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STATEMENT OF
THE HONORABLE JOHN A. HANNAH
ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE

April 17, 1972

Mr. Chairman and Members of the Committee:

I am here today to support our request for FY 1973 authorizations totalling \$986.5 for three activities administered by A.I.D. -- Security Supporting Assistance, South Asia Relief and Rehabilitation Assistance, and International Narcotics Control Assistance. The other programs carried out by A.I.D. have already been authorized for FY 1973 in the foreign aid authorization bill enacted this past February.

First, I would like to mention some of the changes we have made in the Agency for International Development.

All Supporting Assistance programs now are managed by a single bureau. In setting up this new bureau, we sought clearer management responsibilities within A.I.D. and improved coordination with other agencies.

A new bureau for population and humanitarian programs has been established within A.I.D. to give strengthened direction to these priority programs. This bureau includes an improved capability for administering emergency relief programs and coordinating U.S. relief assistance with

the UN and other organizations

- 2 -

In addition to these major organizational changes, central program administration is being strengthened and we are redirecting programs to focus more directly on basic human needs, to expand the role of private organizations engaged in overseas assistance programs and to rely more on the developing countries themselves to manage their development programs.

Now, let us consider the authorizations we are requesting for FY 1973.

SECURITY SUPPORTING ASSISTANCE

(\$844 million)

Security Supporting Assistance is an important part of U.S. foreign policy to strengthen the economies and defense capabilities of friendly countries. This economic assistance helps countries to promote and preserve political stability and to achieve greater self-reliance. When provided in conjunction with U.S. military aid, as in Southeast Asia, Supporting Assistance strengthens the recipient country's capacity to meet its own defense requirements, permitting reduction or termination of dependence on U.S. military forces -- a central aim of the Nixon doctrine.

The countries we are helping with Supporting Assistance are demonstrating increasing capability to shoulder a larger share of

- 3 -

the burden of their defense, but their material resources are often inadequate. They no longer expect American military forces, but they do look to us for the tools -- equipment, supplies, and financial resources -- to help them do the job.

Supporting Assistance often contributes to the economic development goals of the recipient country, but the fundamental U. S. aim in providing these funds is to strengthen the economic base and help to stabilize the country's economy in the context of a specific security situation. In many cases it helps a country avoid a major and damaging deterioration of the national economy as it seeks to deal with a threat to its national survival.

The bulk of the proposed FY 1973 Supporting Assistance program is for the countries of Southeast Asia which share an immediate common threat to their national security. Eighty-five percent of the FY 1973 Supporting Assistance program -- \$743.8 million of the \$874.5 million total -- is proposed for Vietnam, Cambodia, Laos, Thailand and East Asia regional programs. This assistance will continue in FY 1973 to help maintain national economies capable of carrying the burden of their security requirements.

Another \$90 million is proposed for security-related purposes in the Middle East. Of this, \$50 million will assist Israel with its

heavy fiscal burden arising from the absence of a peace settlement in the Middle East and the flow of immigrants to Israel. The other \$40 million will help Jordan meet the costs of maintaining its security.

The remaining \$40.7 million is requested for security-related purposes in other parts of the world. For example, \$9.5 million represents the U.S. contribution toward the new NATO Alliance agreement with Malta, \$4.8 million is proposed for support of UN peacekeeping forces in Cyprus, and \$3 million is requested to fund the educational/cultural component of the 1970 U.S. -Spanish defense agreement.

Vietnam

The objectives of the economic program in Vietnam remain essentially the same as last year, except for a shift in emphasis to longer term economic development efforts so that U.S. economic assistance can eventually be phased out. In addition, our economic support will continue to make it possible for the Government of Vietnam to take over the military burden of the war; will be used to maintain economic stability; will assist the Government of Vietnam in caring for refugees and war victims; and will provide support for the pacification program.

Progress to Date. Much economic progress was made last year in spite of the assumption by the Vietnamese of an increasing share of the military burden of the war.

Outstanding accomplishments included reform of the foreign

- 5 -

domestic savings through a series of economic policy measures which have now set the stage for both economic development and the gradual phasing down of U.S. assistance. These economic measures were achieved while holding price increases to 14 percent, far lower than the 32 percent average of the previous several years. The Government of Vietnam deserves great credit for its progress with economic reforms.

