basis.

Mr. FULBRIGHT. The three-quarters of 1 percent applies for 10 years. The remainder is at a minimum of 2 percent. In certain cases, more than that amount has been charged—\$10 million has been loaned at about 3½ percent since the act was changed. This was to take the place of grants.

We are speaking of the poorest places. Where countries can qualify, they can borrow from the International Bank or the Export-Import Bank. One of the criteria for getting these loans is that a country cannot borrow it from an established lending program. If a country had the kind of credit that entitled it to get money under normal commercial conditions, the Administrator would be bound to tell it to get it from the International Bank or the Export-Import Bank or the Chase Bank. These in-

stitutions have plenty of money to lend on the premise the Senator is trying to establish, assuming a reasonable basis for what the Senator proposes.

Mr. MUNDT. Will the Senator yield further?

Mr. FULBRIGHT. I yield.

Mr. MUNDT. I am advocating that this country lend the money at the same rate that the Government has to pay the taxpayers in borrowing the money. Suppose there is a one-quarter of 1 percent service charge as the halfway house between giving it to them as a grant and forcing them to go to the Export-Import Bank or other place to borrow. This is another step in giving them what they need, in making a legitimate loan to use the money for profit, and to pay what they would have to pay for borrowing through a commercial loan. The 2½-percent loan, which is going to cost the United States 1¼ percent over that, goes for noncommercial purposes. The third is for the one who cannot pay 2½ percent and who cannot pay the commercial rate. We give them a grant.

So we cover the area from the country that is worse off to those that can get the money at 2½ percent to those from which we can recapture a reasonable interest rate and the money loaned for a private enterprise, moving finally into the area of the Export-Import Bank, the International Bank and commercial loans. To me that is a plausible, sensible, and realistic manner of handling the program rather than trying to delude ourselves and say generally that we are lending at three-quarters of 1 percent, when, in fact, any reasonable man knows it is a grant, because we will not get it back and our interest loss may well equal or exceed the amount of the loan principal involved.

Mr. FULBRIGHT. In the first place, it is not for 40 years at three-quarters of 1 percent. That is only during the first 10 years. The Senator has repeatedly said it is a loan at three-quarters of 1 percent. That is only for the first 10 years. Thereafter it is at a minimum of 2 percent under existing law.

Mr. MUNDT. After the grace period.

Mr. FULBRIGHT. After the 10 years. Then, beginning with the 30-year period, it goes to 2 percent. The Senator says he would rather give them a grant, because we are fooling the people. If we give them a grant, we lose not only the interest, but also the principal. The Senator apparently believes that there is no virtue in having the principal repaid. Many people would like to get the principal of a loan repaid even without the interest. There is no logic in the Senator's argument. I read from section 201 of the act:

In so doing, the President shall take into account (1) whether financing could be obtained in whole or in part from other free world sources on reasonable terms, including private sources within the United States.

It is very similar to what happened in connection with the RFC. It was not possible to get a loan from the RFC if a person had sufficient credit to get it from a bank. It was necessary to prove

that it was impossible to obtain it from a bank or a private source on reasonable terms before the RFC would grant a loan.

Mr. MUNDT. That would be true under our amendment. It is a halfway house between a three-quarters of 1 percent loan and a loan which would be obtained at prevailing rates from the International Bank or the Export-Import Bank or a commercial bank.

Mr. FULBRIGHT. It is practically the same issue that we voted on a short time ago, except that a distinction is made between commercial loans and noncommercial loans.

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

Mr. FULBRIGHT. I yield.

Mr. JAVITS. Is not the fundamental problem which we face here that we are not engaged in this undertaking because we are in the business of lending money, but because of a high governmental purpose?

Mr. FULBRIGHT. A political purpose.

Mr. JAVITS. We are trying to effectuate political results.

Mr. FULBRIGHT. Yes.

Mr. JAVITS. Hence, reasonable flexibility in the hands of the one who is dealing the cards is something to be kept rather than to be given away.

Mr. FULBRIGHT. I agree with the Senator. The proposal would do serious injury to the whole program. It is much more serious than the reduction in the amount. A reduction, if it is handled with some discretion and in an effective way, is better than the proposal before us now, which amounts to a kind of restriction that would hamstring the program. I consider this a much more serious amendment than the one we voted on previously.

