

DATE SENT: 11/8/74 CLASSIFIED MATERIAL Copy for Addressee **V 1299885**

FROM: Judd L. Kessler T 7250 NS  
 (Name) (Office Symbol) (Room No.) (Bldg.)

TO:  Leg. Counc. 7D 43 CIA  
 (Name) (Office Symbol) (Room No.) (Bldg.)

PART V  
 DATE RECEIVED: \_\_\_\_\_

IDENTIFICATION Report of the Interagency Working  
Group on Foreign Assistance Legislation

FORM JF-6  
2-70  
(Formerly DS-406)

THIS PAGE MAY BE USED FOR DISTRIBUTION AND/OR  
INSTRUCTION - 5 FAM 975.b AND 960.4  
RETAINED FOR 3 YEARS

DATE SENT: 11/8/74 CLASSIFIED MATERIAL Return Receipt To Sender **V 1299885**

TO: Judd L. Kessler T 7250 NS  
 (Name) (Office Symbol) (Room No.) (Bldg.)

FROM:  Leg. Counc. 7D 43 CIA  
 (Name) (Office Symbol) (Room No.) (Bldg.)

PART IV  
 DATE RECEIVED: \_\_\_\_\_ (Signature of Addressee)

IDENTIFICATION Report of the Interagency Working  
Group on Foreign Assistance Legislation

FORM JF-6 ADDRESSEE SIGN AFTER CHECKING AND RETURN TO SENDER.  
2-70 RETAINED BY SENDER FOR 3 YEARS  
(Formerly DS-406)

State Dept. review completed

LIMITED OFFICIAL USE

*file 74-2371*

REPORT OF THE INTERAGENCY WORKING GROUP  
ON FOREIGN ASSISTANCE LEGISLATION

November 4, 1974.

CONTENTS

GENERAL	1
MAJOR ISSUES	2
I. High Priority Issues	2
1. Legislative Veto	2
2. Cambodia Ceiling	5
3. MAP Level, Drawdown Authority and MAAG Costs	6
4. Military Assistance for Vietnam	7
5. Turkey	7
6. Waiver Authority	8
7. Foreign Assistance Ceiling	8
8. Indochina Postwar Recon- struction Level	9
II. Medium Priority Issues	9
1. Indochina Restrictions	9
2. Korea	11
3. Chile	11
4. Regional Ceilings	12
5. Cuba	12
⑥. Limiting Intelligence Activities	13
III. Low Priority Issues	
1. Nuclear Power Plants	13
2. MAP Phaseout	14
3. South Asia	14
4. Cash Sales to Developed Countries	14
5. FMS Levels	15
6. Guaranty Reserve	15
7. Human Rights	16
SECONDARY ISSUES	17
I. Middle East	17
1. Policy Statement	
2. General Authority	17
3. Supporting Assistance for Israel and Egypt	17

(ii)

## SECONDARY ISSUES (cont'd)

II.	Indochina	17
	1. Policy	17
	2. Principles	18
	3. Fertilizer for South Vietnam	18
	4. Personnel of Voluntary Agencies	18
	5. Transfer of Funds	18
III.	Military Assistance Program	19
	1. Excess Defense Articles	19
	2. Stockpiling of Defense Articles	19
IV.	General Provisions	19
	1. Transfer Between Accounts	19
	2. Reconstruction, Relief and Rehabilitation	20
	3. Contingency Fund	20
	4. Changes in Allocations of foreign Assistance	20
	5. Prohibiting Police Training	20
V.	Foreign Military Sales Quarterly Reports and Congressional Approval	21
VI.	Miscellaneous	21
	1. ICCS, Vietnam	21
	2. Appointment of Career Foreign Service Officers as Ambassadors	21
	3. P.L. 480 Limitations	22
	4. Political Contributions of Ambassadorial Nominees	22
	5. Foreign Gifts	22
	6. Conventional Arms Trade	23

GENERAL:

Enactment of a foreign assistance authorization bill by the Ninety-Third Congress is clearly in the best interests of the Executive Branch. Authorization legislation will be necessary in order to proceed with assistance programs in Egypt and Syria and to obtain the Special Requirements Fund. In addition, we need legislative authority to fund the International Commission of Control and Supervision, utilize the Federal Financing Bank for FMS guaranteed loans, and avoid the risk of an interruption in MAP and FMS programs for Turkey after December 10. Authorization legislation is also required to obtain increased funding levels for the military assistance program which, at its current level, is limited almost exclusively to Cambodia and payment of dramatically increased transportation costs. Finally, without authorizing legislation, we will be unable to fulfill the Secretary's commitment to maintain Latin American development aid at recent levels or to provide any significant increase in resources in response to the world food shortage.

It is possible that some restrictions, particularly limitations on assistance to particular countries currently in Congressional disfavor, will be enacted regardless of what happens to the foreign assistance legislation. If the authorization bill becomes stalled because of policy differences between Congress and the Administration, any continuing resolution to provide funding for foreign assistance after the close of the Ninety-Third Congress is likely to become a vehicle for numerous policy amendments. If at that time, foreign assistance programs are the only ones for which a continuing resolution is needed, the Administration would be in an extremely weak tactical position. This does not mean that we should seek to obtain an authorization bill regardless of its provisions. However, a positive and constructive Administration posture toward the Foreign Assistance Act is an essential prerequisite to forging the coalition required to obtain acceptable legislation. On balance, we should seek a foreign aid bill, for the specific reasons set forth above and to ensure continued Congressional support for foreign assistance programs and policy objectives.

A successful legislative strategy will require a coordinated effort by the Executive Branch at several levels. The initial steps will involve discussions

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

with key members of the Senate Foreign Relations Committee and their staffs. In these discussions we should seek to obtain acceptance by the Senate Committee of as many Administration positions as possible, either by modifications in previously approved provisions in the Senate bill, or by commitments to accede to more favorable House proposals in conference. Where this is not possible, we should seek to make objectionable Senate proposals less onerous. If successful, this stage of the process will increase the bill's acceptability to Senate members, eliminate some conference issues, and minimize the impact of undesirable provisions which might survive in conference.

With few exceptions, the provisions of the House bill are preferable to those of the Senate bill. Accordingly, the Senate Foreign Relations Committee should be encouraged to base its work on H.R. 17234 rather than to report out another version of S. 3394. To the extent the Senate wishes to address additional issues, this approach will not avoid many of the problems created by S. 3394. However, in a number of cases the Senate might be persuaded that the House bill's provisions adequately serve the Senate's objectives.

Once we have obtained all possible concessions from the Senate Foreign Relations Committee, and assuming that the Committee is reasonably forthcoming, we should concentrate on eliciting support in the Senate for the Committee's bill. Although the possibility of floor amendments should not be ruled out altogether, the working group considered that a strategy of major reliance upon floor fights with the Committee would probably be counterproductive. This approach might detract from the Committee's willingness to be cooperative both in opposing hostile floor amendments and in conference. Also, as the Senate debates of October 1 and 2 on S. 3394 attest, floor amendments adopted over the Committee's objections tend to attract further floor amendments. A series of floor amendments could bring about a bill which might be incapable of Senate passage or which, if passed, would be more harmful to the Executive Branch than the Committee's proposals. Accordingly, confrontation with the Foreign Relations Committee should be considered only if the Committee proves to be unresponsive to the most crucial Executive Branch needs and we are confident we can muster enough votes to secure passage of an acceptable bill without the Committee's support.

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

In the House, we should seek to identify all possible sources of support and undertake a program of broad consultations, explaining the Administration's positions on key issues. We should work closely with the Foreign Affairs Committee to try to avoid amendments which would undercut the generally favorable provisions of the Committee's bill, which we will want to preserve for conference with the Senate.

The final Executive Branch efforts should focus upon the House-Senate conference in which we should continue to press for adoption of the House bill's overall approach in lieu of the more restrictive Senate version.

MAJOR ISSUES:

I. High Priority Issues

1. Legislative Veto (pp. 5, 14, 30, 60c, 65)

Both the House and Senate bills contain provisions wherein grants of authority to the President are conditioned upon purported rights by Congress to nullify particular implementations of the authority granted. Specifically, in the Senate bill proposed obligations in excess of \$1 million from the Middle East Special Requirements Fund can be disapproved by resolution of either House. In the House bill, proposed obligations in any amount from the Special Requirements Fund can be disapproved by concurrent resolution of both Houses. Both bills provide that Congress, by concurrent resolution, can disapprove proposed FMS sales, credits and guaranties of more than \$25 million. Finally, the House bill contains restrictions upon the use of development assistance funds in countries receiving security supporting assistance or Indochina postwar reconstruction assistance, and restrictions upon the use of the funds transfer authority in section 610(a) of the Foreign Assistance Act to increase assistance to Vietnam, Cambodia or Laos. According to the bill, these restrictions can be waived under section 614(a) of the Act, but such waivers can be disapproved by concurrent resolution of the Congress.

X The Justice Department has ruled that statutes providing for legislative vetoes are unconstitutional in that such vetoes are tantamount to repeals of statutory grants of authority, but are not submitted to the President for his approval as the Constitution requires for Congressional measures intended to have legal effect.

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

At the same time, Executive Branch practice with regard to legislative vetoes has been inconsistent. The working group was unaware of any instance where the President had vetoed a bill because it contained such a provision. In some cases signing statements had been issued noting the constitutional infirmity of such provisions; in other cases the Executive Branch appeared to acquiesce in the assertion by Congress of a power to reserve by statute a right to nullify Executive action by resolutions.

