WATCH LIST

By Mr. BELLMON:

S. 2043. A bill to amend the Consolidated Farm and Rural Development Act. Referred to the Committee on Agriculture and Forestry.

By Mr. HARTKE:

S. 2044. A bill to extend until September 30, 1975, the suspension of duty on certain dyeing and tanning products and to include logwood among such products. Referred to the Committee on Finance.

By Mr. PERCY:

S. 2045. An original bill to require that future appointments to the offices of Director and Deputy Director of the Office of Management and Budget, and of certain other officers in the Executive Office of the President, be subject to confirmation by the Senate. Placed on the calendar.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. RIBICOFF (for himself, Mr. HARTKE, Mr. CHURCH, Mr. MONDALE, Mr. KENNEDY, Mr. PASTORE, Mr. HUMPHREY, Mr. NELSON, and Mr. PELL):

S. 2025. A bill to amend title II of the Social Security Act and the Internal Revenue Code of 1954 to establish 1974 (rather than 1975) as the first year in which adjustments in benefits, wage base, and earnings limitation, can be made on account of increases in the cost of living. Referred to the Committee on Finance.

SOCIAL SECURITY BENEFITS ESCALATION

Mr. RIBICOFF. Mr. President, today I am introducing legislation to assure all social security beneficiaries of an increase in retirement benefits as of January 1, 1974. Under present law social security benefits are not scheduled to increase until January 1, 1975.

In the past few years Congress has substantially raised the social security benefit levels. But the cost of living has nullified much of these increases. Property taxes have jumped by nearly 39 percent in the last 4 years, nearly twice the overall increase in the Consumer Price Index. And the impact has been especially severe for the aged because nearly 70 percent own their own homes.

Public transportation costs have risen by over 33 percent during this same period. Here again, senior citizens are hard hit since many must rely on public transit instead of private automobiles.

Food prices have gone up by at least 34 percent in the 4-year period. This is tragic for the elderly who spend 27 percent of their income for food as compared to 17 percent of all Americans. And medical care costs—a significant cost factor to the aged—have increased 36 percent.

And all of these price increases have been escalating even more rapidly in the last few months.

It would be one thing if social security benefits were at an adequate level. But they are not. Social security benefits for millions of older Americans—even with the 20-percent increase enacted last year—still fall below the Government's own poverty benchmark. Average annual payments for retired workers amounted to $1,944 in 1972, nearly $40 below the poverty threshold for single aged persons. For widows, average benefits were more than $320 under the impoverished standard.

It is unconscionable for us to let prices skyrocket out of sight while millions of older Americans are denied an increase in social security benefits.

The legislation I am proposing would change the effective date of the so-called cost-of-living escalator in the social-security law from January 1, 1975 to January 1, 1974. This escalator provides that when the Consumer Price Index goes up by at least 3 percent in any year, social security benefits will be raised to keep pace with the inflation. In view of the 7-percent inflation to date this year I hope that Congress will take speedy action on this proposal.

By Mr. HUMPHREY (for himself and Mr. AIKEN):

S. 2026. A bill to amend the Foreign Assistance Act of 1961, and for other purposes. Referred to the Committee on Foreign Relations.

MUTUAL DEVELOPMENT AND COOPERATION ACT OF 1973

MR. HUMPHREY. Mr. President, I have been distressed to observe the decline in U.S. support for the development of the low-income countries. Part of the reason for our poor performance stems from a disagreement over how aid should be administered.

Many people have expressed a strong preference for multilateral aid over bilateral aid. I share that view.

But some of the things America has to offer others are best carried in a bilateral form. For example, the great tradition and experience of rural cooperatives ought to be brought to the attention of the developing countries, and this is not likely to happen except through a bilateral program. The same is true of our private voluntary programs and our great universities and land grant colleges which have so much to offer the world. And, in any event, it would not do to cut off bilateral aid until multilateral efforts are ready to take over the job.

The world can ill afford to let its total support for the poor and the powerless of the earth decline. And that is exactly what will happen if American bilateral aid and its support of multilateral aid continues to lag.

In the negotiations for the replenishment of the funds of the International Development Association, the soft loan window of the World Bank, I am unhappy to learn that it is America that is dragging its feet. I know that we have serious problems at home. Nobody is more mindful than I of the ills that beset us or more anxious to heal them. Yet, with all our problems, we are a very privileged people. Even our determined attacks on our problems reveal our basic strength. It is not like America, even under great stress, to forget other people in much greater need. This is not in keeping with the splendid traditions of this great Nation.

Americans are generous people. They are citizens of the world as well as citizens of the United States. Since they are not directly represented on any of the international bodies as individuals, it is up to their Government to represent them in their keenly felt role as world citizens. I believe that we are failing to represent our citizens in that role when we permit this richest of all the world's nations to become the laggard in the world's development effort. We can do much better. Not only for humanitarian reasons. But the peace and political stability we seek can only come about when the poor are brought into the development process.

It was with a sense of genuine reassurance, therefore, that I learned of the vigorous new initiative of a bipartisan majority of the House Foreign Affairs Committee on American foreign economic aid legislation. Nowhere have I seen a more apt summary of that important initiative than in an editorial last Thursday, June 7, in the Minneapolis Tribune from which I would like to quote one paragraph:

> One has to be impressed as much by the ingenuity as the substance of a foreign aid proposal offered last week by a bipartisan majority of the House Foreign Affairs Committee. Consider this unlikely combination of elements: The bill should appeal to development idealists. It offers new markets to profit-minded American exporters. It has the potential of increasing U.S. employment. It would not increase taxes, and it is politically shrewd in other ways as well.

Mr. President, I believe so strongly that we are in need of such new departures in foreign aid that I am today, on behalf of Senator AIKEN and myself, introducing a bill identical to the House committee version to amend the foreign aid legislation.

In joining with me in this effort, my good friend and distinguished colleague, GEORGE AIKEN, brings to this effort a deep sense of commitment to the principle that American aid should reach those most in need.

In past years, I worked closely with Senator AIKEN in the development of legislation dealing with foreign economic assistance. During our joint efforts, I was always impressed with Senator AIKEN's knowledge of the ingredients needed to make the development process become more effective. His cosponsorship of the Mutual Development and Cooperation Act of 1973 is symbolic of continuing bipartisan efforts to make American assistance responsive to the real needs of the world's poor.

I believe this bill will do much to get America back on a true course in our relations with the developing countries.

For too long U.S. foreign policy has been preoccupied with great power relationships. If a nation has a nuclear capability, or if it belong to the central trading establishment of the world, we have a place for it.

But our policy today has little room

for those nations where most of humanity lives. I submit that such a policy is not only bad morality, it is bad security, bad economics, and bad diplomacy as well. The world is shrinking and economies and societies are growing more interdependent. We have got to make this world work, and it will not work for the most fortunate unless it works reasonably well for the forgotten majority.

We have no choice but to meet this challenge. We cannot forget the world's majority which is powerless today, but can vitally affect our future and our children's future tomorrow. Our foreign policy will not be whole, nor will it be viable until it is a policy which takes account of the developing nations and works to make the bounties of the earth available to them as well as to ourselves.

The bill we are introducing today is by no means all idealism, though it is idealistic. It is practical and tough-minded, and it serves the highest national interest—our interest in making this world more livable for all of us and our children.

First, this bill recognizes a veritable intellectual revolt among scholars of development who are turning against the long-held view that growth alone is the answer that will trickle benefits down to the poorest majority. These scholars, and now this bill, start from the proposition that the poorest majority must share in the work of building a nation and must share more equitably in the fruits of development at the outset—not at some future date after growth targets have been met. Greater equity and greater participation, instead of taking a toll on growth, supports and reinforces it.

Years ago, the Congress took an initiative in passing title IX of the Foreign Assistance Act, which expressed an earlier version of these views. The evidence of scholarly study and of experience now bears out the wisdom of that congressional view, and today it reappears in more mature and tangible form in this bill. It is more tangible because this bill specifies the fields of endeavor which will most directly benefit the poorest majority and commits money to each of those sectors. And each field is responsive to a deeply rooted human problem that permeates the societies of the low-income countries. The three fields of emphasis are first, food, nutrition, and rural development, second, population planning and health, third, education and human resource development.

Increasingly, the AID program has given sustained attention over a period of time to a problem in one of these three fields. And there are some stirring success stories to tell as a result.

One story is about malaria. Twenty years ago, well over 10 million people in South Asia alone were afflicted with the disease. More than 1 million died each year. Today the disease is under control.

Another success story is about cereal production in South Asia. Seven years ago India imported 10 million tons of grain following a monsoon failure to avoid widespread famine. During the ensuing years, she was able to accumulate nearly 10 million tons of grain reserves from the expanded production made possible by the green revolution in which American aid programs, public and private, played such an important role.

Thus, when the Bangladesh crisis arose, India was the principal food donor, providing nearly 2 million tons of food. Even with this unprecedented generosity, India has come very close to surviving this year's drought, one of the worst in a century, by using its food reserves.

A third story is about population. A decade ago, populations were exploding throughout the poor lands and nobody was doing anything about it, and governments did not even dare to speak of it very openly. Today, although the problem is far from solved, it is out in the open and governments—almost all of them—have population stabilization as an official or semiofficial goal, and they are mounting campaigns to solve population problems. That is real progress in one short decade on such a basic and sensitive problem.

These three success stories not only refute some of the recent allegations by ill-informed authors to the effect that we do not know how to help in the development process; they also illustrate the worth of the problem-solving approach to development. That is the approach where we concentrate enough resources over enough time on an acute human problem affecting the poorest majority to get some results. That is the first very basic reform built into this bill. This new approach to foreign aid will enable the little guy to be reached—millions of lower income families will be affected.

The second reform introduced by this bill, grows out of an interesting piece of research done by our House colleagues. That reseach shows that the United States is doing very well in increasing its exports to the developing countries as a whole. In fact, these countries have become very important customers, importing about as much as the Common Market—including the United Kingdom—plus Japan.

It is a critical and growing market whose importance is not often appreciated However, the House committee looked deeper and found that in the poorest countries—those with per capita GNP of $200 per year or less—U.S. exports are not doing well at all.

Not only are we losing our share of this market to other exporters, we are losing in absolute dollar volume of sales. American exports to these markets are dependent on U.S. Government financing, mostly AID and Public Law 480. The Export-Import Bank and private loans are not very large. This is not surprising, since these countries cannot afford to import except on easily repayable terms. Other exporting countries understand this and are supporting their exporters by offering steadily increasing financing on attractive terms with low-interest rates, long maturities and generous grace periods.

This bill would remedy this situation by setting up a new Export Development Credit Fund with authority to make credit available to pay for U.S. exports to the lowest-income countries on terms that are competitive. It would be able to finance about $1 billion per year at interest rates of perhaps 3 percent.

The difference between such low rates and the approximately 7 percent it would cost the fund to borrow money from the U.S. public, would be paid for out of receipts on old aid loans which are now largely used for relending by AID.

These receipts, which are increasing in volume each year, make it possible to establish such a Fund with borrowing authority similar to the Export-Import Bank, on a fiscally sound basis, and without charge to the U.S. budget. The Fund would only finance exports which actually helped with development, thereby enabling these countries to develop the ability to repay and to become better customers for our future exports. There would be no luxury items or military goods. And the Fund's clients would be the least developed countries where U.S. exports are lagging.

Mr. President, the bill we are introducing today is social statesmanship in the highest form, where two very important U.S. goals can be served simultaneously. I refer to the goal of helping the development of the lowest-income countries and the goal of helping U.S. exports, both immediately and in building markets for the future. As many as 80,000 U.S. jobs may be created once the Export Development Credit Fund gets into operation. Thus, America's role in helping our less fortunate world neighbors need not be at the expense of those in need at home. Rather, it can help them to get jobs, which we will agree is the most basic way to help them solve their problems.

There is a third purpose served by the bill we introduce today. It recognizes that America's responsibilities with respect to the developing countries reach far beyond our aid programs. U.S. policies on trade, investment, science policy, oceans, debt relief and other subjects may affect very profoundly the destinies of poor countries.

Yet until now, these policies are made without coordination—without systematically informing ourselves of how they will affect our interests in development. This bill institutionalizes a coordinating procedure that would insure that the development factor was always considered. That factor may not predominate, but at least it has to be heard.

In order to do this, the bill sets up a Development Coordinating Committee and makes as its chairman, the head of the Mutual Development and Cooperation Agency—the proposed successor to the AID, which is the agency most sensitively attuned to the subject of development.

Mr. President, I believe this bill is a great improvement on present legislation. It will focus bilateral aid on the most pressing human problems.

It will put the great U.S. industrial machinery and agriculture at the service of development while protecting U.S. exports and U.S. jobs. And it will weave into the fabric of our Government policies some common threads of development. It will put America back onto a course in world affairs in which we can again lift our heads and be proud. And in my view, it will justly deserve and receive the support of the people of America and the Congress.

Mr. President, I ask unanimous consent that the full text of the bill along with a section-by-section analysis be printed at this point in the RECORD.

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

S. 2026

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Development and Cooperation Act of 1973."

(b) Strike out "Agency for International Development" each place it appears in such Act and insert in lieu thereof in each such place "Mutual Development and Cooperation Agency".

POLICY; DEVELOPMENT ASSISTANCE AUTHORIZATIONS

SEC. 3. Chapter 1 of part I of the Foreign Assistance Act of 1961 is amended as follows:

(a) In the chapter heading, immediately after "CHAPTER 1—POLICY" insert "; DEVELOPMENT ASSISTANCE AUTHORIZATIONS".

(b) In section 102, relating to statement of policy, insert "(a)" immediately after "STATEMENT OF POLICY.—", and at the end thereof add the following:

"(b) The Congress further finds and declares that, with the help of United States economic assistance, progress has been made in creating a base for the peaceful advance of the less developed countries. At the same time, the conditions which shaped the United States foreign assistance program in the past have changed. While the United States must continue to seek increased cooperation and mutually beneficial relations with other nations, our relations with the less developed countries must be revised to reflect the new realities. In restructuring our relationships with these countries, the President should place appropriate emphasis on the following criteria:

"(1) Bilateral development aid should concentrate increasingly on sharing American technical expertise, farm commodities, and industrial goods to meet critical development problems, and less on large-scale capital transfers, which when made should be in association with contributions from other industrialized countries working together in a multilateral framework.