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

Mr. FULBRIGHT. I yield.

Mr. AIKEN. If I thought that the people we were trying to help in other countries were actually getting the money at 5½ or 6 percent, I would be very glad to go along with even making grants to their lending institutions or lending the money at low rates of interest.

However, I do not think we should be deluded into thinking that people in other countries get the money for 5½ percent or 6 percent. The big money in making loans in some of the countries where we are investing comes in the service charges. The Senator from Arkansas and the Senator from South Dakota both referred to financing an automobile business in another country. I happen to know of an automobile industry, and it is a big one, with A-1 credit, in another country, to which we have been lending a great deal of money. They are paying 22 percent, and getting the money the cheapest of anyone in that area, and that includes the service charges as well as the interest rate. I believe Senators will find that that practice is still prevalent. I know it is good business for our banks and for the banks in those countries to lend money, and some of our own banks in this country

are pretty well up on the matter of service charges, too. But that is where the cost comes in. We are making a little progress in that direction. I believe in one country some loans have been made for housing on which the lenders are actually getting 11 or 12 percent. The legal interest rate is 8 percent. The service charges have been cut down. The building and loan associations have been very helpful, in my estimation, in bringing them down. I am sure that some bankers would rather lend more money at a lower rate and perhaps make less profit on it.

I do not think that we should take as gospel any assertion that people in other countries are borrowing money which we put in those countries for 5½ or 6 percent, when they are paying 4 or 5 times that much. That is something with respect to which I think our Government has been negligent. I do not believe our Government has been careful enough. We want to see them get the money at the rate they should pay.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 1177, offered by the Senator from South Dakota [Mr. MUNDT] on behalf of himself, the Senator from Ohio [Mr. LAUSCHE], and the Senator from Oregon [Mr. MORSE].

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MONRONEY (when his name was called). On this vote I have a live pair with the senior Senator from Louisiana [Mr. ELLENDER]. If he were present, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withhold my vote.

Mr. HUMPHREY. I announce that the Senator from Tennessee [Mr. WALTERS], the Senator from Louisiana [Mr. LONG], and the Senator from Georgia [Mr. ELLENDER] are 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 Nevada [Mr. CANNON], the Senator from Pennsylvania [Mr. CLARK], and the Senator from Oklahoma [Mr. EDMONDSON] 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] and the Senator from Kentucky [Mr. MORTON] are necessarily absent.

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

On this vote, the Senator from Nebraska [Mr. HRUSKA] is paired with the Senator from Kentucky [Mr. MORTON]. If present and voting, the Senator from Nebraska would vote "yea" and the Senator from Kentucky would vote "nay."

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The result was announced—yeas 50, nays 38, as follows:

[No. 536 Leg.]
YEAS—50

Aiken	Ervin	Prouty
Allott	Fong	Proxmire
Beall	Gore	Robertson
Bennett	Gruening	Russell
Bible	Jackson	Scott
Boggs	Johnston	Simpson
Burdick	Jordan, N.C.	Smith
Byrd, Va.	Jordan, Idaho	Stennis
Byrd, W. Va.	Kuchel	Symington
Carlson	Lausche	Talmadge
Case	McClellan	Thurmond
Cotton	McIntyre	Tower
Curtis	Mechem	Williams, Del.
Dirksen	Morse	Yarborough
Dodd	Moss	Young, N. Dak.
Dominick	Mundt	Young, Ohio
Eastland	Pearson	

NAYS—38

Bartlett	Humphrey	Muskie
Bayh	Inouye	Nelson
Brewster	Javits	Neuberger
Church	Keating	Pastore
Cooper	Long, Mo.	Pell
Douglas	Magnuson	Randolph
Fulbright	Mansfield	Ribicoff
Hart	McCarthy	Salinger
Hartke	McGee	Saltonstall
Hayden	McGovern	Smathers
Hickenlooper	McNamara	Sparkman
Hill	Metcalf	Williams, N.J.
Holland	Miller	

NOT VOTING—12

Anderson	Ellender	Long, La.
Cannon	Goldwater	Monroney
Clark	Hruska	Morton
Edmondson	Kennedy	Walters

So Mr. MUNDT's amendment, offered for himself, Mr. LAUSCHE, Mr. MORSE, and Mr. DOMINICK, was agreed to.