The working group recognized the need for a White House decision on the position we should take with regard to legislative vetoes in general. However, the group also noted that the practical implications of the various affected provisions in the House and Senate bills were quite different. With respect to the Special Requirements Fund, a desire for Congressional participation in the process of approving major projects is understandable because the Executive Branch did not provide detailed justification for the Fund. On the other hand, a legislative veto over individual FMS cases would involve the Congress directly in the implementation of legislation that would blur the distinction between Legislative and Executive Branch responsibilities. The legislative veto feature of the House restrictions on fund transfers could probably be eliminated, but only at the expense of loss of the authority to waive those restrictions.

As to the form of legislative veto, the working group considered that the Executive Branch could probably block a concurrent resolution for twenty or thirty days in important cases, whereas a resolution of a single House would be more difficult to prevent.

The working group considered the possibility of seeking to avoid a legislative veto provision for the Special Requirements Fund by offering informal assurances that we would refrain from initiating new projects opposed by Congress. The practical result would be essentially the same as now exists for Appropriations Committee approval of assistance projects not previously justified (e.g., use of AID funds for ICCS). However, some members pointed out that this could prove more difficult in practice than a legislative veto by concurrent resolution.

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8



OPTIONS:

-- 1. Accept statutory language providing for legislative veto (House and Senate bills currently so provide).

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

-- 2. Accept statutory language providing for legislative veto, but only by concurrent resolution of both Houses.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

-- 3. Oppose legislative veto, but offer informal assurances that no major new projects will be initiated if Congress disapproves.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

-- 4. Oppose legislative veto, but offer no more than advance consultation (previously offered by Administration, but not accepted by Congress).

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

-- 5. If the principle of legislative veto, by concurrent resolution or otherwise, is acceptable the working group would, nevertheless, recommend that an effort be made to delete from the bill the provision regarding Congressional disapproval of individual FMS cases.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

2. Cambodia Ceiling (p. 20)

The working group recommends that an effort be made to eliminate from the Senate bill the complex array of country ceilings and program allocations specified for Vietnam, Cambodia and Laos. Our suggested approach to the general subject is described in a subsequent section of this report. However, should the Senate insist upon retention of its Indochina ceilings, we would attach high priority to obtaining additional funding for Cambodia.

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

The Senate bill imposes a ceiling of \$347 million on assistance to Cambodia, including \$200 million for military assistance and \$70 million for economic assistance. DOD and AID representatives advised that these assistance levels would fail to meet minimum requirements for assuring Cambodia's survival. The working group concluded that an effort should be made to increase assistance funds for Cambodia from \$347 million to \$527 million. The additional \$180 million would be divided between military assistance (\$150 million) and economic assistance (\$30 million).

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

3. MAP Level (p. 37), Drawdown Authority (p. 37), and MAAG Costs (p. 42)

In order to provide increased military assistance for Cambodia without substantially reducing or eliminating other important MAP programs, the working group recommends that we seek a MAP level of \$700 million. The Senate bill authorizes \$550 million for this program and the House bill authorizes \$645 million (plus an additional \$100 million earmarked for Israel). A MAP authorization at the \$700 million level was approved at one stage by the Foreign Relations Committee, but reduced in subsequent Committee deliberations.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

The Senate bill repeals section 506 of the Foreign Assistance Act, which authorizes the President in emergency situations to provide additional military assistance by drawing on DOD stocks. The House bill renews this drawdown authority for FY 1975. If we can obtain additional funds for MAP and authority to use those funds in Cambodia, as recommended above, we would leave this issue for conference as one of medium priority. However, if we are unable to get Senate approval of those increased levels, we would, as a fall-back, press for renewal of the drawdown authority in the Senate bill, with a legislative history in the Committee report indicating that a drawdown of up to \$150 million could be made for Cambodia.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

The impact of the Senate's low MAP level is exacerbated by the further provision in the Senate bill requiring that all costs of military assistance advisory groups and missions be charged to the MAP

appropriation. This could increase costs to MAP by up to \$50 million this year. In discussions with the Senate the Working Group would seek to eliminate military pay and allowances from this provision which would significantly reduce its impact. As a fallback, we would seek to have the amendment's effective date postponed until FY 1976 so that the executive branch could budget for these increased costs to MAP. Depending upon our ability to ameliorate this section in the Senate we might wish to seek elimination of the entire section in Conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

4. Military Assistance for Vietnam (p. 40)

Both the House and the Senate bills, in identical language, shift the military assistance funding for Vietnam from the DOD budget to MAP, beginning in FY 1976. The working group concluded that it would be desirable to retain the Vietnam program in the DOD budget in order to reduce the likelihood of severe cuts. However, the group noted that it will be difficult to overcome the apparent desire of both the Foreign Relations and Foreign Affairs Committees to obtain jurisdiction over this program. Unless we can obtain support from the Armed Services Committee, there is little reason to expect that Congress will eliminate this proposed transfer of Vietnam to MAP. If the Armed Services Committees will not try to retain jurisdiction over the program, we should, as a minimum, request a one year's delay in the transfer on the grounds of the lateness in the budgeting cycle. If, nevertheless, Congress insists on shifting Vietnam to MAP in FY 1976 we should make clear at this time our intention to request a separate authorization and appropriation for Vietnam under the Foreign Assistance Act so that this important program will not risk being subjected to cuts in our overall MAP funding request.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

5. Turkey (p. 51).

The Senate bill prohibits funding for MAP or FMS for any country which uses defense articles or defense services in violation of the Foreign Assistance Act, the Foreign Military Sales Act, or any agreement entered into under such acts. This provision is modelled after Senator Eagleton's original proposed amendment to the continuing resolution. The House Foreign Affairs Committee

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

has adopted a prohibition against military assistance and sales for Turkey which the President is authorized to suspend if he determines and certifies to Congress that the Government of Turkey is making "a substantial good faith effort" to achieve a negotiated settlement with regard to Cyprus. We are informed that the House Foreign Affairs Committee intends to accept on the floor a substitute provision sponsored by Congressman Rosenthal which contains an absolute ban on assistance to Turkey, with no waiver authority.

The working group was of the view that the subject of assistance and sales to Turkey will require separate and high level consultations with both the House and the Senate. A limitation waivable by the President, such as that contained in the House Foreign Affairs Committee bill would seem acceptable if it could head off more absolute restrictive amendments.

6. Waiver Authority (p. 49).

The Senate bill repeals section 614 of the Foreign Assistance Act, which authorizes the President to waive restrictions contained in that Act. In our discussions with the Senate we should endeavor to have the section 614 authority restored. If necessary to achieve this we would accept a limitation that the authority would not be available to waive the percentage limitations contained in section 610 of the Act on amounts of funds that can be transferred between foreign assistance appropriation accounts. Although section 614 has rarely been used to waive those limitations, this potential use, particularly in Indochina, appears to be a principal motivation for the proposed repeal of the waiver authority. If the Senate will not accept the restoration of section 614 we would press for deletion of the Senate repeal in conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

7. Foreign Assistance Ceiling (p. 70)

The Senate bill contains an amendment offered on the floor by Senator Church which imposes an aggregate ceiling of \$5 billion on obligations in FY 1975 under the Foreign Assistance Act, the Foreign Military Sales Act, P.L. 480, and the account in the Defense budget

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8  
for military assistance to Vietnam. In discussions with the Senate committee, we can use the risk of a similar amendment as a basis for seeking increased funding levels. At the same time we should work with the Committee to attempt to defeat such an amendment should it be offered again. Based upon the levels contained in the Senate bill, this proposed ceiling would arbitrarily require cuts in excess of \$600 million in programs which had been justified to and approved by Congress on their merits. It should be strongly opposed at all stages of the legislative process.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

8. Indochina Post War Reconstruction Level  
(p. 13)

The Senate Foreign Relations Committee approved an authorization of \$550 million for IPR. This was reduced to \$515 million on the Senate floor. The House Foreign Affairs Committee has approved an IPR level of \$573.4 million.

The working group considered that the Administration request of \$939.8 million is clearly unattainable, but that a reasonable case can be made for an IPR authorization of \$650 million. The latter figure was approved by the Senate Foreign Relations Committee, but then reduced in subsequent Committee action.

We would endeavor to persuade the Senate Foreign Relations Committee to report out a bill authorizing \$650 million or a figure as close to that as possible with a view toward reducing the gap between the House and Senate bills in conference. If we are unable to obtain a substantial increase, we would then need to argue all the more strongly against statutory limitations on the uses of other funds in Indochina.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

II. Medium Priority Issues

1. Indochina Restrictions

The Senate bill establishes specific country allocations for Indochina Postwar Reconstruction funds, as well as ceilings and specific program allocations within each country for assistance to South Vietnam, Cambodia and Laos. The Senate's statutory scheme involves three levels of restriction:

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

- (1) A total ceiling on assistance to each country;
- (2) Ceilings on components of the total, i.e., military assistance, PL 480 and economic assistance for each country; and
- (3) Program restrictions specifying particular projects for which economic assistance funds shall be available.

Apart from the extreme rigidity of the Senate bill, the working group noted that the ceilings are technically deficient in that they do not provide for narcotics control or regional assistance programs.

By contrast, the House bill establishes procedures whereby funds transfers into Indochina programs and changes in country allocations will require advance notification to Congress and, in some cases, an opportunity for Congress to disapprove.

The working group considered the Senate's effort to legislate the details of program contents to be unrealistic and certain to result in an inability to use all of the funds appropriated for economic assistance to Indochina. The group favored an effort to persuade the Senate Foreign Relations Committee to adopt the procedural devices contained in the House bill in lieu of specific and detailed statutory limitations on program implementation. If this effort is not successful, we would press for adoption of the House approach in conference, but would continue to seek refinements in the Senate bill, such as liberalized transfer authority between programs, that would minimize its adverse impacts, if enacted.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

One restriction warranting separate mention is that the Senate bill establishes ceilings on U.S. personnel in Vietnam and Cambodia which expressly include "contract employees". The level of the ceiling for Vietnam (4,000) indicates that employees of firms doing business with the USG are included. However, the number used for the Cambodia ceiling is the same as the existing statutory ceiling (200) which does not include such employees of contractors. The Working Group concluded that, if the

Senate limitations cannot be eliminated altogether, an effort should be made to clarify the legislative history of these limitations and also try to exclude the specific references to contract employees in the Senate bill, at least with respect to Cambodia.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

2. Korea (p.47).

The Senate bill established a phaseout of both MAP and FMS for Korea over the next three years. The House bill limits MAP for Korea to \$100 million in fiscal year 1975 plus \$15 million in excess defense articles. The working group recommends that the Senate limitations on MAP material be accepted, but that an effort be made with the Senate Committee and, if necessary, in conference to eliminate restrictions on foreign military sales and training. The Senate MAP ceilings for Korea are \$91.5 million for FY 1975, \$61 million for FY 1976, and \$30.5 million for FY 1977. The ceilings for 1976 and 1977 could, of course, be modified or eliminated in future legislation and have no immediate effect.

The working group believed that the Senate limitations on MAP for Korea would not create practical difficulties in FY 1975, given the anticipated shortage of available funds. Moreover, the acceptance of such limitations by the Administration should help to overcome opposition to the bill that has been expressed by Congressman Frazier and others over the issue of Korea's human rights record.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

3. Chile (p.52).

The Senate bill imposes a ceiling of \$55 million on assistance to Chile in fiscal year 1975 and prohibits the use of any of those funds for military assistance (including training) or foreign military sales, credits or guaranties. The House bill imposes a ceiling on MAP training for Chile of \$800,000 for fiscal year 1975 and prohibits other grant military assistance during the current fiscal year. This restriction is consistent

with Executive Branch planning. The House bill permits sales, credits and guaranties to be made and Munitions Control export licenses to be issued only if the President reports to Congress that the Government of Chile has made and is continuing to make fundamental improvements in the observance and enforcement of the internationally recognized human rights. Even then, FMS credits and guaranties are limited to a total of \$10 million for fiscal year 1975.

The working group considered that we should explore with the House the possibility of eliminating or increasing the \$10 million FMS ceiling. However, available funding for FMS will probably limit the Chile program to approximately \$10 million in any event. Accordingly, if the House insists upon the ceiling and if it will be possible to make the determination contemplated by the House bill, the working group would favor supporting the House provision and seeking to obtain elimination of the Senate's absolute prohibition.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

4. Regional Ceilings (p.62).

The House bill repeals the \$200 million ceiling on MAP and FMS for Latin America and restores the President's waiver authority for the \$40 million African ceiling on MAP and FMS. These amendments are responsive to Administration requests. The Senate bill contains no comparable provisions.

The working group recommends support for the House version in conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

5. Cuba.

The House Foreign Affairs Committee considered, but did not adopt, a proposal concerning the existing prohibition on assistance to countries whose ships are engaged in trade with Cuba. An amendment sponsored by Congressman Bingham would have permitted this prohibition to be waived by the President on national interest grounds. The Administration did not support the amendment because of its possible implications as a signal of a change in U.S.-Cuba policy. However, if the OAS



LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

votes to end its Cuba sanctions, Latin American countries which thereafter resume trade with Cuba would thereby become ineligible for assistance under existing U.S. law.

The working group requests guidance as to whether the Senate should be encouraged to include a waiver authority on Cuba shipping. An immediate decision is not required because the Quito meeting of the OAS will occur before the Senate Foreign Relations Committee completes its deliberations and reports out a bill.

6. Limiting Intelligence Activities (p. 56).

The Senate bill would prohibit covert operations by CIA or other agencies other than those intended solely for obtaining intelligence. This limitation would not apply to operations found by the President to be vital to US defense which are reported to the appropriate Congressional Committees. The House provision contains a similar requirement for Presidential determinations and reports, but uses the standard of "importance to the national security" rather than "vital to the defense of the United States". The Working Group would accept the limitation. However, subject to consultations with CIA, we would urge adoption by Congress of the "importance to national security" criterion set forth in the House bill.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

III. Low Priority Issues

1. Nuclear Power Plants (p.9)

The House bill prohibits the use of any FY 1975 foreign assistance funds for construction, operation or maintenance of nuclear power plants for Israel or Egypt. The working group considered this to be an unfortunate precedent, but one not warranting strong opposition. The nuclear power plants are not expected to require AID financing, at least in FY 1975, and Congressional opposition to such financing in the future might diminish by next year when the House proposed restrictions would lapse if not renewed. On balance, the working group believed that arguments should be raised in conference that the Committee proposal is

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

premature and unnecessary in light of the tightened statutory requirements for cooperation agreements and allocations of AID funds. However, we would not strongly oppose this restriction as an issue of major importance.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

2. MAP Phaseout (p. 43).

The Senate bill would require a phaseout of the MAP program (other than training) by September 30, 1977. Although this will not have immediate effect, and can be superseded by next year's bill, the working group recommends that we ask the Senate to limit itself to a "sense of Congress" provision calling upon the President to submit a legislative proposal by early next year to accomplish the phaseout of MAP. Whether or not this effort succeeds, we would seek to eliminate the phaseout requirement entirely in conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

3. South Asia (p. 50).

The Senate bill prohibits military assistance other than training and prohibits sales, credits and guaranties to Pakistan, India and Bangladesh. The House bill limits total economic and military assistance and foreign military sales, credits and guaranties for India to \$50 million.

The working group recommends that the House version, which is consistent with fiscal year 1975 assistance plans be accepted and the Senate provision opposed. If the Senate Committee is unwilling to drop its proposal we should seek the Committee's cooperation in limiting it to this fiscal year and removing cash sales from its purview. We would still support the House version in conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove.

4. Cash Sales to Developed Countries (p. 59).

The Senate bill would prohibit FMS sales to developed countries of commercially available items.

The working group considered this prohibition to raise a fundamental issue as to the role of the Government in military supply policy. We should urge the Foreign

Relations Committee to recognize that commercial channels are not likely to diminish arms acquisitions, but would undercut the ability of the U.S. Government to maintain some politically desirable arms supply relationships particularly with wealthy Middle East countries such as Iran. Moreover, FMS offers better control over the ultimate disposition of U.S. arms than commercial channels. If the Foreign Relations Committee is unpersuaded we should oppose this restriction strongly in conference.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

5. FMS Levels (p. 61).

The Senate bill authorizes an appropriation of \$455 million and a total program (credits plus guaranties) of \$872.5 million, \$300 million of which is earmarked for Israel. The House authorizes an appropriation of \$405 million for a total program of \$772.5 million, of which \$200 million is earmarked for Israel. The reduced figures in the House bill result from the House Foreign Affairs Committee proposal to provide \$100 million to Israel as a MAP grant. There has never been a MAP program for Israel and to begin one would involve a number of technical and legal complications. The working group would prefer that non-reimbursable military assistance to Israel be handled under the FMS program. This would involve adding \$100 million to the House figures with authority for the President to forgive repayment by Israel. This is the approach adopted in the Senate bill.

If \$100 million is provided to Israel in direct credit with a release from contractual liability to repay, and the remaining \$200 million for Israel is handled as a guaranty rather than a direct credit, the remainder of the program could be fulfilled with the \$455 million approved by the Senate on the basis of 60% in guaranteed credits and 40% in direct credits. The working group recommends that an effort be made to increase the Senate authorization by \$50 million so as to provide greater flexibility in the mix of direct credit and guaranties, particularly in meeting Israeli needs.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

6. Guaranty Reserve (pp. 60(a), 63).

The Administration requested Congress to reduce the charge to appropriations for FMS guaranties from 25%

of each guaranteed loan to 10%. Neither the House nor the Senate bills adopted this request. In requesting an increase in the level of the FMS program, the Working Group would demonstrate to the Senate Committee how the Administration proposal on changing the guaranty reserve requirement would achieve the same result of increased program flexibility. The proposed change would not increase the FMS program in any way, but would allow the program to be carried out with a smaller amount of appropriated funds. We would develop a substitute figure for new obligational authority in explaining this concept.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

7. Human Rights (pp. 36, 38).

The Senate bill would require an annual report on the steps taken to carry out section 32 of the Foreign Assistance Act of 1973. That section expresses the sense of Congress that no assistance should be furnished to countries with political prisoners. Accordingly, the Senate bill appears to contemplate a report identifying countries where assistance programs have been terminated because of human rights considerations. The working group was concerned that this provision would be used as a basis for Congressional demands that assistance be terminated for particular countries without regard to other U.S. interests in continuing such assistance.

The House bill expresses the sense of Congress that the President should reduce or terminate security assistance to countries which engage in a consistent pattern of gross violations of internationally recognized human rights, except in extraordinary circumstances reported to the Congress. Although this provision will probably also be used to bring pressure on the Administration to terminate specific assistance programs, we believe it is closer than the Senate bill to statements of Administration policy that have been made in testimony before Congress and that it provides a more forthright statement which can attract some support for the bill in Congress. A human rights provision of some sort seems inevitable and the working group's consensus was that it would be unlikely that anything better than the House Committee provision can be obtained. Accordingly, the group recommends that the Administration support the House provision in lieu of that in the Senate.

\_\_\_\_\_ Approve \_\_\_\_\_ Disapprove

## SECONDARY ISSUES

### I. Middle East

#### 1. Policy Statement (p. 2).

The House bill expresses the sense of Congress that funds should not be provided to any nation that denies its citizens the right or opportunity to emigrate. The Working Group considered this provision undesirable as having adverse implications for U.S.-Syrian relations. However, it does not have any binding effect. An effort should be made to delete this paragraph in Conference.

#### 2. General Authority (p. 3).

The Senate bill is technically deficient in that it erroneously identifies the source of the President's authority for Middle East programs. We should ask the Senate Foreign Relations Committee to accept technical changes in this non-substantive provision.

#### 3. Supporting Assistance for Israel and Egypt (p. 3).

Both the House and Senate increased supporting assistance for Israel to \$250 million, the same amount as was requested and approved for Egypt. The increase in supporting assistance for Israel should not itself be opposed. However, the Senate report justifies the increase on the basis of an assertion that there should be "parity" for Israel when supporting assistance levels are set for other countries. The working Group considered this concept to be undesirable as there is not necessarily going to be any reason for parity between Israel and other countries in future program levels. Accordingly, we should seek to have the concept of "parity" downplayed in the Senate Committee report.

### II. Indochina

#### 1. Policy (p. 9).

The Senate bill contains a statement of policy which, inter alia, "urges and requests" the President and Secretary of State to undertake negotiations to de-escalate military assistance to Vietnamese and Cambodian parties engaged in conflict, to promote a negotiated settlement in Cambodia and also to reconvene the Paris Conference.

The working group considered that to the extent these requests are consistent with Administration policy they are unobjectionable. To the extent they seek actions contrary to Administration policy, it is sufficient to be able to explain why the actions are not taken. Accordingly, the working group does not favor opposing this statement of policy.

2. Principles (p. 11).

The Senate bill also contains a statement of principles designed to redirect U.S. assistance efforts into channels of more lasting productive benefit to the people of Indochina. This section also calls upon the Secretary of State and the President to take certain actions which are consistent with Administration policy for the most part. To the extent they are inconsistent with Administration policy, the working group believes an explanation of Administration views would suffice and that we need not oppose this provision.

3. Fertilizer for South Vietnam (p. 16).

The Senate bill allocates a maximum of \$115 million for fertilizer, POL and pesticides for South Vietnam, and the House bill limits fertilizer for South Vietnam to \$85 million in FY 1975. The working group considered that these limitations would not seriously impact upon planned assistance levels and should be accepted.

4. Personnel of Voluntary Agencies (p. 24).

The Senate's personnel ceiling specifically excludes employees of voluntary agencies operating in Cambodia, under AID grants. If personnel ceilings for Vietnam and Cambodia remain in the bill we should seek a similar exclusion for employees of voluntary agencies in Vietnam.

5. Transfer of Funds (p. 27).

The Senate bill prohibits the use of Section 610 transfer authority to augment IPR funds. The House bill contains a similar restriction which can be waived by the President subject to legislative veto by concurrent resolution. Because the amount of funds available for transfer from other foreign assistance accounts is extremely limited in any event, the working group did not consider these restrictions to be seriously objectionable. However, we should seek to persuade the Congress that these limitations are unnecessary.

### III. Military Assistance Program

#### 1. Excess Defense Articles (p. 38).

Both the Senate and House bills would reestablish a minimum value for excess defense articles at 1/3 of acquisition cost. This had been in the law prior to last year's bill and is not objectionable. However, the Senate bill also eliminates the availability of excess from overseas sources without charge to the MAP appropriation. The working group would therefore support the House version in Conference. In dealing with both the Senate and the House, an effort should be made to limit the scope of the excess defense articles provision to articles furnished the military assistance program. Under existing law, all grants of excess property from DOD sources are accounted for under this provision, with resulting administrative complications and inequities.

#### 2. Stockpiling of Defense Articles (p. 41).

The Senate bill prohibits the use of funds other than those available for military assistance to foreign countries for the purpose of stockpiling defense articles. We are in fact no longer stockpiling and the Senate Committee should be encouraged to delete this provision as unnecessary. If, however, the Senate wishes to maintain it, we should obtain clarification of the present language, which is unclear as to whether military assistance funds are available for stockpiling.

### IV. General Provisions

#### 1. Transfer Between Accounts (p. 49).

The Senate bill would prohibit the use of Section 610 of the FAA to augment MAP appropriations. This limitation is acceptable because of the scarcity of funds that are capable of being transferred under existing law. However, the Senate Committee report suggests that the amendment would also prevent the transfer of funds from MAP to other accounts except to provide economic assistance to the same countries for which MAP funds have been allocated. The working group would seek to clarify the Senate legislative history of this provision.

2. Reconstruction, Relief and Rehabilitation (p. 53).

The Senate bill contains new general authority for assistance to drought stricken nations of Africa, victims of flooding in Bangladesh and the strife in Cyprus, as well as major disasters which might occur in the future. The working group would favor encouraging the House to adopt these Senate proposals.

3. Contingency Fund (p. 54).

The House bill would prohibit the use of contingency fund to pay for any gift to any foreign official "made heretofore or hereafter". The working group would seek to eliminate the above quoted phrase which is intended to prohibit funding for the helicopter given to President Sadat of Egypt unless agreement is reached with Congress that the balance of the gifts can be funded from the Special Requirements Fund. We would accept the prohibition with regard to future gifts.

4. Changes in Allocations of Foreign Assistance (p. 54).

The House bill would extend to economic assistance and Indochina Post-War restriction assistance the requirement now contained in existing law with respect to MAP and supporting assistance. Under the House provision, a report on country allocations would have to be submitted to Congress within 30 days of the enactment of a foreign assistance appropriation and changes in the reported allocations would have to be reported and justified to Congress in advance. The House bill calls for 30 day's advance notice, which the working group would seek to reduce to 10 or 15 days if possible.

5. Prohibiting Police Training (p. 58).

The Senate bill would prohibit the use of foreign assistance funds for police training in the United States. Such training is already prohibited in foreign countries. The working group would accept this prohibition in Committee but endeavor to obtain an exception for narcotics training and also to clarify the language of the section to avoid any unintended restrictions on MAP activities. In Conference, we would oppose the entire section.



## V. Foreign Military Sales

Quarterly Reports and Congressional Approval (p. 60(b)).

The Senate bill imposes additional FMS reporting requirements and purports to make individual FMS sales cases subject to disapproval by concurrent resolution. The concurrent resolution feature is discussed above at pages 3 and 4 of this report. With respect to reporting, the working group would discuss with the Senate Committee what reports would be most useful to the Committee and emphasize the desirability of avoiding duplicative reporting requirements.

## VI. Miscellaneous

1. ICCS, Vietnam (p. 68).

Both the House and Senate bills provide authorization for ICCS funding at the levels requested by the Administration. However, the House bill is technically deficient. The working group would explore with the Congressional Committee the possibility of separating ICCS from the Foreign Assistance Bill and seeking accelerated action. This may be necessary in order to avoid a further financial crisis for the ICCS in December.

2. Appointment of Career Foreign Service Officers as Ambassadors (p. 73).

The Senate bill would amend the Foreign Service Act to require that not less than 85% of occupied ambassadorial positions shall be filled by career Foreign Service personnel. The working group would urge the Senate to resist this amendment on the ground that it could operate to deprive the President of the opportunity to appoint qualified non-career ambassadors in specific cases. If the Senate does not want a particular non-career ambassador, it can withhold its advice and consent from his nomination. Congress should not, however, impose an arbitrary percentage limitation upon the number of non-career ambassadors.

3. P.L 480 Limitations (p.69).

An amendment to the Senate bill taken on the floor would prohibit furnishing any commodity to a foreign country unless that commodity is available for domestic feeding programs in quantities at least as great as those provided during FY 1974. The impact of this amendment is presently under study at the Department of Agriculture. The working group believes that the nature and timing of efforts to remove this restriction should depend upon the results of Agriculture's evaluation.

4. Political Contributions of Ambassadorial Nominees (p.73).

A floor amendment to the Senate bill expresses the sense of the Senate that the President should not nominate as an ambassador anyone who has made political contributions in excess of \$2,000 for any political candidate. The working group would try to persuade the Senate committee that foreign assistance legislation is an inappropriate vehicle for addressing the subject of campaign contributions.

5. Foreign Gifts (p.74).

Two floor amendments to the Senate bill seek to regulate the subject of foreign gifts. The first requires reports on gifts made to foreign countries and foreign nationals with appropriated funds; the second would amend the Foreign Gifts and Decorations Act to prohibit in absolute terms the giving or acceptance by a US employee of a gift having a value of more than \$50.00

As in the case of campaign contributions, the working group would point out to the Senate committee the inappropriateness of treating this subject in the foreign assistance bill. Further, we would explain that the subject is under study within the Executive Branch, that action has recently been taken to inform all executive agencies and foreign governments of the provisions of existing law, and that further legislation on the subject would seem premature at this time.

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

6. Conventional Arms Trade (p.75).

Both the House and Senate bills call upon the President to propose an international agreement for limiting transfers of conventional arms. These provisions are in the nature of recommendations and are not legally binding, although the Senate bill requires a report to Congress within six months setting forth the steps taken. The working group would try to impress upon the Congress the impracticality of a general worldwide solution to the problem of proliferation in conventional arms traffic. The group would suggest to the Committee that the subject is under intensive review within the Executive Branch and request that legislative proposals not be enacted which request diplomatic steps having no chance of succeeding.

LIMITED OFFICIAL USE

Approved For Release 2007/03/14 : CIA-RDP79-00957A000100030027-8

COMPARATIVE TEXTS OF

S. 3394, AS INTRODUCED ON APRIL 29, 1974;

S. 3394, AS AMENDED PRIOR TO RECOMMITTAL TO SENATE FOREIGN RELATIONS COMMITTEE; AND

H.R. 17234, AS INTRODUCED ON OCTOBER 10, 1974