

located to the terminating employees. The reinsurance would then pick up any additional liability on behalf of those employees. The employer would continue operation of his plan, with the remaining assets, on behalf of the continuing employees.

Where there is no termination, the program would not be applicable but the per capita past service amortization payment on a plan exceeds some specified percentage (e.g., 200 percent) of the initial per-capita past service amortization payment, usually as a result of a severe reduction in the work force, the reinsurance would assume any past service liability financing required which is in excess of the specified percentage.

The second type of risk different from those which we have been discussing and which should be insured against, is the risk of depreciation of the funded assets. The risk involved in the situation is probably very slight and is not dependent on the size of the unfunded liability. The premium for this risk is, therefore, computed separately than the premium for insuring the unfunded liabilities. While the risk here would depend upon the types of assets, it would probably be administratively unfeasible, as well as undesirable to set reinsurance premiums for individual investments at the same time consideration might be given to vary the premium by class of assets; i.e., Government bonds, stocks, mortgages, etc.

Since the premiums established, particularly with respect to the second risk outlined above, may eventually prove to be excessive, the legislation includes a provision authorizing the administrator to provide for the suspension or reduction of either type of premium for a period of time.

F. ESTABLISHMENT AND ADMINISTRATION OF REINSURANCE SYSTEM

The most logical existing agency to administer the system of reinsurance for private pension plans would be the Social Security Administration in the Department of Health, Education and Welfare. In addition to having the actuarial and technical personnel who are engaged in a similar operation, the administration by the social security offices would provide an opportunity for automatic notification to a prospective pensioner under a private plan at the time he files an application for social security benefits.

The legislation authorizes the Secretary to borrow moneys from the Treasury for the establishment of a reinsurance fund. This money would be repaid by the premiums which the fund would receive and the legislation would thereby achieve a self-financing status at no cost to the public.

SOCIAL SECURITY AMENDMENTS OF 1964—AMENDMENT (AMENDMENT NO. 1174)

Mr. RIBICOFF. Mr. President, pension and retirement programs for firemen and policemen have traditionally been considered separately from other employees. These men face unusual hazards in their daily work, and because of the nature of their jobs, often retire at an earlier age than the rest of the work force. As a result their pension and retirement plans have been developed with regard to their special needs, particularly the likelihood of early retirement.

The social security system is based on a general pattern of retirement at age 65, with the choice in recent years of retiring at age 62 and accepting reduced benefits. Because these retirement ages are generally unrealistic for firemen and policemen, these employees have not

previously been included as a class within the social security system if covered by State or local government retirement systems.

In some States a decision has been made that it would be advantageous to extend social security coverage to firemen and policemen, and where this is true, Congress has extended coverage on a State-by-State basis. Some 19 States are now included.

The pending social security bill, however, abandons the State-by-State approach and establishes a uniform program for all firemen and policemen. It is true that under the new provision, those presently employed could elect to remain outside the social security system, but in any municipality a small minority of the firemen or policemen could elect coverage not only for themselves but for all future employees. The result might well be a substantial impairment of the local pension and retirement rights of firemen and policemen in the years to come.

I believe these valiant public servants are entitled to continue under the provisions of law now in existence. I see no justification for changing the rules in a way that might be harmful.

I therefore submit, for appropriate reference, an amendment to H.R. 11865 to strike out the new section changing the social security status of firemen and policemen.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred.

The amendment (No. 1174) was referred to the Committee on Finance.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961—AMENDMENT (AMENDMENT NO. 1175)

FOREIGN DEVELOPMENT LOANS SHOULD BE GRANTS OR LOANS—BUT NOT BOTH

Mr. GRUENING. Mr. President, I send to the desk an amendment to the foreign assistance authorization bill, H.R. 11380, which I ask that it lie on the table and be printed at the conclusion of my remarks.

My amendment would increase the rate of interest on development loans to the same amount that it costs the United States itself to borrow money.

In reporting H.R. 11380, three able and distinguished members of the Senate Committee on Foreign Relations, the senior Senator from South Dakota [Mr. MUNDT], the senior Senator from Oregon [Mr. MORSE], and the senior Senator from Ohio [Mr. LAUSCHE], in a cogent minority report, pointed up the problem with our development loans when they stated:

We cannot justify making grants and calling them loans.

This is exactly what we have been doing in the foreign aid program to the tune of billions of dollars.