Mr. MORSE. Mr. President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. MUNDT. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. DOMINICK. Mr. President, I call up my amendments Nos. 1193 and 1194 and ask that they be stated.

The PRESIDING OFFICER (Mr. HART in the chair). The amendments of the Senator from Colorado will be stated en bloc for the information of the Senate.

Mr. DOMINICK. Mr. President, I ask unanimous consent that the reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection it is so ordered; and the amendments will be printed in the RECORD at this point.

The amendments No. 1193 and No. 1194 submitted by Mr. DOMINICK are as follows:

AMENDMENT No. 1193

On page 1, between lines 6 and 7, insert the following:

"TITLE I—DEVELOPMENT LOAN FUND

"SEC. 101. Section 203 of the Foreign Assistance Act of 1961, as amended, which relates to fiscal provisions with respect to development loans, is amended to read as follows:

"SEC. 203. FISCAL PROVISIONS.—All receipts from loans made under and in accordance with this title shall be available for use for the purposes of this title, subject only to the annual appropriation thereof. Receipts so appropriated and other funds made available under this title for use for the purposes of this title shall remain available until expended."

Redesignate the succeeding sections of part I, accordingly.

AMENDMENT No. 1194

On page 4, line 5, after "SEC. 104." insert "(a)".

On page 4, between lines 13 and 14, insert the following:

"(b) Section 253 of the Foreign Assistance Act of 1961, as amended, which relates to fiscal provisions, is amended by amending the first sentence thereof to read as follows: 'All receipts in United States dollars from loans made under this title and from loans made for the benefit of countries and areas of Latin America under title I of chapter 2 of part I of this Act, notwithstanding section 203, shall be available for use for loans payable as to principal and interest in United States dollars in furtherance of the purposes of this title, subject only to the annual appropriation thereof.'"

Mr. DOMINICK. Mr. President, I shall explain amendment No. 1193 very briefly. This amendment is designed to cure a situation in the authorization bill which would permit repayments to the Development Loan Fund to be expended again by the agency executive members without any review, or without any consideration by Congress in the appropriations or otherwise.

I offered the amendment last year, and one similar to it on the Alliance for Progress, and the chairman of the committee was kind enough to take them to conference. We lost them in conference. I suspect that part of the reason for losing them was that the appropriation bill contained a specific provision, and perhaps I should read it, because this is the 1963 act. It provides:

"Receipts of United States dollars in the Development Loan Fund and the Alliance for Progress revolving fund deriving from loan repayments and interest collections may hereafter, when so specified in appropriation acts, be used for the purposes for which such revolving funds are available.

The negative of that, I would presume, is that if they are not so specified, they may not be so used. Yet the authorization act specifically stated that they could be used for almost any purpose.

I have been in touch with the distinguished chairman of the Foreign Relations Committee, and also with the legislative counsel, and they inform me that this portion of the 1963 appropriation act, which is not repeated in the 1964 act, is probably permanent legislation which will eventually be codified. It is not codified now. So my amendment, if adopted, would put into the authorization act a provision which would conform substantially with what is already in the appropriation act, if the appropriation act does not become permanent legislation and is not in effect. There seems to be a small question on this point. This would give Congress the authority to review what should be done with the repayments of the loans under the Development Loan Fund. I have a similar amendment for the Alliance for Progress fund.

We are not dealing in peanuts. A vast amount of money will be coming in, both in interest repayments and private repayments. At least, we hope so, because all the money that goes out over a period of time is presumably going to come back into the revolving fund.

I am not touching the revolving fund at all. I am only saying that the money

that comes back in should be, in my opinion, at least subject to congressional review, and subject to the appropriation process. That is what my amendment would accomplish. I should like to have an expression from the Senator from Arkansas on his position.

Mr. FULBRIGHT. The Senator has correctly stated the situation. The Appropriation Act for 1964 carries, in section 117, the substance of his amendment. We accepted it last year. It was taken out in conference because it was considered superfluous. It was superfluous then, and I believe that it is superfluous now. But I have no objection to taking it to conference. It does not add anything to the bill. The Congress, under the provisions of the Appropriation Act—which incidentally is permanent legislation, the legislative counsel has informed me—does conduct annual reviews and the Appropriations Committees go over them.