Significant progress was also made in implementing the land reform program. Over one million acres were transferred to 325,000 new tenant owners during the past year.

In agriculture there was an increase in rice production plus the successful introduction of two new high-yield strains. Pork and poultry production have risen to the point where imports for the civilian economy are no longer necessary. Agricultural credit was more widely available with establishment of 16 new rural banks.

In the field of health Vietnamese Government hospitals were expanded sufficiently to accommodate 23,000 additional patients, and the number of Vietnamese doctors and nurses graduating from A. I. D. - assisted medical institutions reached an all-time high of 226 and 717 respectively.

A. I. D. also helped approximately 127,000 refugees who received resettlement benefits during the year. A new voluntary

resettlement program was also undertaken to provide permanent homes to families which have been living in refugee status for many years.

We are continuing to reduce the number of A. I. D. -financed American employees stationed in Vietnam. Since FY 1971, the personnel ceiling has been reduced from 1, 830 to a planned 1, 133 during FY 1972, and will drop further to 822 in FY 1973.

Significantly, assistance to South Vietnam from other countries increased substantially during 1971. Total non-U.S. financial aid to Vietnam was \$78 million, compared to \$35 million in 1970. This increased assistance for both humanitarian and development projects also bodes well for greater sharing of the aid burden in the future.

Program Request for FY 1973. The FY 1973 request for Vietnam includes funds to continue support for economic stabilization through the Commercial Import Program (\$375 million) and an Economic Support Fund (\$50 million). These funds provide a flow of commodities required by Vietnam's economy, which indirectly replaces productive resources diverted to the war effort. They also serve to keep inflation in check, which could otherwise threaten both the political and economic stability of the country. The request also includes \$70 million for the Project Program for a variety of projects in such fields as agriculture, education, industrial development, public works, rural development, customs control, public safety, public health and refugees. The amount requested is below the FY 1972 level as war-related projects are turned

The request also initiates a shift in emphasis to development activities by including a \$75 million request for an "Economic Development Fund". The fund will provide financing for private and public investment -- with \$50 million of this amount to be used to make loans available to Vietnamese private enterprises for the expansion of plants and equipment so that Vietnam can produce a larger share of the goods which it needs, and \$25 million for projects such as electric power, bridges, and water systems. In the past, the A. I. D. program in Vietnam has provided technical assistance for agriculture, industry, and roads, as well as the financing of capital investment equipment within the Commercial Import Program. However, the new Economic Development Fund will further direct resources toward development, which in turn will hasten the process of Vietnamese economic self-sufficiency.

Our request includes \$15 million as our final contribution to the Land Reform Program. At the time the program started in 1968, we estimated that approximately \$40 million would be required. We contributed \$10 million in FY 1969 and \$15 million in FY 1971. The final \$15 million completes our support for this highly successful program, which will ultimately involve over 2.5 million acres and provide ownership to nearly three-quarters of a million former tenants.

In summary, in FY 1973 we are requesting \$585 million for Vietnam, an increase of \$30 million over the FY 1972 request. This

increase is caused by a continuing decline of our military presence in Vietnam, and the consequent reduction in the Department of Defense expenditures there.

We expect that future Supporting Assistance levels can be gradually reduced after FY 1973. The economic policies which the Government of Vietnam has set in motion during the past year have laid a sound basis for future progress. The future reduction in U.S. assistance will be hastened if assistance from other donors continues to increase, as it did last year.

Cambodia

Major economic dislocations have accompanied Cambodia's decision to resist North Vietnamese and Viet Cong aggression. Budget expenditures have been greatly increased in order to expand the army. At the same time, revenues have declined sharply because of decreased domestic and export production and lower domestic tax collections. The increase in money supply resulting from these budget deficits has caused a major price inflation over the past two years.

The \$75 million we are proposing for FY 1973 will provide further foreign exchange financing for imports to help offset declines in Cambodia's domestic production and export earnings. In addition, we will join Japan, Australia, United Kingdom, Thailand, New Zealand and Malaysia in contributing to a multilaterally-financed Exchange Support Fund designed to finance other essential foreign exchange transactions.

- 9 -

The Cambodia program is being implemented with a minimum of direct U.S. involvement, relying heavily on existing Cambodian institutions and encouraging Cambodia to seek advice and assistance from others to the maximum extent possible.

Laos

U.S. economic assistance to Laos has been concentrated primarily on controlling inflationary pressures, which threaten the country's economic and political stability, and helping the Lao Government to provide essential services and facilities in rural areas.

The proposed FY 1973 Supporting Assistance program for Laos totals \$49.8 million -- \$18.8 million in support of the multilateral economic stabilization program and \$31 million for project activities.

The United States has joined with Australia, France, Japan and the United Kingdom to support the Lao Foreign Exchange Operations Fund, which buys Lao currency on the open market to reduce the money supply. The Lao Government, in turn, has made strong efforts to increase taxes, improve tax collection and exercise stringent budget controls. As a result, relative price stability has been maintained despite mounting military and war-related costs.

The project program will continue in FY 1973 to help the Lao Government provide basic services and facilities for which its own financial resources and supply of skilled personnel remain inadequate.

The principal thrust of project assistance is to provide relief to an average of almost 300,000 refugees at any given time. The United States furnishes refugees with food, clothing, medical care and supplies; provides air services for emergency relocation of refugees and for delivering supplies to them; and helps refugees resettle and become self-sufficient. The United States also helps train junior Lao Government officials to perform refugee work at both the national and provincial levels. The provision of refugee assistance is carried out not only through a special refugee relief and resettlement project, but also as an important part of other projects such as air support, public health and rural development.

The remainder of our aid to Laos is designed to strengthen the Lao Government's ability to provide essential services and facilities in rural areas. These include schools and teachers, medical care, public safety, roads, and a variety of development activities, particularly in agriculture.

Thailand

Our past economic assistance programs have helped to relieve the potentially adverse effect of large military programs on Thailand's economic development. The economic growth rate Thailand enjoyed in the mid-60's has decelerated in recent years. The uncertainty of the military situations in both Laos and Cambodia has led the Thai to reduce the rate of increase in budgetary outlays for development while,

- 11 -

at the same time, maintaining defense expenditures at a relatively high level. The FY 1973 Supporting Assistance request of \$25.6 million is important to Thailand so that the Thai need not divert additional funds needed for economic development to security purposes.

The United States will continue the basic security-oriented program of previous years, but will also direct increased attention to the building of institutions which will permit the Thai Government to deal on its own with its economic development problems over the long term. Assistance will be provided to help the Thai Government continue to carry out a broad program of rural security and development. The FY 1973 program will increase efforts to support or improve basic Thai institutions which have leading roles in development, including local government finance, national economic policy and agricultural planning.

East Asia Regional Programs

U.S.-assisted regional programs in East Asia help to improve the prospects for long-range peace and stability in the area. The main project focus is on the exploitation of the Mekong River's hydro-power and irrigation potential. Other projects deal with flood control, transportation and communications, fisheries, resettlement, and schistosomiasis control. For FY 1973 we are requesting \$8.4 million of Supporting Assistance funds for East Asia regional programs.

Israel

There is an urgent need to find a way to achieve a lasting Arab-Israeli settlement. In the meantime, the ceasefire between Israel and her neighbors, which began in August 1970 and which has endured for the past eighteen months, must be maintained, so that a climate conducive to continued negotiations may be preserved. However, until a peace settlement is achieved, it is essential that we preserve the arms balance in the area.

Despite the very considerable efforts which Israeli authorities have made in managing the Israeli economy, Israel has experienced increasing difficulties in meeting the mounting military and economic claims from available resources.

To assist Israel in financing its heavy fiscal burden, we plan to provide \$50 million of Supporting Assistance in FY 1972 and propose another \$50 million in FY 1973.

Jordan.

As a moderate Arab state, Jordan is a stabilizing influence in an area where important U.S. interests are threatened by radical forces. Despite internal difficulties and pressures from Arab neighbors, Jordan remains interested in a peaceful settlement of the Arab-Israeli dispute.

- 13 -

Jordan still finds itself in serious economic difficulties. These difficulties stem essentially from Jordan's loss of the West Bank, with its relatively good farmland and its world-renowned tourist attractions. The cost of rehabilitating the areas damaged in the September 1970 crisis added another burden to the Jordanian budget. The United States is providing Supporting Assistance to Jordan to enable it to carry out essential government activities, as well as to continue modest development activities. In the course of FY 1972, we have provided Jordan with \$30 million in Supporting Assistance and \$15 million from the Contingency Fund. A \$40 million Supporting Assistance program is proposed for FY 1973.

Other Programs

The remaining \$40.7 million is proposed for a number of other security-related programs.

In fiscal year 1973, we propose to contribute \$9.5 of Supporting Assistance funds as the U.S. share toward the recently concluded NATO Alliance defense agreement with Malta. The U.S. contribution toward this agreement for FY 1972--also \$9.5 million -- is being provided from the Contingency Fund.

- 14 -

Security assistance to Spain is covered by a five-year treaty of friendship and cooperation signed in 1970, which provides grant military aid in exchange for extension of U.S. military base rights. We propose \$3 million of Supporting Assistance in FY 1973 to fund the educational/cultural component of this U.S. -Spanish defense agreement. The Spanish Government attaches importance to the non-military portion of the defense agreement and views it as a significant item in U.S. relations with Spain. Accordingly, Spain looks forward to its continuation as part of our agreement on the use of Spanish bases.

Other Supporting Assistance funds being requested for FY 1973 are \$4.8 million for the UN Force in Cyprus and a portion of the costs of A.I.D.'s centrally-administered activities.

SOUTH ASIA RELIEF AND REHABILITATION

(\$100 million)

The people and government of Bangladesh face extraordinary difficulties. Large-scale relief is needed to avert human suffering arising from chronic, and now increased, food shortage and from widespread destruction of shelter. Related to this is the requirement for help to rehabilitate the economy -- rebuilding basic facilities such as

- 15 -

roads and bridges, port facilities and schools, and providing commodities such as fertilizer and raw materials to help meet basic production needs.

Bangladesh authorities estimate it will cost \$3 billion -- including at least \$1 billion of food and non-food imports -- to get the country to where it was prior to 1971.

The United Nations is to be applauded for assuming a lead role, working with Bangladesh, in assessing needs and priorities, and in calling for and coordinating the world response.

The United Nations has already assessed the immediate human relief needs and is now engaged, with the World Bank, in examining urgent reconstruction priorities.

Initially, the UN has focussed on the more immediate relief requirements -- particularly food, but also road and river transport and interim logistic support, shelter, fuel, fertilizer and other essential agricultural inputs. The UN preliminary assessments total over \$600 million needed during the balance of this year.

As our initial response to the UN Secretary General's appeal for contributions on February 15, 1972, the U.S. Government donated 450,000 metric tons of wheat and rice valued at approximately \$51 million, including shipping costs, under Title II of PL 480. Fifty thousand metric tons of edible oil valued at approximately \$21 million including shipping was authorized as a further grant to the UN.

- 16 -

In response to a subsequent UN appeal for funds to help meet the priority relief and rehabilitation needs in Bangladesh, we have made an additional grant to the UN of \$35 million. These funds will be used to meet urgent needs for additional vessel and aircraft charters, repair and reconstruction of port facilities, and purchase of relief import requirements such as vehicles, power tillers, irrigation pumps, fuel, fertilizer, roofing and other construction materials. A small portion will also be used to pay administrative costs of the UN operation.

We have also provided \$6.7 million in grants to support voluntary agency relief programs. Our initial grant of \$650,000 is to enable CARE to carry out a 62-village housing project and continue its research on cyclone-resistant shelters. A \$3 million grant has been made to the Catholic Relief Service for housing materials for 200,000 returned refugee and displaced families. To help college students made destitute by the war continue their education, the United States has provided \$1.2 million to the International Rescue Committee education program. These funds will enable 9,000 college students to continue their education for at least one year. In the field of health we have made a grant of \$450,000 to the International Rescue Committee for emergency funding of the Cholera Research Laboratory, which operates two hospitals. Also in the field of health, a grant of \$1.5 million was made to the

- 17 -

American National Red Cross, for use by the International Committee of the Red Cross in carrying out a program of nutritional and medical assistance for an estimated two million persons, including minorities, who have special needs. A \$1.5 million grant has also been made to the Foundation for Airborne Relief to airlift food and supplies within Bangladesh.

As a result of these obligations of \$43.57 million in non-food post-war assistance provided to the UN and voluntary agencies for Bangladesh, plus a total of \$27.7 million incurred before December of last year for refugees in India as well as needs in Bangladesh, less than \$130 million of the \$200 million FY 1972 appropriation for South Asia relief and rehabilitation remains available to meet additional requirements over the next few months.

In making our contributions, we are guided by the Congressional recommendation that the U.S. share should not exceed 40 percent of the total from all sources, if reasonably possible. In view of the significant contributions already made by many nations, including India and Great Britain, we expect that U.S. participation in the amount already provided by the Congress will be within this concept of "fair share". The \$100 million requested for FY 1973 will enable us to continue to provide our fair share of this vital effort of expanding dimensions, which we expect to continue through the middle of next year.

- 18 -

By late this month, when we expect to receive the report of a UN/World Bank survey of needs in Bangladesh, the type and magnitude of rehabilitation requirements will be clearer. After we have examined that report Mr. Chairman, we would be pleased to provide the Committee with a fuller, more detailed account of the requirements these funds will help cover than we, or anyone, can do today.

INTERNATIONAL NARCOTICS CONTROL ASSISTANCE

(\$42.5 million)

We are requesting a line-item authorization and appropriation of \$42.5 million for FY 1973 to carry out the international narcotics control program for which special authority is now provided in the Foreign Assistance Act.

The President has made the control of drug abuse a high priority. In support of this policy the U.S. Government has launched a major international drive for improved narcotics control. Initial efforts are being directed toward opium and its derivatives, since these drugs are recognized to be the most destructive, both to the individual and to society as a whole.

Largely through U.S. efforts, a conference was held last month in Geneva which approved amendments to the 1961 Single Convention on Narcotic Drugs. This Convention will require tighter controls on

- 19 -

the production of such drugs and will, for this purpose, give greater powers to the International Narcotics Control Board. These amendments will come into force following ratification by 40 nations. Our efforts have also led to the creation a year ago of the UN Fund for Drug Abuse Control, to which the United States plans to contribute \$2 million this fiscal year and \$5 million in FY 1973.

We have identified more than 50 countries with which cooperative efforts could result in the diminution of the worldwide problem of drug abuse. Discussions are already under way with many of these countries, particularly those in which the more serious problems of opium production and trafficking exist. As the President has indicated, we stand prepared to assist any nation seeking to fight drug abuse.

The most important development to date has been Turkish Prime Minister Nihat Erim's announcement that all opium production in Turkey will be banned after the 1972 crop. France and Mexico are also making significant contributions to the effort. We hope the Turkish decision and other efforts which have been undertaken will serve as an example for other countries to move forcefully also.

The funds we are requesting will underwrite our contribution to the effort for the next fiscal year. The program is new and expanding rapidly. Hence, it is not possible at this time to provide detailed

- 20 -

proposals for the entire amount of the request. However, discussions are under way with a number of governments which we expect will result in an increasing number of concrete programs in the coming months. It is essential for the United States to be in a position to move quickly into the implementation stage as each proposal is made and evaluated.

Particular emphasis will be placed in the first instance on improving enforcement capabilities and increasing cooperation between national and international enforcement agencies in the exchange of intelligence on drug trafficking. We believe this will make the most immediate impact on the problem, in terms of preventing both the illicit production and processing of narcotic drugs and their movement throughout the world.

Programs addressing the agricultural and health aspects of drug abuse will also play important roles in the U.S. effort. However, crop substitution programs, by their very nature, must be considered long-term solutions.

Drug abuse is a relatively new problem in many countries around the world. Those which are not now experiencing serious drug abuse are becoming increasingly alarmed that this could become a problem for them in the future. The control of narcotics will require the cooperation of the entire community of nations. We are gratified

with the growing awareness of this fact and the increasingly helpful responses we are receiving. We must be prepared with the financial resources needed to take full advantage of the interest of other countries and international bodies in cooperating with the United States in attacking the narcotics problem.

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Mr. Chairman, each of the three authorization requests A. I. D. is making this year is for an assistance program of great importance. I urge the Committee to provide the full amount we are requesting.