The practice has become widespread in the development loan program of automatically granting soft terms on the vast majority of loans made. For example, in the calendar year 1963, \$1,057,925,000 in loans were made by the Development Loan Fund at interest rates of three-

fourths of 1 percent repayable in 40 years with a moratorium on the repayment of principal for the first 10 years. This amount represents 90 percent of the total amount of loans made under the Development Loan Fund during that year.

Even assuming that these loans will be repaid—and that is an assumption that flies in the face of the financial histories of many of these countries—the more than a billion dollars in development loans made by AID last year alone contains a hidden grant of approximately \$800 million which the American taxpayers will have to pay in the many years ahead because we made these soft loans in 1963.

I ask unanimous consent that there be printed at the conclusion of my remarks a list of loans made in calendar year 1963 alone at the rate of three-fourths of 1 percent service charge, repayable in 40 years, with a moratorium on the repayment of principal for the first 10 years.

We are told that the low rate of interest is necessary because the borrowing countries do not have sufficient foreign exchange to pay a higher rate of interest.

A closer examination of the loans made shows that this argument has no substance. Rather it can be said that it has become an almost automatic procedure to grant these loans at these low rates of interest.

Consider the loan made on December 4, 1963, to the Government of Tanganyika for a commodity development training center. The principal sum of this loan was \$250,000. Interest on this sum at three-fourths of 1 percent amounts to \$1,875. At 4 percent interest per annum, the interest rate would be \$10,000. The difference is \$8,125. The Government of Tanganyika could raise this additional sum by cutting down on the import of only two Cadillacs a year.

Let us also consider the loan of \$350,000 to the Government of Turkey. At three-fourths of 1 percent interest or service charge the interest rate per year would be \$2,625. At 4 percent interest the amount would be \$14,000 per year. The difference would be \$11,375 per year. In his report on our aid program in Turkey in June 1964, the Comptroller General states:

Because neither the Turkish Government nor the (AID) Mission exercised adequate control over commodity imports and the operations and investment programs of state enterprises, aid funds frequently were used for nonessential or low priority purposes.

This confirms my own evaluation contained in my report of a study of the foreign aid program in 10 Middle Eastern and African countries for the Committee on Government Operations. I stated in my report, with respect to the AID program:

AID dollars are loaned or granted to aid in a particular country's economic development. To prevent those dollars from being diverted into meeting that country's budget deficit or for the importation of luxury goods, it is essential that firm controls be exercised by AID to follow the dollars and see to it that it is in fact being used for the economic development of the country to which it is loaned or granted. This study indicated that such firm controls are not being exercised.

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It is obvious that with a little austerity in its imports Turkey could have managed to discover the additional \$11,375 needed to pay the U.S. interest at the rate of 4 percent rather than to expect the United States to make a combined loan-grant to it.

In my report, I stated with respect to these three-fourths of 1 percent loans:

It is time to stop fooling the American people. These are not loans—they are combination loans and grants—with the grant portion coming close to equaling the amount of the loan.

There is great opposition to this amendment—or, for that matter, to any amendment increasing interest rates on loans under our foreign aid program.

In the recent disaster which befell the State of Alaska, I tried most unsuccessfully to persuade the Administrator of the Small Business Administration to reduce disaster loans from 3 percent to the lesser interest rate we charge under our foreign aid program for loans to aid the private sector of foreign countries—three-fourths of 1 percent. As I said, I did not succeed. My proposal was met with a variety of objections.

First, I was told that these loans did not go to the private sector of the foreign countries—they only ended up there after the foreign government had tacked on a tax in the form of an additional interest rate. That our money was being used to strengthen the private sector of foreign economies was conveniently forgotten.

Then, I was told that I did not have a full appreciation of the thinking of business. I was told that to a businessman, the interest rate was of secondary impor-

tance when compared to the other terms offered, that is, the repayment period and any moratoriums on repayment.

But when we seek to increase the interest rate—as I shall do through this amendment—to a rate equal to that paid by the United States on its own borrowings, interest rate becomes a vital matter and we are told that if the amendment succeeds then the foreign nations will be unable to borrow.

This I cannot understand.

Low interest rates are not necessary and are unimportant when they concern Alaska businessmen, stricken by one of the greatest natural disasters to befall any State. But when they concern foreign borrowers, low interest rates become the be-all and end-all of the entire program and we are warned that the program will fall unless the interest rate is kept at three-fourths of 1 percent per year.

This is called having one's cake and eating it, too.

This argument I cannot understand and will not support. If interest rates are unimportant to Alaska businessmen seeking to borrow money from the United States in time of disaster, then they are unimportant to foreign governments seeking to borrow money from the United States to aid the private sectors of their economies.

If the AID administrators are trying to tell the Congress that Tanganyika would turn down the loan of \$250,000 from the United States merely because of an annual interest rate increase of \$8,105 then they are asking the Congress to believe something that is well-nigh unbelievable.

If there is to be equality of treatment both here at home and abroad then my interest rate amendment should be enacted.

The ACTING PRESIDENT pro tempore. The amendment will be received and appropriately referred; and, without objection, the amendment and list of loans will be printed in the RECORD.

The amendment (No. 1175) submitted by Mr. GRUENING, was received, and ordered to lie on the table, 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 terms set forth herein) be loaned 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."

Redesignate the succeeding sections under part I, accordingly.

The list of loans presented by Mr. GRUENING is as follows:

Loans made by the Agency for International Development to foreign countries during calendar year 1963 at $\frac{3}{4}$ of 1 percent for 40 years¹ (repayable in dollars)

Country, borrower, and purpose	Date of loan agreement	Number of years repayment	Interest rate	Amount of loan	Country, borrower, and purpose	Date of loan agreement	Number of years repayment	Interest rate	Amount of loan
LATIN AMERICA					LATIN AMERICA—CON.				
Argentina:					Costa Rica:				
Government of Argentina:					Banco Nacional de Costa Rica: Agri-				
Central Housing Bank	June 3, 1963	40	$\frac{3}{4}$	\$12,500,000	cultural development	July 23, 1963	40	$\frac{3}{4}$	\$5,000,000
Route 12 road project	Jan. 21, 1963	40	$\frac{3}{4}$	6,700,000	Republic of Costa Rica:				
Road program loan	Mar. 18, 1963	40	$\frac{3}{4}$	30,500,000	Slum replacement housing	do	40	$\frac{3}{4}$	2,000,000
Feasibilities studies	June 3, 1963	40	$\frac{3}{4}$	3,000,000	Cachi hydroelectric project	do	40	$\frac{3}{4}$	1,500,000
Grain storage facilities	Oct. 10, 1963	40	$\frac{3}{4}$	21,700,000	Metro emergency water supply	do	40	$\frac{3}{4}$	1,400,000
Bolivia:					IBRC/AIC highway program	do	40	$\frac{3}{4}$	2,100,000
Government of Bolivia:					COPISA: Financing subloans	Dec. 23, 1963	40	$\frac{3}{4}$	5,000,000
Access roads	Aug. 1, 1963	40	$\frac{3}{4}$	7,200,000	Dominican Republic: National Housing				
La Paz-El Alto Highway	Aug. 17, 1963	40	$\frac{3}{4}$	3,400,000	Bank: Savings & Loan Association	Jan. 2, 1963	40	$\frac{3}{4}$	2,100,000
El Alto Customs Center	do	40	$\frac{3}{4}$	2,200,000	Ecuador:				
Banco Industrial, S.A.: Assist in financing subloans	do	40	$\frac{3}{4}$	2,400,000	Government of Ecuador:				
Government of Bolivia: Agricultural Bank	do	40	$\frac{3}{4}$	3,700,000	Quito-Quevedo road	Sept. 1, 1963	40	$\frac{3}{4}$	2,700,000
Brazil:					Economic and engineering studies	Sept. 4, 1963	40	$\frac{3}{4}$	2,000,000
Credito & Financiamiento S.A.: Development bank	Mar. 6, 1963	40	$\frac{3}{4}$	4,000,000	Administrative and fiscal reform	Sept. 2, 1963	40	$\frac{3}{4}$	1,600,000
Cia. de Carbonos Coloidais: Carbon black plant	Mar. 11, 1963	40	$\frac{3}{4}$	2,000,000	El Salvador:				
Government of Brazil: Emergency stopgap assistance	Apr. 24, 1963	40	$\frac{3}{4}$	25,500,000	Republic of El Salvador:				
Super Desenvolvimento, N.E.: Emergency electric power	Oct. 29, 1963	40	$\frac{3}{4}$	2,400,000	Primary school construction	Sept. 18, 1963	40	$\frac{3}{4}$	2,400,000
Chile:					Agricultural loan program	do	40	$\frac{3}{4}$	8,900,000
Government of Chile: Development program	Jan. 31, 1963	40	$\frac{3}{4}$	35,000,000	INSATI	do	40	$\frac{3}{4}$	4,500,000
Colombia:					Honduras: Government of Honduras:				
Government of Colombia: Feasibility studies	June 26, 1963	40	$\frac{3}{4}$	4,000,000	Small water systems	Aug. 22, 1963	40	$\frac{3}{4}$	1,050,000
National Housing Institute of Colombia: Self-help housing	do	40	$\frac{3}{4}$	7,500,000	Jamaica: Government of Jamaica: Project assistance				
Colombia Institute of Agrarian Reform: Supervised agricultural credit	do	40	$\frac{3}{4}$	10,000,000	Government of Nicaragua:				
Government of Colombia: Mineral resources survey	Sept. 18, 1963	40	$\frac{3}{4}$	2,000,000	Las Mercedes Airport	July 25, 1963	40	$\frac{3}{4}$	1,000,000
					Panama: Instituto de Acueductos: Water supply and sewerage system				
						Feb. 6, 1963	40	$\frac{3}{4}$	6,000,000
					Peru:				
					Government of Peru:				
					Lima water, sewerage	Mar. 15, 1963	40	$\frac{3}{4}$	8,600,000
					Feasibility studies	do	40	$\frac{3}{4}$	3,000,000
					Uruguay: Banco Hipotecario del Uruguay: Home construction				
						Feb. 28, 1963	40	$\frac{3}{4}$	6,000,000

Loans made by the Agency for International Development to foreign countries during calendar year 1963 at 3/4 of 1 percent for 40 years¹ (repayable in dollars)—Continued

Country, borrower, and purpose	Date of loan agreement	Number of years repayment	Interest rate	Amount of loan	Country, borrower, and purpose	Date of loan agreement	Number of years repayment	Interest rate	Amount of loan
LATIN AMERICA—continued					AFRICA				
Venezuela:					Cameroon: Government of Cameroon:				
C.A. Bank for Economic Integration:					Extension of railway system.....	Aug. 27, 1963	40	3/4	\$9,200,000
Feasibility studies.....	Nov. 29, 1963	40	3/4	\$2,500,000	Ethiopia: Government of Ethiopia: 3d				
Home loan department.....	do.	40	3/4	10,000,000	highway program.....	Dec. 2, 1963	40	3/4	4,000,000
FAR EAST					Ivory Coast: Government of Ivory				
Korea: Government of Korea: Changsong					Coast: Highway equipment.....	Nov. 29, 1963	40	3/4	1,700,000
Coal Mine District.....	Dec. 7, 1963	40	3/4	9,500,000	Liberia:				
NEAR EAST AND SOUTH ASIA					Government of Liberia: National				
Afghanistan:					medical center.....	Dec. 5, 1963	40	3/4	5,300,000
Government of Afghanistan:					Monrovia Power Authority: MT				
Ariana Afghan Airlines.....	Mar. 23, 1963	40	3/4	2,625,000	coffee hydroelectric project.....	Sept. 26, 1963	40	3/4	24,300,000
Transport equipment.....	Dec. 3, 1963	40	3/4	2,000,000	Government of Liberia: Monrovia				
India:					Junior-Senior High School.....	Oct. 23, 1963	40	3/4	1,700,000
Government of India:					Mali:				
Ramagundam thermal power.....	May 21, 1963	40	3/4	8,400,000	Government of Mali:				
Delhi C thermal power.....	Mar. 8, 1963	40	3/4	16,000,000	Teachers Training College.....	Dec. 4, 1963	40	3/4	2,100,000
Satpura thermal power.....	do.	40	3/4	25,100,000	Central Veterinary Laboratory at				
Central Ropeway F project.....	Oct. 21, 1963	40	3/4	7,700,000	Bamako.....	do.	40	3/4	1,100,000
Nonproject imports.....	Feb. 25, 1963	40	3/4	240,000,000	Niger: Government of Niger: Develop-				
Chandrapura thermal stage II.....	Oct. 21, 1963	40	3/4	16,000,000	ment bank.....	Dec. 14, 1963	40	3/4	500,000
Fifth railway loan.....	do.	40	3/4	15,850,000	Nigeria:				
Cuga coal washery plant.....	Nov. 29, 1963	40	3/4	5,100,000	Government of Nigeria:				
Tarapur nuclear power.....	Dec. 7, 1963	40	3/4	80,000,000	Ibadan water supply.....	Dec. 4, 1963	40	3/4	12,100,000
Nepal: Government of Nepal: Nepal Industrial Development Corp.	Dec. 8, 1963	40	3/4	1,000,000	Calabar-IKCM Road.....	do.	40	3/4	8,600,000
Pakistan:					Somalia: Government of Somalia: Chis-				
Government of Pakistan:					maio port.....	do.	40	3/4	3,600,000
Sawmill and timber extraction.....	Oct. 23, 1963	40	3/4	2,200,000	Sudan:				
Malaria eradication program.....	Feb. 28, 1963	40	3/4	3,800,000	Government of Sudan:				
Airport and airways equipment.....	Mar. 22, 1963	40	3/4	2,100,000	Industrial development bank.....	July 14, 1963	40	3/4	2,000,000
Salin content and reclamation					Khartoum sewerage.....	Dec. 7, 1963	40	3/4	3,800,000
project No. 2.....	do.	40	3/4	10,800,000	Tanganyika:				
General commodities, 2d.....	Mar. 27, 1963	40	3/4	30,000,000	Government of Tanganyika:				
Chalna anchorage project.....	Mar. 22, 1963	40	3/4	3,600,000	Cares Salaam water supply system				
Feasibility studies.....	Mar. 27, 1963	40	3/4	2,000,000	Urban water supplies.....	May 20, 1963	40	3/4	2,200,000
CPS and Maini-Rechna DCAB					University college.....	Dec. 4, 1963	40	3/4	1,300,000
project.....	Aug. 15, 1963	40	3/4	750,000	Teacher training college.....	Oct. 9, 1963	40	3/4	800,000
Coastal embankment project.....	do.	40	3/4	6,500,000	Commodity development train-	Dec. 4, 1963	40	3/4	800,000
General consultants.....	do.	40	3/4	4,400,000	ing center.....	do.	40	3/4	250,000
3d commodity loan.....	Sept. 28, 1963	40	3/4	70,500,000	Agricultural college.....	do.	40	3/4	1,250,000
General services in public Health.	Dec. 9, 1963	40	3/4	1,500,000	Program loan.....	Dec. 6, 1963	40	3/4	1,000,000
Investigative services.....	Nov. 20, 1963	40	3/4	5,600,000	Electrical equipment.....	do.	40	3/4	300,000
5th railway loan.....	do.	40	3/4	14,500,000	Tunisia:				
Telecommunication expansion.....	Oct. 23, 1963	40	3/4	4,700,000	Government of Tunisia:				
Machinery pool Organization	Dec. 9, 1963	40	3/4	5,000,000	Water and irrigation projects.....	Feb. 15, 1963	40	3/4	2,400,000
WAPCA.....					Commodity assistance.....	June 20, 1963	40	3/4	15,000,000
Mechanical equipment.....	Nov. 20, 1963	40	3/4	1,500,000	Construction of university.....	Oct. 31, 1963	40	3/4	1,800,000
Turkey:					Agricultural equipment.....	do.	40	3/4	6,500,000
Government of Turkey:					Uganda:				
Keban and Ciceroz feasibility					Government of Uganda:				
studies.....	July 15, 1963	40	3/4	350,000	Development bank.....	Oct. 4, 1963	40	3/4	2,000,000
Feasibility studies.....	Oct. 15, 1963	40	3/4	3,000,000	Secondary schools.....	Oct. 11, 1963	40	3/4	2,400,000
General commodities.....	Sept. 11, 1963	40	3/4	35,000,000	Grand total for all countries.....				1,057,925,000
United Arab Republic:									
Government of United Arab Republic:									
Cairo West power project.....	Feb. 20, 1963	40	3/4	30,600,000					
Cardboard project.....	Nov. 12, 1963	40	3/4	5,700,000					

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

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

order to equalize costs of longer term financing in the United States and in markets abroad, and for other purposes, which were ordered to lie on the table and to be printed.

NOTICE OF HEARINGS ON SENATE RESOLUTION 204, RELATING TO PERSECUTION BY THE SOVIET UNION OF PERSONS BECAUSE OF THEIR RELIGION

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that the committee will hold a public hearing on the resolution (S. Res. 204), condemning persecution by the Soviet Union of persons because of their religion, beginning at 10:30 a.m. in room 4221, New Senate Office Building, on Monday, August 10.

INTEREST EQUALIZATION TAX ACT—AMENDMENTS (AMENDMENT NO. 1176)

Mr. GORE submitted amendments, intended to be proposed by him, 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