I do not believe that there is the slightest doubt that section 117 effects its purpose. Therefore, in order to save the time of the Senate, I am perfectly prepared to take the Senator's amendments to conference. I am prepared to have them in the authorization bill, if the House will agree. It is not one of those things which mean a fight to the death when it is pointed out it is already in the law.

That is the situation. If the Senator wishes to insist on his amendments, I am willing to accept them. I cannot vote against them, because they are the law.

Mr. DOMINICK. I appreciate the comments of the Senator from Arkansas. So far as the original appropriation bill in the House is concerned, this is probably legislation on an appropriation bill.

Mr. FULBRIGHT. It certainly is.

Mr. DOMINICK. So far as the House is concerned, it would have been subject to a point of order.

Mr. FULBRIGHT. But not in the Senate.

Mr. DOMINICK. But not in the Senate. This I agree. It is entirely possible that, of course, in future considerations of these bills the provisions might easily be stricken.

So, if the chairman will take them to conference, I shall be willing to leave it at that, and shall not ask for a yea-and-nay vote.

I ask the Senator from Arkansas if he will accept my amendment No. 1194, on the Alliance for Progress, on the same basis.

Mr. FULBRIGHT. I shall be glad to do that.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Colorado.

The amendments were agreed to.

Mr. JAVITS. Mr. President, I call up my amendment No. 1112 and ask that it be stated.

The PRESIDING OFFICER. The amendment of the Senator from New York [Mr. JAVITS] will be stated for the information of the Senate.

The LEGISLATIVE CLERK. It is proposed by the Senator from New York:

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August 11

On page 1, between lines 5 and 6, insert the following new material:

"CHAPTER 1—POLICY

"Sec. 101. Section 102 of the Foreign Assistance Act of 1961, as amended, which relates to the statement of policy, is amended by adding at the end thereof the following new paragraph:

"It is the policy of the United States to encourage the efforts of our colleges and universities to participate in programs of development and research in the less developed friendly countries, and to strengthen the partnership between the United States Government and these institutions of higher education, by all available means including increasing and facilitating interchange of personnel."

In part I renumber the succeeding sections accordingly.

Mr. JAVITS. Mr. President, this amendment is designed to add to the policy statement already in the bill, encouragement for further participation by the colleges and universities in the program of foreign aid.

The amendment is inspired by my conferences with the department, following the report of John W. Gardner, president of Carnegie Corp of New York, and the task force which he headed in the effort to facilitate participation by universities and colleges in this program.

Mr. President, if there is one thing that I believe we can all agree on, it is that the maximum effort in foreign aid should be made by the private sector, and that there is no more desirable aspect of the private sector than the colleges and universities.

The participation which they have in the program has grown, but the feeling in the Gardner report was that it has not grown as much as it should.

The tremendous potential of this program in the overall foreign aid program was the subject earlier this year of a special task force study directed by President John Gardner of the Carnegie Corp. The study was undertaken at the request of David Bell, Administrator of AID, and it focused on the relationships of that agency with the universities engaged in this program. Nongovernmental members of the task force, in addition to Mr. Gardner, included President William Friday, of the University of North Carolina; Charles P. McCurdy, Jr., Association of American Universities; Roger Revelle, dean of research, University of California; President Logan Wilson, American Council on Education; Russell I. Thackrey, Association of State Universities and Land Grant Colleges; President O. Meredith Wilson, University of Minnesota; and President William W. Marvel, Education and World Affairs.

Mr. President, in 1963, AID had 235 contracts for technical assistance for education in developing countries with American colleges and universities. One hundred twenty-nine of these were with 72 universities for projects in 40 countries.

In India alone, 5 midwest universities have been working under contracts since 1954 to establish a system of 15 land-grant universities by 1970. Institutions in my own State, such as Cornell and Syracuse, are among the 35 universities

working in Latin America, Columbia Teachers College, for example, is helping to expand and improve education in India, Afghanistan, Kenya, and Peru.