"(2) Future United States bilateral support for development should focus on critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production, rural development and nutrition; population planning and health; education, public administration, and human resource development.

"(3) United States cooperation in development should be carried out to the maximum extent possible through the private sector, particularly those institutions which already have ties in the developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies.

"(4) Development planning must be the responsibility of each sovereign country. United States assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance.

"(5) United States bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest majority of people and their capacity to participate in the development of their countries.

"(6) United States development assistance should continue to be available through bilateral channels until it is clear that multilateral channels exist which can do the job with no loss of development momentum.

"(7) Under the policy guidance of the Secretary of State, the Mutual Development and Cooperation Agency should have the responsibility for coordinating all United States development-related activities. The Administrator of the Agency should advise the President on all United States actions affecting the development of the less-developed countries, and should keep the Congress informed on the major aspects of United States interests in the progress of those countries."

(c) At the end thereof, add the following new sections:

"SEC. 103. FOOD AND NUTRITION.—In order to prevent starvation, hunger, and malnutrition, and to provide basic services to the people living in rural areas and enhance their capacity for self-help, the President is authorized to furnish assistance, on such terms and conditions as he may determine, for agriculture, rural development, and nutrition. There is authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $300,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

"SEC. 104. POPULATION PLANNING AND HEALTH.—In order to increase the opportunities and motivation for family planning, to reduce the rate of population growth, to prevent and combat disease, and to help provide health services for the great majority, the President is authorized to furnish assistance on such terms and conditions as he may determine, for population planning and health. There is authorized to be appropriated to the President for the purposes of this section, in addition to the funds otherwise available for such purposes, $150,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

"SEC. 105. EDUCATION AND HUMAN RESOURCE DEVELOPMENT.—In order to reduce illiteracy, to extend basic education and to increase manpower training in skills related to development, the President is authorized to furnish assistance on such terms and conditions as he may determine, for education, public administration and human resource development. There is authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $115,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

"SEC. 106. SELECTED DEVELOPMENT PROBLEMS.—The President is authorized to furnish assistance on such terms and conditions as he may determine, to help solve economic and social development problems in fields such as transportation and power, industry, urban development and export development. There is authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $93,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

"SEC. 107. SELECTED COUNTRIES AND ORGANIZATIONS.—The President is authorized to furnish assistance on such terms and conditions as he may determine, in support of the general economy of recipient countries or for development programs conducted by private or international organizations. There is authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, $60,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

"SEC. 108. APPLICATION OF EXISTING PROVISIONS.—Assistance under this chapter shall be furnished in accordance with the provisions of title I, II, VI, or X of chapter 2 of this part, and nothing in this chapter shall be construed to make inapplicable the restrictions, criteria, authorities, or other provisions of this or any other Act in accordance with which assistance furnished under this chapter would otherwise have been provided.

"SEC. 109. TRANSFER OF FUNDS.—Notwithstanding the preceding section, whenever the President determines it to be necessary for the purposes of this chapter, not to exceed 15 per centum of the funds made available for any provision of this chapter may be transferred to, and consolidated with, the funds made available for any other provision of this chapter, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 25 per centum of the amount of funds made available for such provision.".

DEVELOPMENT LOAN FUND

SEC. 4. Section 203 of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended as follows:

(a) Strike out "the Mutual Security Act of 1954, as amended," and insert in lieu thereof "predecessor foreign assistance legislation".

(b) Strike out "for the fiscal year 1970, for the fiscal year 1971, for the fiscal year 1972, and for the fiscal year 1973" and insert in lieu thereof "for the fiscal years 1974 and 1975 for use for the purposes of chapter 1 of this part and part V of this Act and".

ADMINISTRATIVE POSITIONS

SEC. 5. Chapter 2 of part III of the Foreign Assistance Act of 1961, relating to administrative provisions, is amended as follows:

(a) In section 638, relating to Peace Corps assistance, insert before the period at the end thereof "; or under part V of this Act".

(b) At the end thereof, add the following new section:

"SEC. 640B. COORDINATION.—(a) The President shall establish a system for coordination of United States policies and programs which affect United States interests in the development of low-income countries. To that end, the President shall establish a Development Coordination Committee which shall advise him with respect to coordination of United States policies and programs affecting the development of the developing countries, including programs of bilateral and multilateral development assistance. The Committee shall include the Administrator, Mutual Development and Cooperation Agency, Chairman; the Under Secretary for Economic Affairs, Department of State; the Assistant Secretary for International Organization Affairs, Department of State; the Assistant Secretary for International Affairs, Department of the Treasury; the Assistant Secretary for International Affairs and Commodity Programs, Department of Agriculture; the Assistant Secretary for Domestic and International Business, Department of Commerce; the President, Export-Import Bank of the United States; the President, Overseas Private Investment Corporation; the Special Representative for Trade Negotiations, Executive Office of the President; and the Executive Director, Council on International Economic Policy.

"(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the direction of the Chief of the United States Diplomatic Mission.

"(c) Programs authorized by this Act shall be undertaken with the foreign policy guidance of the Secretary of State.

"(d) The Chairman of the Development Coordination Committee shall report annually to the President and the Congress on United States actions affecting the development of the low income countries.".

UNITED STATES EXPORT DEVELOPMENT CREDIT FUND

SEC. 6. The Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new part:

"PART V

"SEC. 801. GENERAL AUTHORITY.—(a) In the interest of increasing United States exports to the lowest income countries, thereby contributing to high levels of employment and income in the United States and to the establishment and maintenance of long-range, growing export markets, while promoting development of such countries, the President shall establish a fund, to be known as the 'United States Export Development Credit Fund', to be used by the President to carry out the authority contained in this part.

"(b) The President is authorized to provide extensions of credit and to refinance United States exporter credits, for the purpose of facilitating the sale of United States goods and services to the lowest income countries which advance their development. The provisions of section 201(d) of this Act shall apply to extensions of credit under this part. The authority contained in this part shall be used to extend credit in connection with the sale of goods and services which are of developmental character, with due regard for the objectives stated in section 102(b) of this Act.

"(c) The receipts and disbursements of the Fund in the discharge of its functions shall be treated for purposes of the budget of the United States Government in the same fashion as the receipts and disbursements of the Export-Import Bank of the United States under section 2(a)(2) of the Export-Import Bank Act of 1945, as amended.

"SEC. 802. FINANCING.—(a) As may hereafter be provided in annual appropriation Acts, the President is authorized to borrow from whatever source he deems appropriate, during the period from the enactment of this part through December 31, 1977, and to issue and sell such obligations as he determines necessary to carry out the purposes of this part: *Provided*, That the aggregate amount of such obligations outstanding at any one time shall not exceed one-fourth of the amount specified in section 7 of the Export-Import Bank Act of 1945, as amended. The dates of issuance, the maximum rates of interest, and other terms and conditions of the obligations issued under this subsection will be determined by the Secretary of the Treasury with the approval of the President. Obligations issued under the authority of this section shall be obligations of the Government of the United States of America, and the full faith and credit of the United States of America is hereby pledged to the full payment of principal and interest thereon. For the purpose of any purchase of the obligations issued under this part, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchases of the obligations issued under this part. The Secretary of the Treasury may, at any time, sell any of the obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of such obligations shall be treated as public debt transactions of the United States.

"(b) Except as otherwise provided in section 806, the amounts borrowed under subsection (a) of this section shall be paid into the Fund and used to carry out the purposes of this part. Any difference between the interest to be repaid on export credits made under this part and the interest paid by the Fund on obligations incurred under subsection (a) of this section shall be paid into the Fund out of receipts specified in section 203 of this Act.

"(a) Receipts from loans made pursuant to this part are authorized to be made available for the purposes of this part. Such receipts and other funds made available for the purposes of this part shall remain available until expended.

"SEC. 803. LENDING CEILING AND TERMINATION.—(a) The United States Export Development Credit Fund shall not have outstanding at any one time loans in an aggregate amount in excess of one-fourth of the amount specified in section 7 of the Export-Import Bank Act of 1945, as amended.

"(b) The United States Export Development Credit Fund shall continue to exercise its functions in connection with and in furtherance of its objectives and purposes until the close of business on December 31, 1977, but the provisions of this section shall not be construed as preventing the Fund from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior to such date liability as acceptor of obligations which mature subsequent to such date or from issuing either prior or subsequent to such date, for purchase by the Secretary of the Treasury or any other purchasers, its obligations which mature subsequent to such date or from continuing as an agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Fund.

"SEC. 804. REPORTS TO THE CONGRESS.—The President shall transmit to the Congress semi-annually a complete and detailed report of the operations of the United States Export Development Credit Fund. The report shall be as of the close of business on June 30 and December 31 of each year.

"SEC. 805. ADMINISTRATION OF FUND.—The President shall establish a committee to advise him on the exercise of the functions conferred upon him by this part. The committee shall include the Secretary of Commerce, the Secretary of the Treasury, the Secretary of State, the President of the Export-Import Bank and the Administrator of the Mutual Development and Cooperation Agency.

"SEC. 806. PROVISION FOR LOSSES.—Ten per centum of the amount authorized to be borrowed under subsection 802(a) shall be reserved and may be used to cover any losses incurred on loans extended under this part. Receipts specified in section 203 of this Act may also be paid into the Fund for the purpose of compensating the Fund for any such losses.

"SEC. 807. EXPORT-IMPORT BANK POWERS.—Nothing in this part shall be construed as a limitation on the powers of the Export-Import Bank of the United States.

"SEC. 808. PROHIBITION OF LOANS FOR DEFENSE ARTICLES OR SERVICES.—The authority contained in this part shall not be used to extend credit in connection with the sale of defense articles or defense services. This provision may not be waived pursuant to section 614 of this Act or pursuant to any other provision of this or any other Act.

"SEC. 809. DEFINITIONS.—As used in this part—

"(a) 'Lowest income countries' means the poorer developing countries, with particular, but not exclusive, reference to countries in which, according to the latest available United Nations statistics, national product per capita is less than $200 a year.".

REFERENCES TO EXISTING ACT AND ADMINISTERING AGENCY

SEC. 7. All references to the Foreign Assistance Act of 1961, as amended, and to the Agency for International Development shall be deemed to be references also to the Mutual Development and Cooperation Act of 1973 and to the Mutual Development and Cooperation Agency, respectively. All references in the Mutual Development and Cooperation Act of 1973 to "this Act" or to any provisions thereof shall be deemed to be references also to the Foreign Assistance Act of 1961, as amended, or to the appropriate provisions thereof, and references to "the agency primarily responsible for administering part I" shall be deemed references also to the Agency for International Development. All references to the Mutual Development and Cooperation Act of 1973 and to the Mutual Development and Cooperation Agency shall, where appropriate, be deemed references also to the Foreign Assistance Act of 1961, as amended, and to the Agency for International Development, respectively.

SECTION-BY-SECTION ANALYSIS OF THE MUTUAL DEVELOPMENT AND COOPERATION ACT OF 1973

I. INTRODUCTION

The Mutual Development and Cooperation Act of 1973, (the "bill") amends the Foreign Assistance Act of 1961, as amended (the

"Act") by making certain changes in provisions relating to development assistance and by adding a separate authority for a fund to finance increased U.S. exports to the lowest income countries. It does not purport to deal in a comprehensive way with all the programs authorized by the Act.

II. PROVISIONS OF THE BILL

Section 2. Mutual Development and Cooperation Act

(a) This subsection changes the title of the basic legislation authorizing the U.S. bilateral foreign economic and military assistance programs from "The Foreign Assistance Act of 1961" to "The Mutual Development and Cooperation Act of 1973".

(b) This subsection changes the name of the agency responsible for administering U.S. bilateral foreign economic assistance programs from the "Agency for International Development" to the "Mutual Development and Cooperation Agency".

Section 3. Policy; Development Assistance Authorizations

(a) This subsection changes the name of chapter 1 of the Act to reflect the fact that the bill adds authorizations for various categories of development assistance to the existing provisions of the chapter, which relate to policy.

(b) This subsection calls for the restructuring of U.S. relationships with developing countries, in the light of progress made and changed conditions, to reflect the new realities, with emphasis on several criteria:

(1) increased concentration of bilateral assistance programs on sharing American technical expertise, farm commodities, and industrial goods to meet critical development problems, and less concentration on large-scale capital transfers, which when made should be in a multilateral framework;

(2) focus on problems in agriculture and rural development, education, health, family planning, and other areas affecting the lives of the majority of the people in the developing countries;

(3) maximum use of the private sector, especially institutions with ties in developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies;

(4) collaborative style of administering U.S. bilateral development assistance programs to support recipient countries' own development goals;

(5) highest priority for programs which directly improve the lives of the poorest people and their capacity to participate in development;

(6) availability of bilateral development assistance until multilateral agencies can carry on with no loss of development momentum;

(7) responsibility on the Administrator of the Mutual Development and Cooperation Agency, under the Secretary of State's policy guidance, for coordinating (though not controlling) all U.S. activities relating to overseas development, advising the President on all U.S. actions affecting development, and informing the Congress on U.S. interests in development progress.

(c) This subsection adds seven new sections (sections 103–109) to chapter 1 of the Act, which together constitute a completely new system of authorizing the appropriation of funds for bilateral development assistance. Whereas previous authorizations have provided funds for Development Loans, Technical Cooperation and Development Grants, Alliance for Progress, and Programs Relating to Population Growth, the bill authorizes funds in five categories divided primarily according to sector or field of activity: Food and Nutrition, Population Planning and Health, Education and Human Resource Development, Selected Development Problems, and Selected Countries and Organizations.

The bill provides authorizations for the five categories for the fiscal years 1974 and 1975 in a total amount essentially the same as that proposed by the Executive Branch, but with somewhat different distribution among the five categories. Activities falling into more than one category may be funded from one or more categories, as appropriate. Funds are to be used in accordance with existing provisions of law, but the bill provides for somewhat greater transferability of funds among the five categories than is now permitted among present funding categories in the Act.

The seven new sections are the following:

Section 103, which authorizes the appropriation of $300 million for each of the fiscal years 1974 and 1975 for agriculture, rural development, and nutrition.

Section 104, which authorizes the appropriation of $150 million for each of the fiscal years 1974 and 1975 for population-planning and health.

Section 105, which authorizes the appropriation of $115 million for each of the fiscal years 1974 and 1975 for education, public administration, and human resource development.

Section 106, which authorizes the appropriation of $93 million for each of the fiscal years 1974 and 1975 to help solve economic and social development problems in fields such as transportation and power, industry, and urban development.

Section 107, which authorizes the appropriation of $60 million for each of the fiscal years 1974 and 1975 to support the general economy of selected countries, primarily through program lending, or to contribute to certain development programs conducted by private organizations such as the International Executive Service Corps (IESC), the Asia Foundation, cooperatives, credit unions, and voluntary agencies, or by international organizations such as the Organization of American States (OAS).

Section 108, which requires assistance authorized under this chapter to be furnished in accordance with the provisions of law applicable to one of the categories of assistance now in the Act (Development Loans, Technical Cooperation and Development Grants, Alliance for Progress, or Programs Relating to Population Growth), and which assures that the restrictions, criteria, authorities, and other provisions of law which would have applied to the provision of this assistance, if the funding categories had not been restructured, are not rendered inapplicable as a result of the restructuring.

Section 109, which provides for limited transferability of funds among the five new categories of assistance, permitting up to 15 per cent of the funds made available for any of the five categories to be transferred to any of the other four, provided that the category to which the funds are transferred is not thereby increased by more than 25 per cent (leaving transfers between any of the five new categories and any other funds appropriated under the Act to be governed by an existing provision, Section 610 of the Act).

Section 4. Development Loan Fund

(a) This subsection amends the existing loan receipt reuse authority of Section 203 of the Act to include dollar receipts from loans made under all predecessor foreign assistance legislation.

(b) This subsection extends the loan receipt reuse authority to fiscal years 1974 and 1975 and authorizes reuse for the restructured categories of development assistance contained in the bill as well as for specified purposes of the new United States Export Development Credit Fund created by the bill.

Section 5. Administrative Provisions

(a) This subsection puts the United States Export Development Credit Fund on the same footing as the Export-Import Bank, the Peace Corps, and the Mutual Educational and Cultural Exchange program, by exempting the Fund from prohibitions on assistance to any country contained in the Act.

(b) This subsection adds a new section 640B to the Act, requiring the President to establish a system for coordinating U.S. policies and programs affecting U.S. interests in overseas development and, to that end, to establish a Development Coordination Committee to advise the President, chaired by the Administrator of the Mutual Development and Cooperation Agency, with members drawn from various interested Executive Branch agencies; requiring coordination abroad under the direction of the Chief of the U.S. Diplomatic Mission; asserting the Secretary of State's foreign policy guidance of programs authorized by the Act; and requiring the Chairman of the Development Coordination Committee (the Administrator of the Mutual Development and Cooperation Agency) to report annually to the President and the Congress on U.S. actions affecting development.

Section 6. United States export development credit fund

This section adds a new part to the Act (Sections 801–809), creating a fund for the purpose of increasing U.S. exports to the lowest income countries.

Section 801 (general authority) establishes the Fund, to be known as the "United States Export Development Credit Fund"; authorizes the President to extend credit or refinance U.S. exporter credits, on terms no easier than the minimum terms specified by law for development lending under part I of the Act, to facilitate the sale of U.S. goods and services of a devolpmental character to the lowest income countries; and provides that the Fund shall be treated in the same fashion as the Export-Import Bank for purposes of exclusion from budget totals and exemption from expenditure and outlay limitations, including requirements for transmission of an annual budget and an annual report to the Congress.

Section 802 (financing) authorizes the President, as may be provided in appropriation acts, to borrow up to one-fourth (currently $5 billion) of Export-Import Bank loan, guaranty, and insurance authority, during the period from the enactment of this legislation through December 31, 1977, to be used (except for $500 million of reserves) for the puposes of the Fund. Any difference between the interest the borrowers are to pay to the Fund or export credits extended (at low rates of interest) and the interest the Fund pays on the funds it borrows (at higher rates of interest), which constitutes an "interest subsidy", must be paid into the Fund from dollar receipts from loans made under foreign assistance legislation. Receipts from loans made by the Fund, if not needed to pay interest or repay the principal on the Fund's obligations, may be reused for the purposes of the Fund, and all deobligated funds may be reobligated for the purposes of the Fund.

Section 803 (lending ceiling and termination) places a lending ceiling on the principal amount of loans by the Fund outstanding at any one time amounting to one-fourth (currently $5 billion) of the Export-Import Bank loan, guaranty, and insurance ceiling, and authorizes the Fund to operate until December 31, 1977.

Section 804 (reports to the Congress) requires a detailed report on the operations of the Fund to be transmitted to the Congress semi-annually.

Section 805 (administration of Fund) requires the President to establish an advisory committee consisting of the Secretaries of Commerce, Treasury, and State; the President of the Export-Import Bank; and the

Administrator of the Mutual Development and Cooperation Agency.

Section 806 (provision for losses) reserves 10 per cent ($500 million) of the Fund's borrowing authority to cover losses and provides that receipts from loans made under foreign assistance legislation may also be used for that purpose. Any amounts borrowed from the reserve would eventually have to be repaid, and foreign assistance receipts could be used for that purpose. Losses may include loans written off or payments suspended or deferred, or the interest payments required to service funds borrowed in the amount of the loans written off or payments suspended or deferred.

Section 807 (Export-Import Bank powers) provides that this part does not limit the powers of the Export-Import Bank.

Section 809 (definitions) defines "lowest income countries" as the poorer developing countries with special reference to countries where national product per capita is under $200 a year.

Section 7. References to Existing Act and Administering Agency

This section assures that the change of the title of the Act to "Mutual Development and Cooperation Act of 1973" and of the name of the administering agency to "Mutual Development and Cooperation Agency" will not affect existing or future references to either.

May 30, 1973.

Mr. HUMPHREY. Mr. President, the Mutual Development and Cooperation Act of 1973 has received widespread bipartisan support which I would like to bring to the attention of my colleagues. During the testimony on this legislation in the House Foreign Affairs Committee, several witnesses with considerable experience in the problems of development made statements in support of this new approach to foreign aid.

I ask unanimous consent that statements by Mr. Orville Freeman, Mr. James P. Grant, Mr. Douglas Dillon, and Mr. David Rockefeller, along with two articles in the Christian Science Monitor and one editorial in the New York Times be printed at this point in the RECORD.

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

STATEMENT OF ORVILLE L. FREEMAN*

Mr. Chairman and Members of the Committee: First I would like to congratulate the Committee for the proposals under discussion today. In my opinion, they represent the kind of bold new approach to foreign assistance necessary both for the development of the world's less developed nations, and ultimately for the benefit of all nations, rich and poor.

THE PROPOSED EXPORT DEVELOPMENT CREDIT FUND

Available evidence indicates that the United States is rapidly losing ground to other developed nations in the supplying of goods to the world's poorest nations—those with per capita incomes below $200. In many cases the reason for our lagging position is not our inability to produce the needed goods at competitive prices, but our failure to offer the goods on terms commensurate with the ability of the poorest nations to pay. While the Export-Import Bank, which provides credit on only slightly concessionary terms, has provided powerful encouragement for American exports to those nations with incomes above $200, it has had little impact on sales to the lowest income nations. By contrast, Europe and Japan have continually increased their level of concessionary financing for the poorer countries. As a result, the United States has not been able to compete effectively for this growing market, which includes about 60 percent of the world's people.

Therefore I wish to express my emphatic support for the proposed Export Development Credit Fund. This Fund, if established, would permit a significant growth in American exports to the poor countries. This would mean tens of thousands of new jobs for American workers. At the same time the goods and machinery we can supply could serve as a catalyst for sustained economic growth in many poor nations.

This economic growth which is so badly needed in the poor nations can be viewed as a worthy goal in itself. However, a generation of experience also indicates that economic progress in developing nations can lead to a future rapid growth in exports from the more advanced nations. The economic development which today's financed exports can help promote, then, can provide escalating future benefits both for the poor countries and for the United States.

Our 18 years of experience with Public Law 480, the legislation which enabled us to export farm products to low income countries on concessional terms, is instructive in considering this legislation. That legislation had two important objectives: to reduce U.S. farm surpluses and to alleviate hunger in the recipient countries, helping them buy time with which to modernize their own agricultural economies. A large number of these countries have been remarkably successful as is evidenced by the pronounced decline in requests for food aid over the past six or eight years.

An important by-product of PL 480 was the development of dollar markets for U.S. farm exports as various developing countries acquired a capability for commercial imports. Fortunately for our balance of payments, U.S. commercial exports of farm products are soaring, climbing from under $5 billion in 1965 to an estimated $11 billion in the fiscal year ending this month. Public Law 480 exports meanwhile have declined from $1.32 billion to about $1 billion.

Countries which became accustomed to using U.S. farm products when they were available under concessional terms continued to use them as they switched to commercial purchases. Established working relationships with U.S. exporters also facilitate continuing purchases of U.S. farm products.

In effect, what is being proposed in this legislation is a program to develop concessional markets for U.S. industrial exports in markets where we are losing out to other industrial exporters. Those countries where incomes are below $200 contain a majority of the world's people. Someday they will constitute a large and lucrative market for our exports, as do a number of the richer developing countries today. If we can establish ourselves as suppliers during the early stages of economic development, then we will have an opportunity to remain as suppliers in the future when markets will be far more lucrative than they are today.

If we are to ensure the participation of American producers in the future growth of the developing countries, we must act now to build the healthy trading relationships that are needed. Business experience indicates that export potential will be maximized through long-term buyer familiarity with American products, and American producer familiarity with the particular needs of the buying country. The soft-term financing which would be provided by the proposed Export Development Credit Fund would be an important step in the right direction.

Furthermore, if American firms achieve a stronger position as suppliers of developing country markets, then as these markets grow we can expect to see added opportunities for American investments in many nations. Once countries are using a given piece of imported equipment extensively, whether it be a machine tool or a computer, they often become interested in having it produced domestically once the market becomes sufficiently large. Not surprisingly, investment frequently follows exports.

Recent studies of U.S. corporations with holdings abroad show that significant numbers of jobs at home in the United States, as well as a sizable level of exports, are generated through the need to supply the factories abroad with necessary inputs. Establishment of a position as a supplier of goods is often the prerequisite of successful investment in a foreign country, however. Thus without the kind of impetus to American exports to developing nations which the Export Development Credit Fund could provide, our potential future role in many nations may be foreclosed by the actions of other developed nations, which are currently building profitable economic relationships in these nations with greater care and forethought than we are.

Finally on this subject, I would like to point out the proposed Fund's potential in improving our long-term balance of trade position. Many feel that our growing trade deficits constitute the greatest single threat to the welfare of the United States today. I do not think we would be wise to pass up te opportunity this proposed Fund provides to bolster our future trading position among such a large number of countries.

Our mutual interest in agricultural development

At this point I would like to turn to an additional aspect of the new foreign assistance proposals—the focus on solving certain key problems with a particular effort to reach the poorest sectors of the population *within* developing countries. For many reasons, I think that the new emphasis is highly desirable. Since I have a special interest in the development of agriculture and the world food situation, I will first make some observations on these crucial subjects.

This year, while acting to meet the threat of famine in parts of Africa and India, those concerned with the global food situation have seen world reserve stocks of essential grains sink to their lowest level in more than two decades. The Director-General of the Food and Agriculture Organization of the United Nations, Dr. A. H. Boerma, has noted that the world is currently just one bad harvest away from widespread famine and critical shortages of foodstuffs. Fortunately, the outlook for this season's crops is good in many crucial areas of the world and, outside of portions of sub-Saharan Africa, starvation may be largely avoided.

But while keeping our fingers crossed during the coming year, we need to look forward to the next decade and beyond. In my opinion, the world food outlook is not a bright one. It seems very likely that global food reserves will not soon be rebuilt to the rather consistently high levels of the 1950's and 1960's. The capacity of food donor countries, including the United States, to aid those which are having difficulty meeting their own food needs will be severely diminished. Such a new situation is likely because global demand for many important food commodities may rise considerably faster than our ability to expand supplies in the coming years.

Skyrocketing food prices in our own supermarkets have recently made many Americans aware for the first time of the inexorable logic of supply and demand. The news media

*The Views expressed in this testimony are those of the witness, and do not necessarily represent those of Business International Corporation, or others of its Directors, officers, or staff.

have correctly pointed to several factors, including poor harvests in Asia and the Soviet Union, the disappearance of the anchoveta off the coast of Peru, and bad weather in the United States, as contributing to the current short supply of important food commodities. It is my feeling, however, that these short-term factors may be diverting our attention from some more fundamental longer term trends which are altering the dimensions of the world food situation.

Throughout human history, population growth has accounted for nearly all the growing demands which were made on the earth's food-producing capacity. During the seventies rapid population growth continues to generate demand for more food, but in addition we are now witnessing the emergence of rising affluence as a major new claimant on world food resources. Historically there was only one important source of growth in world demand for food, but now there are two.

At the global level, population growth is still the dominant source of growth in demand for food. Expanding at nearly 2 percent per year, it will double in a little more than a generation. Merely maintaining current per capita consumption levels will therefore require a doubling of food output over the next generation.

Population growth is slowing in most rich countries and in a few poor countries, but throughout most of the world it continues to be very rapid. The world currently divides into essentially two groups of countries in demographic terms: the rich countries, which have low rates of population growth, and the poor countries, most of which have rapid rates of population growth. Fully four-fifths of the annual increment in world population of an estimated 70 million occurs in the poor countries.

Some of the relatively small poor countries add more to the world's annual population gain than the larger rich ones. Mexico, for example, now contributes more to world population growth than does the United States. The Philippines adds more people each year than does Japan. Brazil adds 2.6 million additional people in a year while the Soviet Union adds only 2.4 million.

The effect of rising affluence on the world demand for food is perhaps best understood by examining its effect on grain requirements. Grain consumed directly provides 52 percent of man's food energy supply. Consumed indirectly in the form of livestock products, it provides a sizeable share of the remainder. In resource terms, grains occupy more than 70 percent of the World's crop area.

In the poor countries the annual availability of grain per person averages about 400 pounds per year. With only this much grain available, nearly all must be consumed directly to meet minimum energy needs. Little can be spared for conversion into animal protein.

Throughout the world, per capita grain requirements rise with incomes. The amount of grain consumed directly rises with income until per capita income approaches $500 per year, whereupon it begins to decline, eventually leveling off at about 150 pounds. However, total grain consumed, directly and indirectly, continues to rise rapidly as per capita income climbs. As yet no nation appears to have reached a level of affluence where its per capital grain requirements have stopped rising.

Within the United States and Canada, per capita grain utilization is currently approaching one ton per year. Of this total, only about 150 pounds is consumed directly in the form of bread, pastries, and breakfast cereals. The remainder is consumed indirectly in the form of meat, milk and eggs. The agricultural resources required to support an average North American are nearly five times those of the average Indian, Nigerian or Colombian.

There is now a northern tier of industrial countries—beginning with Ireland and Britain in the West and including Scandinavia, Western Europe, Eastern Europe, the Soviet Union and Japan—which are more or less where the United States was in terms of its economic advancement and dietary habits in 1940. As incomes continue to rise in this group of countries containing some two-thirds of a billion people, a sizable share of the additional income is being converted into demand for livestock products, particularly beef. These countries (many of them densely populated, such as the Western European countries and Japan, or suffering from a scarcity of fresh water, as is the Soviet Union), lack the capacity to satisfy the growth in demand for livestock products entirely from indigenous resources. The result is growing imports of livestock products, or of feedgrains and soybeans with which to expand indigenous livestock production.

From both continuing population growth and spreading affluence, then, we can expect pressures on the world's food resources to continue increasing rapidly. I believe that it will be very difficult to adequately meet these rising pressures within the world's present pattern of food production. International stocks of important grains are likely to remain at a dangerously low level. Perhaps two thirds of the roughly 50 million acres of cropland in the United States which were idled under farm programs through much of the sixties, and which in a very real sense have served as the world's food safety valve, are likely to be brought back into near-permanent production. If this situation comes about, developing countries will have nowhere to turn for food aid when bad weather, insects or a disease outbreak sharply diminish or even destroy a year's crop, or if population growth greatly outstrips indigenous producing capacities. Global food scarcity may force us to tighten our belts but in the poor countries it may require forfeiture of life itself.

This unpleasant possibility underscores the need for promoting agricultural development in the developing countries with a special urgency. I support very strongly the inclusion of explicit attention to the problem of food production in the current legislative proposals. The world's greatest reservoir of unexploited food potential is in the developing countries. Rice yields per acre in India and Nigeria are only one-third those of Japan, and corn yields in Thailand and Brazil are less than one-third those of the United States. In these countries and many others, dramatic increases in food supply are possible if farmers are given the necessary economic incentives, agricultural inputs, and technical know-how. The United States has proven its ability to play a valuable role in aiding agricultural development abroad, and we should take even fuller advantage of our expertise in this domain.

If the food producing capacities of many important developing countries do not increase substantially within the next decade, there are likely to be many unfortunate consequences for the United States. A growing worldwide increase in demand relative to supply will tend to drive food prices upward, not only in international markets, but at home as well. If we should try to isolate ourselves from world scarcity, the situation could arise where famine and misery take a growing toll in many poor countries while we in the United States consume a disproportionately large share of the world's food production—clearly an unpalatable alternative. A policy of isolation on the food front might also seriously jeopardize many crucial foreign supplies of non-food resources, including energy and key raw materials. Yet if we should have to share food scarcity with the rest of the world, our own standard of living would suffer. Clearly, therefore, it is in the self-interest of the United States to aid the development of agriculture in the developing world.

SMALLER FAMILIES THROUGH SOCIAL PROGRESS

Another important factor in the world food situation is of course population growth. Slowing rapid population growth will serve the development interests of the poor countries, and will also serve the interests of the world community by helping to reduce the ultimate number of claimants on the world's finite resources, both food and non-food. In this context, the focus in the proposed law on reaching the poorest sectors within developing countries, and the complementary emphasis on rural development, represent a sophisticated and necessary comprehensive approach to the urgent need for slowing population growth.

History has shown that birth rates do not usually decline voluntarily in the absence of a minimal level of social amenities, including literacy, an assured food supply, a reduced infant mortality rate, and at least rudimentary health services. By placing an increased emphasis on meeting these basic needs, particularly in the rural areas—where the majority of the world's people live—the United States can simultaneously help the world's forgotten majority attain a more decent life and stem the rapid population growth which threatens the well-being of everyone. At the same time, rural agricultural development will help reduce the massive employment and rural-urban migration problems confronting many poor countries.

In the past some have suggested that there is a conflict between the goals of rapid economic growth and the widespread distribution of the benefits of growth among the population. Recent evidence from several nations, however, has proven that this is not necessarily the case. Several Asian countries have combined rapid economic growth with greatly improved income distribution, and have also experienced considerably reduced unemployment and falling birth rates, which have been brought down further with the introduction of effective, national family planning programs.

Looking specifically at agriculture, evidence from various parts of the developing world indicates that intensively farmed small holdings are generally considerably more productive on a per acre basis than larger holdings. Thus the goal of widespread, employment-creating agricultural development goes hand in hand with the need to significantly expand food production in the developing countries and to increase the motivation for smaller families.

POTENTIAL BENEFITS OF THE NEW "PROBLEM SOLVING" APPROACH

I would like to end my testimony by commenting on an aspect of the proposal which struck me—the notion of "problem solving" in specific fields which is substituted for overall country programming and the more general idea of resource transfers of the past. I think the change in approach is a good one. It helps focus more attention on the critical areas which could improve the welfare of the majority of mankind, rather than on GNP totals alone which, while important, have failed to reflect adequately the needs of the poor, in many developing countries.

Furthermore, I know from personal experience that a major international effort in a particular problem area can have dramatically beneficial consequences. During the mid-1960's, when I was serving as Secretary of Agriculture, widespread famine in the near future in major parts of Asia was seen as a real possibility. For many it appeared to be a certainty. A concerted effort by many in both the developed and the less developed nations, however, resulted in the rapid development and spread of high-yielding varieties of wheat and rice which has become known as the Green Revolution. While the Green Revolution has obviously not been the final answer to the world's food problems, it has enabled several Asian nations to achieve previously undreamed of levels of grain production. It has been an essential means of buying time with which to slow population growth and further develop agricultural potential. It is an impressive example of man's ability to confront successfully a problem of seemingly super-human proportions.

Such dramatic breakthroughs may not occur in all of the problem areas specified in the proposed legislation. Nevertheless, the focusing of energies and purpose on these key issues holds the promise of greater progress than the less concentrated approach of the past has yielded.

STATEMENT OF JAMES P. GRANT,* PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL, BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE, JUNE 12, 1973

Mr. Chairman and Members of the Committee: I appreciate the invitation to testify before this Committee. The proposals made by a bipartisan majority of the Committee for increasing the effectiveness of U.S. assistance to developing countries and to establish a new credit facility for expanding our exports to the one billion people who live in the lowest income countries of Asia, Africa, and Latin America are possibly the most far-reaching and important of any broadly supported Congressional initiative in this field since the launching of the Marshall Plan 25 years ago. I will address separately each of the four major proposals in the bill.

NEW NAME AND TITLE

Changing the title of the legislation to the Mutual Development Cooperation Act and the name of the administering agency to the Mutual Development and Cooperation Agency would make them reflect more accurately the true nature of the relationship now emerging between the United States and the developing countries. As detailed in the Overseas Development Council's recent publication *The United States and the Developing World: Agenda for Action* (February 1973), international politics and power relationships are changing, with security concerns giving way to economic issues among nations. This change will require the United States and other rich nations to pay greater attention to the needs and desires of many developing countries than ever before—for reasons of morality, self-interest, and the development of effective international institutions, which we in the United States in partciular require.

Development can be a mutually beneficial process both for the low-income countries in need of outside resources and for the outside countries supplying those resources. This is increasingly true as the world grows more interdpendent and as all countries rely more on international cooperative efforts to solve their problems and to achieve their national goals. For example, improving the U.S. balance of payments and increasing domestic employment are two goals that depend on reform of the international trade and monetary systems; in both instances, cooperation by developing countries will improve the prospects for success. The ability, and willingness, of developing countries to cooperate in these areas is likely to be greater if they are making progress toward achieving their national development goals and we are assisting in the process. Similarly, our growing need for relatively assured access to their raw materials frequently requires both improvements in their infrastructure to permit physical access and their continued economic and social progress to maintain their political viability.

"Mutual Development and Cooperation" may be a headline writer's nightmare, but it is a good shorthand way of describing a relationship in which the U.S. perceives a direct self-interest in the success of the development efforts of the low-income countries. It is also a more suitable characterization of a style of administering development assistance which looks to the developing country to take the lead in setting its own goals and planning development activities.

REDIRECTION OF BILATERAL DEVELOPMENT ASSISTANCE

The Committee members have taken a very important and constructive step in increasing and sharpening the focus of the now much diminished bilateral assistance program on acute problem areas, and in emphasizing especially the importance of assisting developing countries in programs and projects which will benefit *the poorest majority of the people* in these countries and which will enable them to participate more effectively in the development process.

The circumstances surrounding bilateral development assistance have changed dramatically in the past 10 years. In the early 1960s, not only was bilateral development aid larger both in absolute amounts and in purchasing power, but it also was a much larger proportion of the total foreign exchange available to low-income countries. Now, however, the developing countries (excluding major oil exporters) have more than doubled their earnings from exports of goods and services, to over $50 billion annually in 1972. At the same time the private investment and aid flows from other developed countries have increased from approximately $4 billion to over $11 billion, and multilateral financial institutions have assumed a much greater role in transferring resources. Thus the diminished amount now available for bilateral development aid—some $1 billion—has a much diminished role both in transferring resources generally and in financing major capital projects.

Over the same 10 years, the global development effort has had remarkable success in increasing the rate of growth in national product. During the 1960s, the developing countries average a 5.5 percent increase in GNP—a rate of growth unequalled by the rich countries at a comparable stage of their development. A number of developing countries have experienced very substantial economic growth, attaining GNP growth rates of 10 per cent or even higher. Some low-income agricultural societies have been transformed into industrializing economies in amazingly short periods, and others are following suit. Exports of manufactured goods have shown dynamism; for the developing countries as a whole, they have been increasing rapidly and now account for 23 per cent of their total world exports.

Yet unemployment levels in many developing countries are still increasing, some even exceeding those of our own Great Depression; the income gap between the poorest half of the population and those well-off is actually widening; the bottom two-thirds of the population still have no meaningful access to health facilities; a majority of the rural population are illiterate; and urban settlements are mushrooming because of massive rural migration. In many areas, these problems become less manageable every day because population growth continues unrestrained. Finally, if the debt burden that has built up in a number of major, very low-income countries continues to accumulate, it will become insupportable. This situation has led some people to throw up their hands in despair, others to argue that aid is only "making the rich richer," and still others to state that development is aggravating global environmental and population problems.

These are the real issues which must be met in seeking to answer the question: "Where next with development assistance?" The global community now knows from the experience of the 1960s how to achieve increases in national product when it has the will to devote international and national resources to the task. However, to continue to measure development by GNP increases alone is to forget that, after all, the goal is human progress. Development must now be seen as encompassing the minimum human needs of man for food, health and education, and for a job which can give him both the means to acquire these basic needs as well as the psychological sense of participating usefully in the world around him. Last February in New Delhi, a wise and perceptive Thai set forth the aspirations of Asian man as seen through his life cycle from the womb to the grave. His "Ode of a Developing Country Man" (Annex A) is a most expressive description of the meaning of development. We need to develop ways of achieving this broadened concept of development as successfully as did the global community in accelerating growth in output over the past 10 years.

Fortunately, experience in a number of poor countries during the past 10 years offers some encouraging evidence that an effective combination of domestic as well as international policies can simultaneously create new jobs, increase access to health and educational services, improve nutrition, reduce income disparities, and check population growth. The possibility is best illustrated in East Asia, by countries with very different political and economic systems; namely, the experience of post-1960 China on one side of the ideological barrier, and the experience of South Korea, Taiwan, and the city-states of Hong Kong and Singapore on the other.

Contrary to a common assumption of the 1950s and 1960s, the development record of these countries indicates that policies that enhance social equity need not deter overall economic growth—and that many such policies can even speed it up. Thus, in the smaller East Asian countries just mentioned, growth rates over the past decade have averaged an impressive 10 per cent annually. But in addition, the income, health, and education of the bottom half of the population has improved greatly, the disparity between the income controlled by the upper and bottom 20 per cent of the population has been reduced, birth rates have dropped sharply, and the dependence of these countries on foreign aid has either ended, or, as in South Korea, has been greatly reduced. All of these countries have found a way to increase the ability of the average worker to participate effectively in the development process, thereby helping both the individual and his society.

This has required not only favoring use of plentiful labor over scarce capital-intensive equipment, but also providing the incentives and mechanisms to encourage savings, establishing or supporting institutions to give small farmers and entrepreneurs ready access to capital and technology, and ensuring the availability of rudimentary but meaningful educational and health services for virtually all. Through such policies, these countries have made social justice a major ally of growth. The acceleration of growth through full employment should not surprise us, as it not only means that more people have a stake in society, but that national output is increased by putting idle labor resources to work, and that scarce capital and foreign exchange are used more efficiently. Elsewhere, countries as different as Israel, Ceylon, and Yugoslavia have dealt effectively with some of the problems discussed here.[1]

*The views expressed in this testimony are those of the witness, and do not necessarily represent those of the Overseas Development Council, or others of its Directors, officers, or staff.

[1] Possibly the best general discussion of these new policies is in *Development Reconsidered*, by Edgar Owens and Robert Shaw, D.C. Health (1972).

There also is important new evidence that in an increasing number of poor countries, birth rates have dropped sharply despite relatively low per capita income, and despite the lack or relative newness of family planning programs. The common factor in these countries of Latin America and Asia is that the majority of the population has shared in the economic and social benefits of significant national progress to a far greater degree than in most poor countries—or in most Western countries during their comparable period of development (see Annex B). This evidence demonstates that appropriate policies for making health, education, and jobs more broadly available to lower income groups in poor countries contribute significantly toward the motivation for smaller families that is the prerequisite of a major reduction in birth rates. It is becoming increasingly clear that if the developing countries are to escape the threat posed by rapid population growth within an acceptable time frame, more families must acquire the motivation to limit births, not only be provided with improved means to do so.

In the 1970s, development planners need to give far more attention that heretofore to the effect of alternative development strategies on birth rates. Equally important, the population crisis must be dealt with in the broader context of the development crisis—with more emphasis on the possible ways of treating the basic "disease" of poverty, thereby creating the needed motivation for smaller families. Combining policies that give special attention to improving the well-being of the poor majority of the population and policies that provide large-scale, well-executed family planning programs should make it possible to stabilize population in developing countries much faster than reliance on either approach alone.[2]

It is no accident that most of the non-socialist "development successes" have taken place in societies with broad access to varying combinations of trade, investment, and aid. Nor is it an accident that the major innovations introduced through development cooperation have resulted primarily from U.S. assistance programs—private and public—which explicitly concentrated on particular functional areas. These innovations include the programs such as comprehensive rural development in Korea and, in particular, Taiwan; the "Green Revolution:" the extraordinary spread of public health measures as exemplified by malaria eradication; and the acceptance of the need for large-scale family planning programs.

The bilateral development aid requested by the Administration and supported by the proposed bill is a relative drop in the bucket when contrasted with the total needs of the developing countries (excluding major oil exporters) for more than $70 billion of foreign exchange. However, if bilateral assistance is looked at as a weapon to be targeted primarily on the critical specific problems of development (and particularly on helping the poor majority to participate more effectively in the development process), this amount can be of great significance. President Nixon in his May 3 report on the State of the World, and A.I.D. in its Congressional presentation have both recognized the need for such a greater focus. The proposal now before the Committee will ensure that this shift takes place more rapidly, and more extensively than otherwise might be the case.

I might add that my personal involvement with these hard-core development problems began some 25 years ago as the result of this Committee's initiative to address this range of problems in the rural sector of China, when it authorized the Sino-American Joint Commission on Rural Reconstruction (with its unique collaborative style of 3 Chinese and 2 American Commissioners), and required earmarking of a certain proportion of the funds for its use. I acted as the Commission's Executive Secretary for its first year on the mainland, and again later, briefly, in Taiwan. That early Congressional initiative contributed greatly to the subsequent unique combination of accelerated growth and greatly increased social justice in rural Taiwan, and I hope we will witness the establishment of similar joint groups in other countries to which considerable discretionary authority can be delegated.

COORDINATION

The current bill recognizes that the actions taken by the United States in such fields as import policies, export promotion, international monetary policy, environmental protection, and a regime for the oceans may be more important to some developing countries than our actions on aid. It rightly provides that whenever the United States formulates policies on such subjects, the decision-making process should also take into account the effects on the important U.S. interests in advancing the progress of low-income countries.

A mechanism for assuring efficient use of all major tools affecting the U.S. interest in development is not in operation today despite the fact that President Nixon publicly recognized in 1971 the need for better coordination, with particular reference to the different U.S. entities involved in the aid process through bilateral, international, and multilateral mechanisms. A.I.D., the U.S. agency with the greatest expertise in the development process, is not even a member of the President's Council on International Economic Policy or of the National Advisory Council chaired by the Treasury.

The need for better coordination was identified by Edwin Martin, Chairman of the Development Assistance Committee of the Organization for Economic Cooperation and Development, in his most recent report. Ambassador Martin points out that in many donor countries, the development assistance agency that is most knowledgeable about development matters is not represented in such policy decisions—and often is not even directly involved in all aid decisions. He called upon governments to correct this anomaly.

The coordination proposals in this bill should meet this need to increase the effectiveness of U.S. policy decisions and expenditures in this important field.

EXPORT DEVELOPMENT CREDIT FUND

The bill establishes an Export Development Credit Fund to make credits available for financing U.S. exports having a developmental value to countries in the lowest income brackets. The Fund could mean a major breakthrough for American exports to a potentially major market and should also prove useful to the lowest income countries. Quite apart from our long neglect of China, the United States in recent years has increasingly neglected the future market potential of the poorest billion people living elsewhere in the developing world. The Fund can help to correct this neglect by providing financing which is competitive with that of other industrial nations and which also increases funds for financing our exports—thereby creating markets for the immediate future and for follow-on orders, as well as helping build stronger economies that can develop into better customers for U.S. goods over the long run.

U.S. exports to less developed countries as a whole total over $10 billion [illegible] nearly the same as our combined exports to Japan and the recently enlarged European Community (including the U.K.). These exports have been growing at about 10 per cent a year over the past few years. Yet several facts become apparent if one examines the statistics on U.S. exports to those developing countries with the very lowest annual income—below $200 per capita—and as one reviews the background analysis and descriptive material released at the press conference on this bill:

First, total U.S. exports to the lowest income category of developing countries are not expanding, but actually decreasing. With over 60 per cent of the population of the poor countries, this category now takes only 10 per cent of our exports to developing countries.

Second, other rich countries are expanding their exports to these lowest income countries along with expanding their aid to these countries.

Third, American exports to these countries are heavily dependent on U.S. Government financing, which is not increasing.

Fourth, very little of the financing for the lowest income countries, approximately $100 million in 1972, comes from the Export-Import Bank—most comes from A.I.D. and PL 480, which are decreasing. This contrasts sharply with the financing pattern for our rapidly growing exports to the much less populous, more advanced developing countries for which the slightly concessional Ex-Im terms are suitable, and where its loans and medium-term guarantees have increased to over $2.5 billion in 1972.

Many U.S. exporters believe that a major factor behind our poor performance in these markets is the shortage of financing available on sufficiently concessional terms. Hence the idea of a Fund to make credits available to these markets at more attractive terms appears sound. Nevertheless, a number of questions about the proposed Fund need to be answered.

1. *Where is the line between export credits and development loans?* There is no easy answer to this question, other than the intention of the lender. It is clear, however, that large-scale export promotion to the lowest income countries requires a substantial concessional component, which is not presently available for American exporters.

There is a modest subsidy component in Export-Import loans, which are usually at a rate lower than that at which Ex-Im Bank borrows on the market, with the interest differential being made up from other income available to Ex-Im Bank. There obviously is a large concessional element in the typical IDA loan, and a still large but somewhat smaller element in A.I.D.'s concessional loans, which are on harder terms.

In the United States, Ex-Im Bank loans to developing countries have increasingly begun to resemble development finance as the Bank has extended repayment periods and followed flexible rules. For instance, direct loans by Ex-Im Bank in FY 1970 for conventional electrical equipment had maturities ranging from 5½ years to 16, with a median of about 10. At the same time, A.I.D. development financing has begun increasingly to incorporate elements from export credits, e.g. to shift from untied to tied procurement, from largely grants to mostly loans, and from highly concessional loans to credits on increasingly hard terms. Other industrial countries—such as Canada, Germany, Japan, and France—promote exports to lowest income countries by blending a "cocktail" for individual transactions, using their public aid funds in combination with commercial term funds so as to bring about modifications in the terms and conditions of commercial credits, especially to reduce the rate of interest.

[2] See *Smaller Families Through Social and Economic Progress*, by William Rich, Monograph No. 7, Overseas Development Council (1973).

A recent study[3] examining the interaction between development finance and export credits notes:

"Unlike other donor countries, the U.S. government has sought to maintain a fairly rigid line between its foreign aid program and the activities of the Export-Import Bank of the United States. The line is based less on a clear distinction between what the two agencies actually do than on their stated motivations. What Eximbank does is labeled export credit, because the mission of that agency is to promote exports, despite the fact that Eximbank has been making long-term direct loans to developing countries (among others) for a longer time than any other development finance or national export credit agency. What USAID and the World Bank do is called development finance, or foreign aid, because here the motivation is to be bankers of the poor. Yet the loans of these agencies finance exports too, and, as far as the World Bank is concerned, often on terms comparable to those of the national export credit agencies."

It is clear from the text of the proposal that the Export Development Credit Fund is designed to increase U.S. exports that have a developmental character to the populous lowest-income countries. In addition, these credits should help to strengthen the economies of these countries, thus bringing a better life to their people, increasing their ability to meet these future obligations, and assisting them to become increasingly better markets for U.S. industry.

2. *Would the availability of credit on softer terms actually increase U.S. exports?* Or might it merely displace existing financing? Nobody can be certain what will happen in this inexact science, but the bulk of the credit used from this Fund should result in additional exports. We do know that the vast bulk of financing for the market represented by countries with annual per capita GNPs under $200 now comes from PL 480 and A.I.D. loans and grants. Since the Fund is not intended for financing exports of agricultural surpluses, there should be no effect on PL 480. Since A.I.D. loans and grants will be made available on terms generally better than those of the Fund, and since most of the developing countries need more rather than less concessional terms, A.I.D. financing should not be displaced unless the U.S. Government chooses—as a matter of deliberate policy—to withdraw them and substitute Fund credits. It is possible that the $116 million loaned in the most recent year by the Export-Import Bank would be displaced by the Fund, but if so, it would again be a matter of deliberate U.S. governmental decision. Given the heavy debt burden some of the poorest countries carry, it might be good if the softer terms of the Fund were substituted for the harder terms of the Export-Import Bank; in any case, a small amount of exports is involved. There is no way of knowing whether the rather small amount of private financing (about $250 million) might be displaced by Fund credits. To the extent this financing covers sales from parent companies to subordinates, it probably would not be affected. Likewise, exports financed by private equity capital probably would not be affected. My own guess is that the residue of private loan financing that might be displaced by the Fund would be very small indeed.

Is the poor performance of U.S. exports to these markets relative to others due to uncompetitive financing—or to other causes? Clearly the overvaluation of the dollar until recently was a contributory factor, but it must be remembered that this factor did not prevent our exports to the more advanced developing countries from rising rapidly. Another factor has been that the tied aid of other countries to these lowest-income countries has been rising while ours has been falling. Although we do not have comprehensive statistics, there is a great deal of material in the form of known cases of bids lost because of lack of competitive financing. U.S. exporters with whom I have talked in recent weeks believe that the lack of suitable financing is a very important factor in the situation. Many of them point out that exports are often lost because Americans do not bother to bid—believing that they cannot win because of inadequately competitive financing.

Whatever the history and causes of our poor export performance to this category of countries, I think there are two reasons to expect that more attractive financing would help. First, if a line of credit were extended by the Fund to the government of country A for a particular purpose, such as imports of electrical equipment or heavy construction equipment, that government would have an incentive to make sure that American exporters were given a fair opportunity to compete for business. Otherwise, country A would fail to make use of a valuable resource, and in due course the line of credit would be withdrawn. Second, and much more critical, once it became known that there was a substantial line of credit available to country A for imports from the United States, there would be an incentive for U.S. exporters to pay more attention to that market. If this were to happen, some dramatic changes probably would take place. U.S. exporters might be encouraged to send representatives to importing countries or to arrange, where warranted, for a local resident representative to insure that they are notified of tenders to bid, to secure copies of specifications for them, and to represent their interests in general. These basic preliminary steps can be very important in increasing U.S. exports on commercial terms to a particular market on a long-run basis.

Now that there has been a substantial devaluation of the dollar, and that U.S. price indices are trending upward at a slower pace than those of our competitors, there is every reason to expect that American goods will be able to compete on price and quality for these markets. This is precisely the right time for U.S. Government action to make sure that U.S. exports can compete on financing terms as well.

I hope that the Fund would be administered in such a way as to correct more than the deficiency in U.S. financial competitiveness. It should also aim to help provide U.S. business with timely information and encouragement to seek sales in these markets, and it should analyze other obstacles to U.S. exports and make appropriate recommendations as to how they can be removed.

3. *Will this create U.S. jobs?* The Export-Import Bank has done some calculations which show that each additional $12,500 of exports creates one U.S. job. At that rate, if the Fund were to stimulate $1 billion of exports each year, some 80,000 additional jobs would be created.

4. *Is this an unwarranted subsidy of U.S. business?* It need not be, if properly administered. One object is to make U.S. exports competitive in financing terms. But they must still meet the competition from Europe and Japan on price and quality. And there is plenty of competition. In addition, it might prove useful for the Fund to provide a price test prohibiting any exported under Fund financing from charging more for his exports than for his domestic sales.

5. *Is this moving in the direction of tying [illegible] to desirable [illegible] in aid-giving?* This is neither aid nor in substitution of existing aid, but is financing for export promotion. Insofar as bilateral aid to be administered by MDCA is concerned, that is already largely tied and this does nothing to tie it further.

6. *Since developing countries are already saddled with a heavy debt burden, will lending them more increase their problems?* Of course, compared with a grant, any loan is hard. As a supporter of development, I hope that an increasing flow of grant funds will be made available. But it is not reasonable to suppose that all low-income country imports could be financed with grants. Some must be paid for with cash (the hardest form of import), and some with commercial loans and investments. The Fund would add a new dimension between grants and commercial credits. Assuming the imports it finances are of the developmental character required in the bill and are used productively, they should improve the ability of the importing country to manage its debt burden.

In this connection, the question has been raised whether these loans will ever be repaid. Our experience with the developing countries is that they do repay their loans. Occasionally they get into financial trouble and have to ask for debt relief. But they do not normally default on loans. Since the Fund will be extending credit on terms that the borrowers can more easily afford to pay, and for goods and services which strengthen the borrowers' economies, there should be fewer problems of need for debt relief than would be the case if these credits were not available or if they were only available on harder terms.

7. *Will Fund-financed exports help development?* This is a critical question, since not all imports do help development. The proposed bill sensibly provides that the Fund may only be used to finance goods that do advance development. Stating that policy may be as far as the law should go, but in administering the Fund, care would be required to prevent low-utility exports from being financed. I believe that the Fund should have a flexible commodity eligibility test, designed to make certain that its exports-support development in the importing country. Beyond that, there may be good reason for the Fund to verify that the import and investment policies of the importing country are such that Fund-financed exports to that country have a reasonable prospect of being constructively used. Such tests should not lessen the Fund's usefulness as a promoter of U.S. exports, since the range of U.S. goods and services helpful to development is very broad and can range from capital goals to individual raw materials, fertilizer, and food.

In order to take these development considerations into account, the Fund should have some expertise in the development business. In that connection, the Advisory Committee established by the proposed bill should prove valuable, for wherever the President might locate the Fund administratively, the Committee would ensure that the extensive development experience accumulated by the U.S. Government was brought to bear on its decisions. The PL 480 Inter-agency Committee has proven extremely valuable for this purpose with respect to agricultural commodities.

Despite the need for assessment of the developmental impact of the U.S. goods and services financed, the Fund should resist the temptation to try to tell the importing country how to run its internal affairs. For developing countries increasingly are evolving ways of protecting themselves from wasteful and harmful investment decisions. In any case, the functions of the Fund could be jeopardized by overly zealous application of rigid development criteria.

8. *What about the use of American ships?* The mandatory use of American ships for certain commodities and certain destinations

[3] "The Bankers of the Rich and the Bankers of the Poor: The Role of Export Credit in Development Finance," by Nathaniel McKitterick and B. Jenkins Mi[illegible] Development Council Monograph No. 6 (1972).

may make U.S. exports sharply more expensive than they would otherwise be. To prevent our exports from thus becoming uncompetitive, I propose that the bill be amended to permit the Fund to use aid receipts to pay for the *difference* between the cost of U.S. ships and other cheaper ships, whenever that difference is a serious problem.

9. *Which countries should be eligible?* The bill provides that lowest-income countries with less than $200 per capita annual GNP are to be the main recipients of Fund credits, but avoids making per capita GNP a rigid test of eligibility. Although per capita GNP is the best measure we have of poverty, it is not a perfect measure. Nor does it measure precisely the relative ability of countries to borrow on commercial terms or to service debt. Finally, it does not measure accurately the countries where U.S. exports are having particular difficulty. For those reasons, the record on the legislation should make clear the Congressional intent that the Fund be administered flexibly to take account of all relevant factors, including ability to pay, poverty, and the need for a subsidy to support U.S. exports.

CONCLUSION

Finally, Mr. Chairman, I would like to express my support for this work of the majority of the members of your Committee. Their labors have produced a bill which is a vast improvement in substance over present legislation—and which warrants, and I believe will attract, the support of important segments of the U.S. public. In my view, their initiative is, in the words of Congressman Zablocki in introducing this bill on May 30, ". . . in the best tradition of Congressional lawmaking. It embodies a bipartisan consensus on how future foreign aid programs should be structured."

ANNEX A: ODE OF A DEVELOPING COUNTRY MAN

(As told by an Asian humanist to James Grant)

While in my mother's womb, I want her to have good nutrition and access to maternal and child welfare care.

I don't want to have as many brothers and sisters as my parents had before me, and I do not want my mother to have a child too soon after me.

I want good nutrition for my mother and for me in my first two to three years when my capacity for future mental and physical development is determined.

I want to be able to go to school, together with my sister, and to learn a usable trade, and to have the school impart social values to me.

When I leave school I want a job, a meaningful one in which I can feel the satisfaction of making a contribution.

I want to enjoy good health; for this to be possible I need access to low-cost, readily available drugs and medical services, and I expect my government to provide free preventive health services.

I want to live in a law and order society, without molestation.

I want my country to relate effectively and equitably to the outside world so that I can have access to the intellectual and technical knowledge of all mankind, as well as to capital from overseas.

I would like my country to get a fair price for the products that I and my fellow citizens create.

As a farmer, I would like to have my own plot of land, with a system which gives me easy access to credit, to new agricultural technology, and to markets, and a fair price for my produce.

As a worker, I would want to have some share, some sense of participation, in the factory in which I work.

As a human being, I would like inexpensive newspapers and paperback books, plus access to radio and TV.

I need some leisure time for myself, and to enjoy my family, and want access to some green parks, and to the arts, and my cultural heritage.

I would like to have the security of cooperative mechanisms in which I join with others to do things which we cannot do alone.

I want clean air to breathe and clean water to drink.

I need the opportunity to participate in the society around me, and to be able to help shape the decisions of the economic and social as well as the political institutions that so affect my life.

I want my wife to have equal opportunity with me, and I want both of us to have access to the knowledge and means of family planning.

In my old age, it would be nice to have some form of social security to which I have contributed, but best of all would be to have my children able and desirous of providing for me.

These are the fundamentals of life, and what development should seek to achieve for all.

ANNEX B

FERTILITY LEVELS AND SOCIAL INDICATORS FOR DEVELOPING COUNTRIES, 1970

	Crude birth rate (birth/thousand)		Per capita GNP	Percent literacy	Death rate	Life expectancy	Infant mortality (1,000 births)	Extent of family planning programs percent
	1970	1960						
Argentina	21	23.0	[1] 1,068	91	8	67	56	[2] 0.6
Barbados	21	30.0	523(1969)	92	[3] 8	[4] 65	42	----------
Singapore	[3] 22	[5] 35.6	960	75	5	68	[5] 21	[6] 64.0
Uruguay	22	24.0	833	91	9	69	54	[2] 1.9
Trinidad-Tobago	23	40.0	890	89	6	66	37	[2] 19.6
Taiwan	[3] 27	[5] 37.1	373	85	[8] 5	68	[3] 18	[7] 56.0
Chile	28	35.0	854	84	9	61	92	[2] 11.3
Cuba	29	32.0	280	94	7	69	[8] 41	n.a.
Sri Lanka	[3] 29	[5] 35.1	169	75	8	62	50	----------
South Korea	[3] 29	[5] 39.3	258	71	[3] 10	58	60	[7] 30.0
Costa Rica	33	48.0	539	84	7	65	60	[2] 17.4
Jamaica	36	42.0	630	82	[6] 7	65	32	[2] 3.3
Brazil	[9] 37	40.0	394	67	[9] 9	64	94	[2] 1.1
Guyana	37	42.9	[9] 330	80	7	61	43	----------
Egypt	[3] 37	[5] 49.3	200	26	[3] 17	53	[3] 120	[6] 13.0
India	[3] 38	[5] 44.2	96	28	[3] 16	50	[3] 128	[7] 13.2
Malaysia	[3] 38	[5] 41.1	355	43	[3] 10	63	[3] 75	[5] 13.0
Turkey	[3] 39	[5] 41.0	257	46	[3] 13	54	[3] 119	[10] 5.0
Venezuela	41	46.0	[1] 931	76	7	67	46	[2] 6.2
Mexico	[9] 42	45.0	670	76	[9] 9	61	66	[2] 1.0
Thailand	[3] 42	[5] 44.2	174	68	[3] 9	56	[3] 68	[7] 18.7
Colombia	42–44	46.0	320	73	10	60	76	[3] 4.1
Paraguay	[9] 43	41.0	246	74	[9] 10	58	67	[2] 2.3
Peru	[9] 43	46.0	446	61	[9] 12	54	62	[2] .2
Pakistan	[3] 43	[5] 51.3	150	16	16	51	132	----------
Bolivia	44	44.0	203	40	19	50	108	NA
Ecuador	44	47.0	267	68	11	52	80	[2] 1.8
Philippines	[3] 44	[5] 46.6	266	72	[3] 10	55	[3] 78	[7] 8.1
El Salvador	[9] 44	50.0	294	49	[9] 10	58	63	[2] 10.5
Indonesia	[3] 45	[5] 46.6	105	43	[3] 18	48	[3] 135	[10] .8
Dominican Republic	[9] 48	49.0	356	65	[9] 14	58	72	[10] 6.8
Morocco	[3] 49	[5] 50.1	211	14	[3] 16	51	[3] 149	[7] 4.0
Honduras	49–51	49.0	267	45	17	49	136	[2] 5.9
Kenya	[3] 51	[5] 47.0	141	20–25	[3] 17	48	[3] 115	[11] 2.2

[1] Income distribution in Argentina is better, and in Venezuela worse, than the average for Latin America; in Venezuela the poorer half of the population receives a smaller proportion of total income than any other country of the region. ECLA, Income Distribution in Latin America (U.N. Publication Sales No. E. 71. II. G. 2), pp. 41–61.
[2] Accumulated acceptors as a percentage of women of fertile age.
[3] 1971 data.
[4] Average of male and female life expectancies, 1951–69.
[5] Average 1960–65 data.
[6] Acceptors as a percentage of married women, 15–44 yrs, in 1972.
[7] Users as a percentage of married women, 15–44 yrs, in 1972.
[8] 1968 data.
[9] 1970 estimate.
[10] Acceptors as a percentage of married women, 15–44 yrs, in 1971.
[11] Users as a percentage of married women, 15–44 yrs, in 1971.

Sources: AID Economic Data Book, Latin America, Oct. 5, 1972. Selected Economic Data for the Less Developed Countries, AID, June 1972. Population Program Assistance, AID, December 1971, p. 210. 1972 World Population Data Sheet, Population Reference Bureau, Inc., Population table 19. Statistical Yearbook 1971, United Nations, p. 76. Data on percentages of accumulated acceptors are from Benjamin Viel, M.D., "Family Planning in Latin America: The Past, Present, and Future Role of IPFF," n.d., p. 8, prepared for the International Planned Parenthood; Federation, Western Hemisphere Region, Inc. United Nations Population Division, Working Paper No. 38, "Estimates of Crude Birth Rates, Crude Death Rates, and Expectations of Life at Birth, Regions and Countries, 1950–65," February 1971. Agency for International Development, "Population Program Assistance, Aid to Developing Countries by the United States, Other Nations, and International and Private Agencies," forthcoming (1972) issue. Dorothy Nortman, "Population and Family Planning Programs: A Factbook," Reports on Population/Family Planning, Population Council, September 1972.

Hon. THOMAS E. MORGAN,
Chairman, House Foreign Affairs Committee, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I regret that I am not able to appear before your Committee to testify in person on the encouraging initiative taken by a majority of the members to improve the effectiveness of U.S. support for the development of low-income countries. Nevertheless, I do wish to associate myself with this endeavor and give it my strong endorsement.

I welcome the emphasis on the human problems of the poorest majority of people living in the developing countries. From my association with the Rockefeller Foundation and the Pearson Commission I can attest to the value of U.S. support for efforts to fight disease, malnutrition, overpopulation and ignorance. These are the most pervasive problems of the developing countries, and the Congressmen wisely emphasize their desire to direct U.S. programs at them.

I also support the effort to assure that the U.S. Government consider the total impact of all its decisions that affect the developing countries. The economic and political power of this country is so great that many of our actions in trade, monetary and investment policies, or our proposals for the regime of the seas or in the international environment do have an important effect on the developing countries. Given our interest in supporting their development, it is well to develop a better procedure for taking into account the totality of those effects.

Finally, I strongly favor the imaginative proposal to create the Export Development Credit Fund. The United States is falling behind other industrialized countries in exports to the lowest income countries and steps should be taken immediately to remedy this decline. I personally believe that many U.S. exporters can improve their performance in this market. Clearly other countries believe that the poor countries have a market well worth pursuing and have developed their policies accordingly. We should do likewise.

I find particularly appropriate the proposal for financing the interest differential between what is borrowed and what is loaned from repayments on old aid loans. That innovation makes it perfectly feasible to finance these export credits from public debt authority. I recall that in 1957 the Administration submitted to the Congress a proposal for public debt authority to finance the Development Loan Fund. It was passed by the Senate and the House Foreign Affairs Committee but failed on the floor of the House. The weakness with that proposal was that annual appropriations would have been required in increasing amounts to cover the differences between the interest the DLF paid and what it charged its borrowers. Now, however, with receipts from previous DLF and other loans coming in, there will be ample funds to meet the costs and make the Fund financially viable without recourse to annual appropriations of new funds. Since we use borrowing authority and investment income to finance exports to Europe, Japan and the more developed low-income countries such as Brazil and Taiwan at slightly subsidized rates, it only makes sense to use a similar authority to finance exports to the poorer countries as well, but at more concessional rates. Otherwise, U.S. exports to those areas will continue to decline. As a consequence, the welfare of American workers also will suffer—and the poorest countries will be deprived of American goods and services they can fruitfully use to advance their development.

The Committee may find some who will object to the proposal on t[illegible] creating the Fund would increase the already heavy debt burden of the poorest countries. However, any such objections are met by the injunction in the proposal that these credits be used for goods and services of a developmental character so that over the extended period of repayment the credits will more than increase the ability of recipients to meet these obligation. Properly administered, there is no reason the Fund cannot improve American exports and at the same time significantly promote the development of the low-income countries.

In closing, I would like to say how impressed I am with this farsighted initiative which reflects the realities of the future rather than the outworn dogmas of the past.

Sincerely,

DOUGLAS DILLON.

JUNE 11, 1973.

Hon. THOMAS E. MORGAN,
Chairman, House Foreign Affairs Committee, U.S. House of Representatives, Washington,, D.C.

DEAR MR. CHAIRMAN: When I learned of the initiative by a bipartisan majority of your Committee on the foreign aid bill, I was most encouraged and wanted to testify in person. Regrettably, previous commitments prevent that. But I believe this letter will record my vigorous support, particularly of two features of the proposal.

First, I believe that it is important that the now reduced American bilateral development aid program concentrate on priority areas in which we have, or can develop, a special expertise, and particularly on those problems so basic to the broad modernization of the developing countries, including food production, rural development, education, health, and family planning. Such programs should help a larger proportion of the people in these countries participate more effectively in the development process. The Committee's approach commendably gives sharp priority to these fields and actually authorizes funds according to those categories.

Second, I applaud the proposed Export Development Credit Fund. U.S. exports to the lowest income countries with a population of apparently one billion people are doing poorly, in part because these countries lack foreign exchange but also because financing on terms that meet our competition is not available. On price and quality I think our exports would do well now and better in the future, provided financing is available on favorable terms.

The proposal to finance this Fund with borrowing authority would have been more debatable ten years ago. However, there now is available from repayments and interest on existing aid loans a growing stream of funds that can be used to cover the difference between the interest the Fund must pay on its borrowings and the lower rate of interest it will receive on its credits. If that difference had to be met from annual appropriations I would have doubts; but given the availability of receipts from earlier loans, I believe public debt authority is a sound procedure.

It is interesting to note that this same use of borrowing authority and payments on earlier aid loans was recommended by the Peterson Task Force in 1970. In much the same manner the Export-Import Bank subsidizes interest on its loans from its investment income.

I am concerned, however, that the definition of "lowest income countries" not be so interpreted as to exclude the poorest countries in Latin America. I am particularly anxious that countries such as Bolivia, Paraguay, Haiti, and Honduras be eligible at this time for credits on concessional terms since they have difficulty meeting with normal commercial terms.

The Fund [illegible] trument for American exports to become competitive in this neglected market. The members of the House Foreign Affairs Committee are to be commented for their creativity and foresight in proposing a mechanism which can simultaneously contribute to our need for significantly increased exports and to help accelerate the development of the lowest income countries.

I also applaud the Committee's desire to have an improved system of coordination for United States policies and programs which affect our interests in the development of the low income countries. This need for improved coordination has been noted in the past and still remains largely unmet. This principle is a commendable one at a time when we must consider the totality of U.S. actions affecting the developing countries.

Sincerely,

DAVID ROCKEFELLER.

[From the Christian Science Monitor, June 8, 1973]

REDIRECTING FOREIGN AID TO POOREST OF THE POOR

(By Harry B. Ellis)

WASHINGTON.—Getting United States foreign aid down to the poorest people in the poorest countries is the thrust of a sweeping new proposal by key congressmen.

Growth rates of developing nations often are impressive, the sponsors point out. But generally, within those same countries, the income gap between rich and poor steadily widens.

The existing structure of U.S. foreign aid, experts agree, does little to help millions of Asians, Africans, and Latin Americans mired in the deepest poverty.

A proposal by a majority of the House Foreign Affairs Committee would revamp United States bilateral foreign aid by zeroing in on the root problems—nutrition, health, education, population control, rural development—linked with poverty.

Their bill, introduced as amendments to the Foreign Assistance Act, would not cost American taxpayers more money, but it would redirect the flow of U.S. aid.

IN LINE WITH NIXON

The bipartisan sponsors, numbering at least 26 of the committee's 40 members, stress that their recommendations are in line with President Nixon's own suggestion, voiced in his "state of the world" message of May 3, that aid should move in this direction.

The new House proposal agrees with the Nixon administration's foreign assistance bill, now before Congress, that $1 billion should be allocated to bilateral economic aid in fiscal year 1974, beginning July 1.

This $1 billion is apart from military assistance proposed by the White House. Also separate is the administration's request for $600 million for reconstruction work in Southeast Asia.

Sponsors of the House measure, headed by Clement J. Zablocki (D) of Wisconsin, do not seek changes in military aid or the Southeast Asia funds, but would channel the $1 billion of economic help into projects for the very poor.

These are defined as "food, rural development, and nutrition; population growth and health; and education and human resources development."

"Projects," says a statement by the House sponsors, "would be selected which most directly benefit the poorest majority of the people in these countries. . . .

"We are learning," the statement adds, "that if the poorest majority can participate in development by having productive work and access to basic education, health care, and adequate diets, then increased economic growth and social justice can go hand in hand."

Experience shows that spurts of economic growth in developing lands, spurred by injections of foreign aid, often enrich a relatively small class of people, but do not "trickle down" to the very poor.

The way that social and economic power is shared in many Asian, African, and Latin American countries, experts concur, prevents newly developed wealth from being shared fairly between the urban elite and the rural poor.

PROJECTS AIMED AT POOR

Countless millions of the latter, in the words of Robert S. McNamara, president of the World Bank, "lie beyond the reach of traditional market forces and present public services."

How to reach them? Neither the World Bank, nor the United States Government, nor any other donor, can order a power elite in a developing land to change its way of doing business.

But a beginning can be made, note the House sponsors, if economic aid is aimed specifically at projects directly benefiting the poor.

The problem of equity, or making the "trickle down" work, now is universally regarded as a challenge facing every industrialized nation, or agency, giving aid to backward lands.

Mr. McNamara, sketching the world at the end of this century, foresees affluent Western countries enjoying average incomes per person in the range of $8,000, while some 2.5 billion people in the developing world may receive less than $200 each, and 80 million of these less than $100.

So there is a double gap—between rich and poor nations, and, within the poor lands, between the power elite and the rural majority.

In an effort to keep the rich-poor nation chasm from widening, the United Nations established as a reasonable principle that rich countries should give to poor ones 0.7 percent of their gross national product (GNP).

Collectively, Mr. McNamara told the annual meeting of the World Bank in Washington last year, affluent nations are falling far short of that standard, giving, on average, only half of 0.7 percent.

The United States, whose aid as a percentage of GNP has declined steadily in recent years, does even worse. By 1975, at the present rate, said Mr. McNamara, the U.S. is expected to share only 0.24 percent of its GNP with developing nations.

[From the Christian Science Monitor, June 12, 1973]

EASIER CREDIT TERMS PROPOSED: UNITED STATES EYES EXPORTS TO POOR LANDS

(By Harry B. Ellis)

WASHINGTON.—Last year the United States exported $16.3 billion worth of goods to developing countries, almost as much as the U.S. sold to Japan and the enlarged Common Market combined.

Poor countries, in other words, now buy about as much from the United States as 10 of the world's richest lands together do.

But there is a curious skew to these sales to the "third world," according to a majority of members of the House Foreign Affairs Committee, who hope to revamp the U.S. foreign aid program.

Sales of American goods to the "richer" developing lands, those with per capita annual incomes above $200, indeed are growing. But exports to the poorest countries, those with incomes below $200, are shrinking.

A major reason is financing. The more affluent developing countries, like Mexico, Brazil, Korea, and Taiwan, can afford to borrow money to pay for American goods from the Export-Import Bank.

BANK TERMS TOO STEEP?

The poorest lands, including India, Pakistan, and many African nations, cannot afford standard Eximbank terms. "In many cases," states the House committee panel, "lack of financing on competitive terms, rather than price or quality, explains the U.S. inability to compete for this market."

Meanwhile, exports by Japan, Canada, West Germany, Britain, and some other Western lands to developing countries grow faster than those of the U.S., again partly because of financing.

Other nations, notes the House study, often make it easy for poor countries to borrow money. Trade flows in the wake of this borrowing.

"This market of about 1 billion people (low income countries, excluding Communist areas), whose gross national product has been increasing approximately 5 percent annually, is important at present and promises to grow more important in the future.

NEW AGENCY PROPOSED

"Europe and Japan," continues the House committee report, "apparently believe this and offer vigorous and steadily increasing government financing programs which help develop their markets in these countries.

"If the United States wants to avoid further losses and perhaps increase its share in this market, there will have to be increased government financing on terms that compete."

At least 26 of the 40 members of the House Foreign Affairs Committee believe this should be done through the creation of a new agency, the Export Development Credit Fund.

These congressmen, including Clement J. Zablocki (D) of Wisconsin and several other Midwesterners, have introduced a bill to this end. Their measure is offered in the form of amendments to the Foreign Assistance Act.

In addition to creating the new credit agency, the amending bill would focus $1 billion of U.S. economic aid, requested by President Nixon for fiscal year 1974, on the projects helping the poorest people in the poorest lands.

ABOUT 80,000 NEW JOBS?

The proposed credit agency would, in the view of its sponsors, "kill several birds with one stone" by enabling U.S. exporters to compete in the poorest lands and extending credit that the latter could afford.

One result, the sponsors believe, would be the creation of "an estimated 80,000 new U.S. jobs," through expansion of American exports.

The fund, which would operate at a level of about $1 billion yearly, would, like the Export-Import Bank, be authorized to borrow from the U.S. Treasury or the public.

This money would be borrowed by the fund at market interest rates. The fund then would finance U.S. exports to the poorest countries on competitive terms, perhaps 30 years' maturity at 3 percent interest, with 10 years of grace.

The gap between the fund's soft-term loans and its harder term borrowing would be covered by repayments of past foreign aid loans now flowing into the Treasury.

MARKET ACCESS WIDER

American taxpayers would not be shouldering an additional burden. U.S. businessmen would have access to wider markets and, in the process, new jobs would be created in the United States.

Over a period of time, according to the bipartisan proponents of the measure, aid-recipient nations, as their economies grew, would tend to increase their purchases of American industrial goods.

The sponsors point to Taiwan as an example. In 1960, they note, U.S. exports to that island nation totaled $100 million, 90 percent of which were U.S. aid-financed. Last year the United States sold more than [illegible] million worth of goods to Taiwan, very little of which was financed by U.S. credits on concessional terms.

The proposed credit fund, its sponsors suggest, might be administered by the Export-Import Bank, by the Department of Commerce, or independently. An interagency advisory committee would oversee its operations.

PROPOSALS IN THE HOPPER

Separately the committee majority proposes to change the name of the existing Foreign Assistance Act to "the Mutual Development Act," administered by the Mutual Development and Cooperation Agency.

All these proposals now go into the congressional hopper, along with President Nixon's request for $1 billion in economic aid, $600 million for reconstruction work in Southeast Asia, and $1.31 billion for military assistance.

The last two figures are not affected by the proposals emanating from the House Foreign Affairs Committee, which concentrates on the agreed figure of $1 billion for bilateral economic aid.

The committee sponsors want to see that $1 billion redirected to help the poorest Asian, Africans, and Latin Americans, and supplemented by a soft-loan credit agency.

[From the New York Times, June 5, 1973]

OVERHAULING AID

Committees in both houses of Congress have moved in recent weeks to revise drastically President Nixon's foreign assistance program, which Chairman J. W. Fulbright of the Senate Foreign Relations Committee has already dismissed as "a relic of the past."

It is not that the $2.9-billion aid request is extravagant in terms either of this country's ability to pay or the needs of the less-developed nations. Even in the improbable event that the portion of the over-all aid budget allocated to economic assistance—$1.6 billion—were fully funded, it would represent a slippage in this country's already low position among donor nations in aid as a percentage of gross national product.

One basic trouble with the President's aid package is that it remains heavily oriented toward military and related assistance, a hangover from an era of politics that has become increasingly obsolete with the progress of détente, the emergence of a multipolar world and the supposed windup of the Indochina war. Much of the $1.31 billion requested by the President for military assistance is of doubtful utility either for the United States or for its proposed recipients. Ignoring the President's proposals, the Foreign Relations Committee has approved a Fulbright-drafted military authorization bill which would drastically reduce arms aid next year and would eliminate all military grant assistance over the next four years.

Equally sweeping and notably constructive proposals on the economic side have been advanced by a 22-member majority of the House Foreign Affairs Committee. Setting aside for the moment the $600 million earmarked for Southeast Asia, which raises special problems deserving close Congressional scrutiny, the House group has proposed that the remaining $1 billion in economic assistance be redirected to focus on the most acute problems of the poorest nations: rural development, food and nutrition, population growth and health, education and human resources development.

In addition, the Congressmen would establish a new $1-billion Export Development Credit Fund for the lowest income countries which would have the dual purpose of aiding development and stimulating United States exports to nations accounting for one-third of the world's population.

Although these and other new House proposals mark a sharp departure from past aid practices and the Administration's program, they [illegible] a thoughtful elaboration on recommendations made by a Presidential task force three years ago and move in a direction Mr. Nixon himself advocated in his last State of the World message.

If United States foreign aid is to serve United States interests and the cause of peace in the "radically different world" which was noted in that Presidential message, its purposes and structure should be radically revised along the imaginative lines that the two Congressional committees have begun to chart.

By Mr. MONDALE:

S. 2027. A bill to amend title 38 of the United States Code to make more equitable the procedures for determining eligibility for benefits under the law administered by the Veterans' Administration, and for other purposes. Referred to the Committee on Veterans' Affairs.

JUDICIAL REVIEW FOR VETERANS

Mr. MONDALE. Mr. President, I am introducing today legislation which would allow veterans judicial review over their disputes with the Veterans' Administration, and would raise to $100 the maximum fee a veteran can pay an attorney for the representation of a veteran claim. An identical bill is being introduced in the House of Representatives by Congressmen EDWARD I. KOCH, Democrat of New York and LES ASPIN, Democrat of Wisconsin.

Under current law, all differences of opinion on veterans' claims are determined administratively. No appeals outside the Veterans' Administration are possible.

This legislation is necessary to extend the right of judicial review, which everyone else enjoys, to veterans. Under the present system, the Veterans' Administration is both a party to a dispute and the judge. It is difficult for the veteran, therefore, to obtain an impartial review of his claims.

Mr. President, this bill also seeks to improve the existing situation with regard to representation by counsel of the veteran. Present law provides that an attorney may charge a veteran no more than $10 for legal services. This provision, purported to safeguard a veteran, in effect denied him the services of counsel. This bill, therefore, would permit a veteran to pay an attorney up to $100 for legal services rendered and, if the matter was the subject of an appeal decided in favor of the veteran, the bill further provides that the Veterans' Administration would be obliged to pay the attorney representing the veteran a reasonable fee for services rendered as well as reimbursing the veteran the $100 first advanced by him.

Admittedly, lawyers should be prevented from depriving a veteran of a substantial part of his benefits by exacting an exorbitant fee, but the $10 ceiling effectively denies a veteran the assistance of counsel, and quite possibly, therefore, benefits.

I was outraged to learn that VA regulations prevent an attorney for a veteran from contacting a Member of Congress for assistance in handling a veteran's claim. The penalty for seeking such congressional assistance is that the attorney can be investigated regarding his competency to represent a claimant and he forfeits his right to a fee. My bill would also correct this violation of first amendment rights; it will open the way for a veteran to take his case to court.

Mr. President, I believe that this bill, if enacted, will go a long way to redress the legitimate grievances of the young men who have served this country in its Armed Forces.

Mr. President, I ask unanimous consent that this bill be printed at this point in the RECORD.

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

S. 2027

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101(2) of title 38, United States Code, is amended to read as follows:

"(2) The term 'veteran' means a person who served in the active military, naval, or air service, and who was discharged or released therefrom other than by a discharge imposed by a court-martial."

SEC. 2. (a) Subchapter I of chapter 51 of title 38, United States Code, is amended by inserting immediately after section 3005 the following new section:

"§ 3006. Treatment of claims

"(a) The Administrator shall provide to any claimant for any benefit under law administered by the Veterans' Administrator a list of such documentary information and other evidence which the claimant will likely need to support his claim.

"(b) If at any time after any claim is made for any benefit, any officer or employee of the Veterans' Administration obtains from any military department or agency any military record including health records, for the purposes of determining eligibility for such benefit, the Veterans' Administration shall immediately mail a copy of that record to the claimant or his representative.

"(c) In the administration of the provisions of this title relating to benefits, any claimant shall be presumed to be entitled to the benefit claimed. Such presumption must be rebutted by clear and convincing evidence to the contrary."

(b) The analysis of such subchapter I is amended by adding at the end thereof the following:

"§ 3006. Treatment of claims."

SEC. 3. Section 3404 of title 38, United States Code, is amended—

(1) by amending subsection (a) thereof to read as follows:

"(a) The Administrator shall recognize any individual admitted to practice law before the highest court in any State or the District of Columbia to act as an agent or attorney in the preparation, presentation, or prosecution of any claim under laws administered by the Veterans' Administration."

(2) by striking out "section" in subsection (b) thereof and inserting in lieu thereof "chapter"; and

(3) by amending subsection (c) thereof to read as follows:

"(c) The Administrator shall determine and pay reasonable fees to agents or attorneys recognized under this chapter in allowed claims for monetary benefits under laws administered by the Veterans' Administration. Such reasonable fees shall not exceed $100 with respect to any one claim except that in any case in which a claimant for monetary benefits prevails upon an appeal to the Board of Veterans' Appeals or upon review pursuant to section 4010 of this title, the Administrator shall pay all reasonable fees."

SEC. 4. (a) Chapter 71 of title 38, United States Code, is amended—

(1) by amending the last sentence of section 4004(a) by striking out the period at the end thereof and inserting in lieu thereof the following: "; but any such decision is subject to judicial review as provided for in section 4010 of this title.";

(2) by amending section 4004(b) by striking out "When" and inserting the following: "Subject to an appeal under section 4010 of this title, when";

(3) by striking out paragraphs (3), (4), and (5) of section 4005(d) and inserting the following:

"(3) Copies of the 'statement of the case' prescribed in paragraph (1) of this subsection will be submitted to the Board of Veterans' Appeals, to the claimant, and to his representative, if there is one. Submission of the statement of the case by an employee of the Veterans' Administration to the Board of Veterans' Appeals shall initiate review by the Board of Veterans' Appeals. The claimant will be afforded a period of 60 days from the date the statement of the case is mailed to provide to the Board of Veterans' Appeals such supplemental information with respect to his case as he deems appropriate, including specific allegations of error of fact or law. Such 60-day period may be extended for a reasonable period on request for good cause shown.

"(4) After the 60-day period, or longer period if such 60-day period is extended, has expired, and regardless whether or not supplemental information has been submitted to the Board of Veterans' Appeals by the claimant, the Board of Veterans' Appeals shall review the case and will base its decision on the entire record.";

(4) by amending section 4005A(b) to read as follows:

"(b) Upon the filing of a notice of disagreement, the Board of Veterans' Appeals and all parties in interest will be furnished with a statement of the case in the same manner as is prescribed in section 4005. Furnishing of the statement of the case to the Board of Veterans' Appeals shall constitute notice of appeal by the party in interest who filed notice of disagreement. The party in interest who filed a notice if disagreement will be allowed thirty days from the date of mailing of such statement of the case to provide to the Board of Veterans' Appeals such supplemental information as he deems appropriate. Extension of time may be granted for good cause shown but with consideration to the interests of the other parties involved. The substance of the supplemental information will be communicated to the other party or parties in interest and a period of thirty days will be allowed for filing a brief or argument in answer thereto. Such notice shall be forwarded to the last known address of record of the parties concerned, and such action shall constitute sufficient evidence of notice."

(5) by adding at the end thereof the following new section:

"§ 4010. Judicial review

"(a) Any claimant who disagrees with the decision of the Board of Veterans' Appeals with respect to his appeal may at any time before the sixtieth day after the date on which the claimant has received notification in writing of such decision file a petition with the United States court of appeals for the District of Columbia circuit or the circuit wherein such claimant resides for a judicial review of such decision. A copy of the petition shall be forthwith transmitted by the clerk of the Court to the Board. The Board thereupon shall file in the court the record of the proceedings on which the Board based its decision, as provided in section 2112 of title 28.

"(b) If the claimant applies to the court for leave to adduce additional evidence and

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. SCOTT of Pennsylvania:

S. 1711. A bill to amend the Foreign Assistance Act of 1961, and for other purposes. Referred to the Committee on Foreign Relations.

FOREIGN ASSISTANCE ACT OF 1973

Mr. SCOTT of Pennsylvania. Mr. President, I submit today, for appropriate reference, the foreign assistance bill of 1973, to amend the Foreign Assistance Act of 1961 and for other purposes, and ask unanimous consent that it be printed in the RECORD. Mr. President, I also ask unanimous consent that a section-by-section analysis of the bill be printed in the RECORD.

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

S. 1711

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Foreign Assistance Act of 1973".

DEVELOPMENT LOAN FUND

SEC. 2. Title I of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to the Development Loan Fund, is amended as follows:

(a) In section 202(a), relating to authorization:

(1) immediately after "fiscal year 1972," strike out "and";

(2) immediately after "final year 1973," insert "$201,400,000 for the fiscal year 1974, and $201,400,000 for the fiscal year 1975";

(3) immediately after "June 30, 1972," strike out "and"; and

(4) immediately after "June 30, 1973," insert "June 30, 1974 and June 30, 1975,".

(b) In section 203, relating to fiscal provisions, strike out "for the fiscal year 1970, for fiscal year 1971, for the fiscal year 1972, and for the fiscal year 1973" and insert in lieu thereof "for the fiscal year 1974 and for the fiscal year 1975".

TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

SEC. 3. Title II of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to technical cooperation and development grants, is amended as follows:

(a) In section 211(a), relating to general authority, in the last sentence immediately after the word "assistance", insert the word "directly".

(b) In section 212, relating to authorization, strike out "$175,000,000 for the fiscal year 1972 and $175,000,000 for the fiscal year 1973" and insert in lieu thereof "$165,650,000 for the fiscal year 1974 and $165,500,000 for the fiscal year 1975".

(c) In section 214, relating to authorization for American schools and hospitals abroad:

(1) subsection (c) is amended to read as follows:

"(c) To carry out the purposes of this section there is authorized to be appropriated to the President for the fiscal year 1974 $10,000,000, and for the fiscal year 1975 $10,000,000, which amounts are authorized to remain available until expended."; and

(2) subsection (d) is repealed.

HOUSING GUARANTIES

SEC. 4. Title III of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to housing guaranties, is amended as follows:

(a) In section 221, relating to worldwide housing guarantees, strike out "$205,000,000" and insert in lieu thereof "$480,000,000".

(b) In section 222(c), relating to Latin American housing guarantees, strike out "$550,000,000" and insert in lieu thereof "$594,900,000".

(c) In section 223(i) relating to general provisions, strike out "June 30, 1974" and insert in lieu thereof "June 30, 1976".

OVERSEAS PRIVATE INVESTMENT CORPORATION

SEC. 5. Title IV of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to the Overseas Private Investment Corporation, is amended as follows:

(a) In section 231(d), relating to insurance operations, immediately after the word "risks" insert the words "with other insurers, public or private, and seek to assure that with respect to insurance issued after enactment of the Foreign Assistance Act of 1973 all costs of the insurance program will, over the long term, be borne by the private users of the services".

(b) In section 231(i), relating to the protection of the economic interests of the United States, immediately after the words "balance-of-payments" insert the words "and employment".

(c) In section 234(c), relating to direct investment, strike out "(1) accept as evidence of indebtedness debt securities convertible to stock, but such debt securities shall not be converted to stock while held by the Corporation" and insert in lieu thereof "(1) in its financing programs, acquire debt securities convertible to stock or rights to acquire stock, but such debt securities or rights shall not be converted to stock while held by the Corporation".

(d) In section 235(a)(4), relating to issuing authority, strike out "June 30, 1974" and insert in lieu thereof "June 30, 1976".

(e) In section 239(d), relating to general provisions and powers, immediately after the phrase "in the conduct of its business" insert the words "including, notwithstanding any provision of law, contracts of coinsurance and reinsurance with insurance companies, financial institutions, or others, or groups thereof, employing the same, where appropriate as its agent in the issuance and servicing of insurance, coinsurance and reinsurance and the adjustment of claims arising thereunder, and pooling arrangements and similar agreements with other national or multinational insurance or financing agencies or groups thereof".

(f) In section 240(h), relating to agricultural credit and self-help community development projects, strike out "June 30, 1973" and insert in lieu thereof "June 30, 1975".

(g) In section 240A(b), relating to reports to the Congress, strike out "March 1, 1974" and insert in lieu thereof "February 1, 1975".

ALLIANCE FOR PROGRESS

SEC. 6. Section 252(a) of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to authorization, is amended as follows:

(a) Strike out "for the fiscal year 1972, $295,000,000, and for the fiscal year 1973, $295,000,000" and insert in lieu thereof "for the fiscal year 1974, $236,100,000 and for the fiscal year 1975, $236,100,000".

(b) Strike out "$88,500,000 for each such fiscal year" and insert in lieu thereof $86,100,000 for each such fiscal year".

PROGRAMS RELATING TO POPULATION GROWTH

SEC. 7. Section 292 of title X of chapter 2 of part I of the Foreign Assistance Act of 1961, relating to authorization, is amended by striking out "1972 and 1973" and inserting in lieu thereof "1974 and 1975".

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SEC. 8. Section 302 of chapter 3 of part I of the Foreign Assistance Act of 1961, relating to authorization, is amended as follows:

(a) In [illegible] fiscal year 1972, $138,000,000 and for the fiscal year 1973, $138,000,000" and insert in lieu thereof, "for the fiscal year 1974, $124,800,000 and for the fiscal year 1975, such sums as may be necessary".

(b) In subsection (b)(2), strike out "for use in the fiscal year 1972, $15,000,000, and for use in the fiscal year 1973, $15,000,000" and insert in lieu thereof "for use in the fiscal year 1974, $15,000,000, and for use in the fiscal year 1975, $15,000,000".

CONTINGENCY FUND

SEC. 9. Section 451(a) of chapter 5 of part I of the Foreign Assistance Act of 1961, relating to the contingency fund, is amended as follows:

(a) Strike out "for the fiscal year 1972 not to exceed $30,000,000, and for the fiscal year 1973 not to exceed $30,000,000" and insert in lieu thereof "for the fiscal year 1974 not to exceed $30,000,000, and for the fiscal year 1975 not to exceed $30,000,000".

(b) Strike out all that follows immediately after the colon through the end of the subsection and insert in lieu thereof the following:

"*Provided,* That, in addition to the amounts authorized to be appropriated by this subsection, there is authorized to be appropriated such additional amounts, as may be required from time to time to provide relief, rehabilitation, and related assistance in the case of extraordinary disaster situations. Amounts appropriated under this section are authorized to remain available until expended.".

INTERNATIONAL NARCOTICS CONTROL

SEC. 10. Section 482 of chapter 8 of part I of the Foreign Assistance Act of 1961, relating to authorization, is amended by striking out "1973" and all that follows and inserting in lieu thereof "1974, and for the fiscal year 1975 such sums as may be necessary, which amounts are authorized to remain available until expended.".

MILITARY ASSISTANCE

SEC. 11. Chapter 2 of part II of the Foreign Assistance Act of 1961, relating to military assistance, is amended as follows:

(a) In section 504(a), relating to authorization, strike out "$500,000,000 for the fiscal year 1972" and insert in lieu thereof "$652,000,000 for the fiscal year 1974".

(b) In section 506(a), relating to special authority, strike out the words "the fiscal year 1972" wherever they appear and insert in lieu thereof "any fiscal year".

(c) Section 514 is hereby repealed.

SECURITY SUPPORTING ASSISTANCE

SEC. 12. Section 532 of chapter 4 of part II of the Foreign Assistance Act of 1961, relating to authorization, is amended by striking out "for the fiscal year 1972 not to exceed $618,000,000, of which not less than $50,000,000, shall be available solely for Israel" and inserting in lieu thereof "for the fiscal year 1974 not to exceed $100,000,000".

INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 13. (a) Part II of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new chapter:

"Chapter 5—INTERNATIONAL MILITARY EDUCATION AND TRAINING

"SEC. 541. STATEMENT OF PURPOSE.—The purpose of this chapter is to establish an international military education and training program which will:

(1) improve the ability of friendly foreign countries, through effective military education and training programs relating particularly to United States military methods, procedures, and techniques, to utilize their own resources and equipment and systems of United States origin with maximum effectiveness for the maintenance of their de- [illegible] security, thereby contributing to enhanced professional

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