I know that the chairman of the committee is not anxious to extend this. I would not press this upon him except for the fact that the Gardner report received so much notice publicly and was extremely well received.

I hope that the Senator will accept the amendment.

Mr. FULBRIGHT. I do approve it. My only objection is that the policy statement is already in the act. At one point, the committee almost had the good sense to take out the whole cumbersome policy statement in the act but it was retained over my objection. I am prepared to accept the amendment since the committee endorsed it within a long policy statement anyway. I certainly do not object at all on its merits.

Mr. JAVITS. I thank the Senator.

Mr. MORSE. Mr. President, I am delighted that the Senator will take it to conference. I have shared the view of the Senator from New York [Mr. JAVITS], and it has been the point of view of the Senator from Arkansas [Mr. FULBRIGHT] and others, that it involves no additional money, and gives encouragement to the State Department and the AID department to carry it out in keeping with the objective.

I think it is a fine program. I commend the Senator.

Mr. JAVITS. Mr. President, I thank the Senator. I ask unanimous consent that I may include an excerpt from a letter by Francis Keppel, U.S. Commissioner of Education, dated July 25, and an editorial entitled "Most Popular Export," which appeared in the Washington Post July 29, 1964, in the RECORD.

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

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., July 25, 1964.

MR. ALLEN LESSER,
Committee on Labor and Public Welfare,
U.S. Senate,
Washington, D.C.

DEAR ALLEN: * * * Senator JAVITS' amendment would make an important contribution in giving recognition to the unparalleled resources of American higher education as a positive instrument of American foreign policy. The findings of the Gardner report would seem to substantiate full well the important role which our colleges and universities have yet to play in the programs of the Agency for International Development and other foreign assistance programs.

Sincerely yours,

FRANCIS KEPPEL,
U.S. Commissioner of Education.

[From the Washington Post, July 29, 1964]
MOST POPULAR EXPORT

If any American experiment has succeeded with a vengeance, it is the land-grant college. Created by the Morrill Act of 1862, land-grant colleges were intended to help America harvest an abundance of food. Our chronic farm surpluses amply testify to the success of this Federal help for agricultural education. Why shouldn't the country's land-grant colleges enlarge their horizons to include rural development elsewhere in a hungry world?

We asked this question in an editorial 2 years ago observing the centennial of the Morrill Act, and it is a pleasure to note that just such a development is taking place. During this week, more than a score of State university presidents have been attending an International Rural-Development Conference at the State Department. The gathering reflects the fact that more than 100 American universities have up to \$200 million in contracts from the AID agency, mainly in the field of agriculture.

AID Administrator David Bell cited the work of North Carolina State and Iowa State universities as examples of the broadening involvement of land-grant schools in foreign aid. Iowa State is helping the Peruvian Government to shape a national rural development plan, giving special emphasis to land tenure problems. North Carolina has staff members working at the national agricultural university in La Molina and in a half dozen other cities assisting Peru in developing a combined program of farm education and research.

What is especially admirable about such programs is that they enroll the energies of nongovernmental institutions in the tasks of foreign aid. The size and scope of these programs has become so broad that one recommendation made at the conference this week was to appoint a full-time representative in Washington of the land-grant colleges in order to work with the AID agency.

As Secretary of Agriculture Freeman emphasized in a speech to the college presidents, the effect of greater farm productivity elsewhere is not to diminish markets for our exports. Instead, experience in Japan and Europe demonstrates that our exports increase as other countries expand their income and their economies.

The University of Wisconsin has the proud slogan that the boundaries of its campus are the boundaries of the State. With the increased participation of land-grant colleges in international rural development, those boundaries are stretching to the remote corners of the world. Both our farm technology and our agricultural schools are among our most obvious assets in the competition with communism. Russell Thackrey of the Association of Land-Grant Colleges is quite right in saying that "in all those countries of the free world which are striving for a better life * * * the idea of the land-grant university is America's most popular export."

The PRESIDING OFFICER (Mr. HART in the chair). The question is on agreeing to the amendment of the Senator from New York [Mr. JAVITS].

The amendment was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

RELEASE OF LIABILITY UNDER
CERTAIN BONDS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business (H.R. 11380) be temporarily laid aside.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate