

SUPPORT FOR A NEW PHASE OF THE ALLIANCE FOR PROGRESS

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HEARINGS BEFORE THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES

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FIRST SESSION

ON

H.J. Res. 428

TO SUPPORT THE OTHER AMERICAN REPUBLICS IN A
HISTORIC NEW PHASE OF THE ALLIANCE FOR PROGRESS

MARCH 14 AND 15, 1967

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SUPPORT FOR A NEW PHASE OF THE ALLIANCE FOR PROGRESS

TUESDAY, MARCH 14, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2172, Rayburn House Office Building, the Hon. Thomas E. Morgan, chairman, presiding.

Chairman MORGAN. The committee will come to order.

The committee meets this morning in open session. The subject is House Joint Resolution 428 to support the other American Republics in a historic new phase of the Alliance for Progress.

Our witness this morning is the Honorable Dean Rusk, Secretary of State. With the Secretary is the Honorable Sol M. Linowitz, U.S. Representative to the Organization of American States and U.S. Representative to the Inter-American Committee of the Alliance for Progress, and Mr. Anthony M. Solomon, Assistant Secretary of State for Economic Affairs.

At this point I would like to insert the text of the resolution in the record.

(H.J. Res. 428 reads as follows:)

[H.J. Res. 428, 90th Cong., 1st sess.]

JOINT RESOLUTION To Support the other American Republics in a historic new phase of the Alliance for Progress

Whereas it has been an historic policy of the United States to work in close harmony with our sister American Republics to promote the well-being and enhance the security of the hemisphere; and

Whereas the United States has pledged to work with the nations and over two hundred million fellow citizens of Latin America in a partnership of good will and vision, dedicated to the common cause of economic progress, justice, freedom, and opportunity; and

Whereas in this spirit of deep understanding and firm friendship, we are helping our neighbors in their humanitarian and progressive programs to cure the sick, feed the hungry, shelter the homeless, banish ignorance, and fulfill the hopes and expectations of freemen in this hemisphere; and

Whereas the United States joined with the other American Republics in 1959 in establishing the Inter-American Development Bank and in 1960 in approving the Act of Bogotá which called for the launching of a "program for social development," and "prompt action of exceptional breadth in the field of international cooperation and domestic effort" to promote economic development; and

Whereas the Congress has strongly supported the Alliance for Progress, enabling the United States to play its full part in the fulfillment of the mutual undertaking as set forth in the declaration to the peoples of America and the Charter of Punta del Este, signed on August 17, 1961; and

Whereas during the first half decade the Alliance for Progress, the cooperative efforts of the American governments and peoples have stimulated economic growth, encouraged institutional development, amplified the role of private enterprise, broadened the exercise of representative democracy, and strengthened the internal security of the Latin American Republics against Communist subversion; and

Whereas experience has now made clear that in order to achieve self-sustaining growth under conditions of freedom, social justice, and broadened opportunity for all and to provide adequate food supplies and productive employment opportunities for growing populations, there must be a significant increase in the rate of economic growth thus far achieved under the Alliance for Progress; and

Whereas the achievement of this goal is in great part dependent upon an accelerated movement to integrate the economics of the Latin American countries and a major effort to modernize the education and agricultural sectors, with special emphasis on science and technology and involving substantial increases in the commitment of resources to these purposes and commensurate changes in national policies and practices; and

Whereas the Governments of Latin America at the recent eleventh meeting of foreign ministers clearly recognized the need for their countries to take the actions contemplated in the preceding paragraph; and

Whereas it is also imperative to mobilize the will and energy of the Latin America peoples for community action, participation and cooperation to accelerate the process of development so that all become contributors and beneficiaries of this progress; and

Whereas the meeting of Presidents of the American Republics provides an historic opportunity to set in motion policies and actions that will make the decade of the 1970's a decade of singular Latin American achievement in unity, prosperity, stability and contribution to world affairs; and

Whereas if the leaders of the other American Republics are prepared to assume the commitments to launch this critically important new phase of the Alliance for Progress, the United States should stand ready to support them: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress recommends, in support of the concept of a Latin American Common Market and after appropriate steps have been taken toward progressive establishment of such a market, that the United States furnish through the Inter-American Development Bank standby resources to be matched by Latin American countries to provide integration adjustment assistance to facilitate the transition to a fully functioning Latin America Common Market.

The Congress further recommends that the United States join with the other members of the Inter-American Development Bank, in the provision of resources to that institution to be used for financing multinational projects which promote Latin American economic integration.

That the Congress supports individual and joint efforts of the member states of the Organization of American States to expand trade within the region and with other areas of the world and to mobilize public and private resources inside and outside the hemisphere to further the economic development of Latin America.

Further, the Congress recommends that the United States provide an increase in assistance under the Alliance for Progress for programs of educational and agricultural modernization and improvement of health. The nature and amount of such assistance is to be dependent on demonstrated need and adequate self-help within the recipient countries.

The Congress recommends that the United States be prepared to make available significant additional resources over a period of five years in support of the foregoing objectives and in relation to progress by the Latin American countries toward the goals of economic integration and in the mobilization of domestic efforts and resources to advance the purposes of the Alliance for Progress.

Chairman MORGAN. Mr. Secretary, you have a prepared statement, and may proceed as you wish.

STATEMENT OF HON. DEAN RUSK, SECRETARY OF STATE

Secretary RUSK. Thank you very much, Mr. Chairman and members of the committee. I am delighted to be here this morning and to be accompanied by my two distinguished colleagues, Ambassador Linowitz and Assistant Secretary Solomon.

I welcome this opportunity to consult with you on the forthcoming meeting of the American chiefs of state, scheduled for April 12 to 14, in Punta del Este, Uruguay.

This is only the second such meeting of Presidents in the history of the hemisphere, and the rarity of the occasion is matched by the scale of the opportunity that now presents itself. This opportunity arose from a proposal made in March 1966 by Dr. Arturo Illia, then President of Argentina. His proposal rapidly gained the endorsement of other Latin American countries. Subsequent discussions, including those in which I recently participated in Buenos Aires, made it increasingly evident that our Latin American neighbors are prepared to make new decisions and to take new actions, some of them of the most momentous significance. These require some indication of what we, the United States, will do.

The President might, of course, go to this meeting without consulting the Congress and present his own views on what our response would be, subject to subsequent action by the Congress. But he would much prefer to be able to set forth the intentions of the Government of the United States—of the Congress as well as of the President. This does not mean, Mr. Chairman, that the resolution before you is intended to supplant the normal procedures for authorization and appropriation by the Congress. But the President wants to be able to say that if other nations of the hemisphere take the steps that they themselves have proposed, the United States will be prepared to work with them in partnership. In proportion to what we expect the Latin American nations to undertake our contribution would be small—but it would be of crucial importance.

We are all keenly aware of the close and special relationship we have with our neighbors in this hemisphere. It is a relationship shaped from a common heritage in revolution, from a shared belief in social justice, and from a deep respect for personal dignity. These traditions and beliefs are common to the hemisphere. But we have come to realize that even the soundest social traditions are vulnerable to the threat of material want. Poverty is no friend of justice; hunger no ally of democracy. And it was out of our keen awareness of the inevitable interaction between social and material conditions that the Alliance for Progress was forged 6 years ago.

During that time our Latin American neighbors have dramatically demonstrated their commitment to the process of social and economic progress. Largely with their own resources—during the period 1961-66 they invested over \$91 billion in their own development—our neighbors have begun the task. The U.S. role in this great enterprise, has been to provide the small but highly critical margin of additional resources, both in capital and knowledge, that helps to accelerate the process and keep it moving in productive directions. Our material contribution over this same 6-year period has been \$6.5 billion, small by comparison with that of Latin America itself, but its importance is inestimable.

As a product of this collaboration, Latin America's income has grown at rates approaching, and in recent years attaining, the overall targets we and our neighbors set in 1961 at Punta del Este. Behind these higher rates of growth lie the new roads, schools, power facilities, and other types of infrastructure to which our capital and our knowledge have so importantly contributed. Behind them, too, lie the people and resources of the Latin American countries themselves, increasingly dedicated to the tasks of development. And, finally, what must never be underestimated, the higher rates of growth reflect the growing sophistication and understanding of our neighbors in matters of public policy, and a manifest determination to use public policy to shape and improve their own destinies. This is resulting, for example, in reduced rates of inflation, in stronger fiscal and budgetary performance and in more rational monetary and foreign exchange rate systems. All of these improvements are vital to the achievement of adequate rates of economic development.

But encouraging as these trends may be, the plain fact is that the progress remains too slow. There remains much unfinished and urgent business. I am convinced that our friends in the hemisphere are themselves determined to move on to major new efforts. And as they move, we must move with them lest this opportunity be lost at a crucial juncture in the history of the Western Hemisphere.

Now, what is this opportunity?

At Buenos Aires, the Foreign Ministers reached broad agreement on a six-point agenda which, if realized in a program of action, could together with ongoing efforts bring this hemisphere into a new era of unity and progress:

1. Latin American economic integration and industrial development. The economic integration of Latin America will be a long, complex, and difficult task. It is nevertheless apparent to me that the Latin American governments, with our support, are determined to make a strong effort to form a common market over the next decade. This is a decision of historic proportions—probably the most important made since these countries became independent.

2. Multinational action for infrastructure projects. The success of economic integration in Latin America will depend in part upon the adequacy of infrastructure facilities to link the regions and economies of the continent even more closely together. As part of the integration process, Latin American countries will join in multinational action for the development of the power facilities, transportation, telecommunications networks, and river basins which will provide these vital links.

3. Measure to improve international trade conditions for Latin America. As the committee knows, this is a subject of great importance to the Latin Americans. We expect the Presidents to consider what all of us might do to expand and improve trade conditions for Latin America, including the reduction of existing discrimination against Latin American exports to the rest of the world.

4. Modernization of rural life and increased agricultural productivity. Here it is intended to develop improved agricultural programs. The Latin American countries have agreed at Buenos Aires to a set of guidelines for progress in agriculture and to periodic CIAP

review of their programs and policies in this area. There is no question but that a major expansion of agricultural output, particularly food, is one of the essential keys to accelerated development.

5. Educational, technological, and scientific development and intensification of health programs. We all know from our experience in this country that education is a necessity for social progress and a prerequisite for modernization. The Latin American countries agreed in Buenos Aires to a set of guidelines for improved new programs in this field, including multinational institutions for technological and scientific research and training. We must at the same time insure that Latin America has access to the full range of technological and scientific advances of the developed world which will accelerate its own progress.

6. Elimination of unnecessary military expenditures. A number of Latin American governments are considering initiatives to limit expenditures on armaments. While the arms burden in Latin America is not of as serious proportions as some may perhaps believe, we hope that steps will be taken to limit expensive and overly sophisticated armaments. We will continue to emphasize that unnecessary arms expenditures would be detrimental to economic development.

If Latin America moves as we hope and expect, what should we, the United States, do to assure the success of a massive endeavor so vital in our own interest? We would like the Congress to share our thinking on these complex matters, even though many of the details must remain tentative until further explorations take place.

The testimony, Mr. Chairman, will try to give to the committee and to the Congress our full thinking on these matters in order to assist the Congress in avoiding the problem either of a blank check on the one side, or of empty words on the other.

The proposed agenda and the preparations for the meeting of the American chiefs of state reveal a responsible and realistic approach to Latin America's problems. It is very important that the United States support these initiatives with increased appropriations, which we estimate might be in the range of \$1.5 billion over the next 5 years. I should note here, however, that the predominant part of this figure would represent additional outlays for AID programs in agriculture and education. These additions are suggested to be \$100 million in fiscal year 1968 and an average of \$200 million in each of the 4 following years.

I would point out that though these would be additional to the appropriations we have thus far requested, these amounts are within the level of the \$750 million recently authorized by the Congress for fiscal year 1967, 1968, and 1969.

In addition, we are thinking of somewhere between \$250 million and \$500 million for the establishment, under the Inter-American Development Bank (IDB), of an integration fund to help to smooth the transition of Latin America into a common market. These funds would not be needed until specific action is taken by the Latin American governments—probably not until 1969 or 1970.

That would not be an annual figure but would be the constitution of a standby fund matched by the Latin Americans and be available for certain types of adjustment assistance and balance-of-payments operations in connection with integration.

In a very rough analogy, I would recall that the United States provided some \$350 million in 1950 or 1951 to the European Payments Union, and some of those funds still remain undrawn from that particular fund.

Then we have in mind \$50 million a year additional for the next 3 years in our allocation to the IDB fund for special operations, over and above the current contribution of \$250 million a year. Subject to negotiation with other member governments, the first annual \$300 million authorization and appropriation would be expected to be submitted to the Congress this year. The addition U.S. allocation would permit the IDB to channel up to \$100 million a year into multinational projects.

I consider the support I have described here the soundest kind of investment in the well-being of this hemisphere. Our commitments are contingent, of course, on the decisions we expect to be taken by other governments at the summit, decisions that we expect to reflect their own deep commitment to the program to which all would be agreeing. We have emphasized, and others understand, that our assistance will continue to be related to performance.

The proposed joint resolution seeks the participation and support of our Congress for the position which we here propose to take at the meeting next month. In this way we shall reaffirm the determination of the Congress and of the American people to march at the side of Latin America toward the new era foreshadowed by the decisions we will reach at Punta del Este.

I emphasize in closing, Mr. Chairman, that this is not an occasion marked simply by a meeting of the Presidents. The Presidents are meeting because the hemisphere itself has reached a most important and, indeed, historic turning point in its affairs.

I have particularly in mind the moves which are being now made to move rapidly toward economic integration of the hemisphere. This ideal was inscribed in the Punta del Este declaration of 1961. In the revisions of the basic charter of the OAS it was spelled out that economic integration should be achieved in the shortest possible time.

At our recent meeting in Buenos Aires there seemed to be a strong forward movement to achieve economic integration during the decade of the seventies and to bring it to completion by 1980.

The importance of this decision is very great, and I think one of the most important things we can do is let our friends in Latin America know that if they do decide to move in this direction, as we think they are now deciding, not only will we give certain tangible support, but also that the United States, as a matter of policy, wishes to encourage and support the idea of integration.

There have been those in Latin America who over the decades have supposed that it is the attitude of the United States to deal with this hemisphere on a fragmented basis, country by country, separately, as if it were somehow in the United States' interest to keep them separate from each other.

Those days passed in this post-war period, and it would be a matter of great encouragement to the countries of the hemisphere to know that as they make their effort—an effort which will be difficult and complicated—that they will have the friendly interest and support of the United States in this great new chapter in their history.

Thank you very much, Mr. Chairman.

Chairman MORGAN. Thank you, Mr. Secretary.

Mr. Secretary, in 1959, we established the Inter-American Development Bank. In 1960, the Act of Bogota was approved under the leadership of President Eisenhower. In 1961, the Alliance for Progress was established under President Kennedy.

Do you feel that this is a necessary further step which the present administration must take?

Secretary RUSK. I do, Mr. Chairman. I think that this builds, if I may say so somewhat modestly, upon the very important steps taken by both the Eisenhower and Kennedy administrations when they launched the Act of Bogota, and later the Alliance for Progress.

These have been important resources invested in Latin America during these past 6 years, but they have been resources which have evoked a very large Latin American effort. Nevertheless, additional effort is required.

I would think, sir, as I pointed out earlier, that the \$900 million of this billion and a half that we are talking about is, itself, still within the range of the order of magnitudes discussed in connection with the Alliance for Progress, and has indeed been considered by the Congress in its existing authorization legislation.

Chairman MORGAN. Mr. Secretary, would the existing foreign programs, aid programs be modified or reduced as a result of the new operations required under this resolution or the International Development Bank?

Secretary RUSK. I think, Mr. Chairman, that the existing programs of AID—well, we certainly would hope that the existing appropriations for AID and the actions taken with respect to existing AID requests would not be reduced.

I might point out that this additional \$100 million for the Alliance for Progress that we are asking for for fiscal year 1968 is within the President's overall budget, and a budget revision will be submitted to the Congress in order to place that \$100 million from one account into another account, for your consideration.

We would call attention to the fact that the hemisphere is now becoming very conscious of the need to do something bold and dramatic about its agricultural sector and about education, and, as the committee knows, there has been a growing tendency in our own AID programs to put more and more emphasis upon agriculture—particularly the production of food—and the educational factor.

We would hope that that would be continued and that the additional resources that might be made available in connection with this presentation would be heavily aimed in those directions.

Chairman MORGAN. Mr. Secretary, I noticed when you read your statement that you said that under the resolution an additional \$300 million was to be required over a period of the next 5 years, and that for the next fiscal year the necessary funds could be provided within the limitation set forth in last year's Foreign Assistance Act relating to the Alliance for Progress.

Without this resolution—would the President still find it possible to ask for the additional money which may be needed under the present Foreign Assistance Act?

Secretary RUSK. I think, sir, it is quite right that some of this for at least the next 3 years—1967, 1968, and 1969—is covered already by

authorization, but what the President hoped to do was to call the attention of the Congress to the additional effort which he believes, and many of your leaders have indicated they believe, would be required if the Latin Americans move as presently contemplated.

We are asking this year, for example, for an appropriation in the regular budget of \$543 million for the Alliance for Progress. We would expect to add the \$100 million on to that and make that \$643 million in this next fiscal year.

Now, this figure, Mr. Chairman, I am sure you understand is not the \$300 million that we have in mind if the Latin American integration proceeds to the point where they need a standby fund. That is a matter that would have to be taken up in 1969 and 1970, and would depend upon the nature of the integration and the steps taken by the Latin Americans before that matter would come up.

Chairman MORGAN. Mr. Secretary, then you feel that under the blanket authorization we gave you last year for 1968 and 1969 of \$750 million for the Alliance for Progress, plus this year's funds that will be appropriated for the Alliance for Progress would still be within the framework of the \$750 million?

Secretary RUSK. Yes; we have suggested here that what we have in mind is that these additional funds might run over a 5-year period. Existing authorization would run to a 3-year period.

However, I just wanted to point out that the order of magnitude that we are talking about are within the orders of magnitude which the Congress, itself, has considered for the Alliance for Progress and has inserted in its authorization bill.

Chairman MORGAN. Mr. Secretary, does this resolution commit the United States to provide additional funds or additional resources to the Inter-American Development Bank if other countries decide to increase their contribution?

Secretary RUSK. I didn't get the latter part of your question, Mr. Chairman.

Chairman MORGAN. Does this resolution commit the United States to provide additional resources to the Inter-American Development Bank if other Latin American countries decide to increase their contribution?

Secretary RUSK. This resolution would express the intent of the Government—the Congress as well as the President—to strengthen the Inter-American Development Bank in order that the Inter-American Development Bank could assist in the financing of multinational projects which would promote Latin American economic integration.

We would be negotiating in the Inter-American Development Bank this question, in addition to the question of what additional contributions the Latin American countries might make, and negotiating the use of such funds for financing of these multinational projects. That meeting comes up I think in the middle of April, Mr. Chairman.

Chairman MORGAN. Mr. Secretary, I have one further question.

Do you feel the passage of this resolution is absolutely necessary to strengthen the President's hand during the summit meeting?

Secretary RUSK. I think it will be very important, Mr. Chairman, that we have a resolution which would indicate that, when the President speaks to the Presidents of the hemisphere about these matters,

he does so for the United States as a whole, that the Congress is with him. This is somewhat similar to the resolution passed prior to or in connection with, the Act of Bogotá of 1960 to which you called attention, and I think also somewhat similar to the resolution in which Senator Vandenberg played such a major role when we were discussing the reconstruction of Europe after the war, and the Marshall plan.

Chairman MORGAN. Thank you, Mr. Secretary.

Mrs. Bolton.

Mrs. BOLTON. Thank you, Mr. Chairman.

Mr. Secretary, it would seem to many of us that one of the important things to developing this country is the closer communication between the administration, or the President and the Congress, and we have hoped for some time that before any of these events should take place there might be just such a meeting and exchange of ideas. It is therefore particularly happy for many of us that this is taking place and that you are here today with the presentation that you are making and bringing to us. We are happy that the President should see the wisdom—after all, we here in the House represent the people of the country, and I am sure he wants the people of the country behind him in anything as important as this.

I wonder, has there been much integration in Latin America?

Secretary RUSK. There has been a dramatic progress in integration in Central America. The Central American Common Market has been moving rapidly and with great effect. That is only a fraction of the total.

The population of the Central American countries is 14 million. The countries of South America have had their own meeting and are devising ways and means to move in integration and now have spelled out a certain calendar for themselves.

At Buenos Aires where, by the way, Mr. Chairman, we had the excellent assistance of Congressman Kelly and Congressman Mailliard of this committee—at Buenos Aires they agreed to accept now the obligation not to place restrictions on trade among Latin American countries: to establish by a tariff cut or other equivalent measure a margin of preference within the region—to take the first steps forward toward a common market, and to work together to bring the two groups, the group in South America and the Central American Common Market, together so that they can both move toward general integration in the hemisphere without getting in the way of the speed with which the Central American Common Market would be moving.

Mrs. BOLTON. How much economic and military assistance are we giving down there?

Secretary RUSK. Since 1961, I think our total aid has been \$61½ billion, Mrs. Bolton.

Mrs. BOLTON. And you feel that it has been well spent?

Secretary RUSK. We have been encouraged by the rapidly improving capabilities of these countries to make efficient use of foreign aid. I would say in that connection that one of the most valuable instruments in this process has been the CIAP Committee, the Inter-American Committee on the Alliance for Progress, which screens and examines the proposals of the member countries before the aid arrangements are actually made. Then the Development Bank has had a very good effect on this matter.

There are a number of intangibles as well as the various tangibles which the President listed in part in his message on this subject.

For example, it seems to be now generally accepted that inflation is not a good permanent policy for a country to pursue, and disciplinary measures have been taken by a number of countries to bring inflation under control. One most interesting development has been the increasing ability and readiness of these countries to be of assistance to each other. When one looks at the contribution which Mexico is making to the agriculture of the hemisphere, and indeed to agricultural development in other parts of the world, through sharing improved seed, those possibilities are mounting and will be a part of the total effort.

I do think the record steadily improves on this, Mrs. Bolton.

Mrs. BOLTON. Mr. Secretary, on page 1 of your statement you speak of Dr. Arturo Illia, then President of Argentina. What has happened to him?

Secretary RUSK. He is living in Buenos Aires at the present time. A new government replaced him between the time that he made this suggestion and the time that the Presidents will meet.

Mrs. BOLTON. Thank you, Mr. Chairman.

Chairman MORGAN. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Mr. Secretary, I, for one, certainly welcome this tentative plan because I think it is long overdue.

To follow up on Mrs. Bolton's question, could I ask: Was the \$6.5 billion given in aid to Latin America since 1961 to 1966 all on a grant basis?

Secretary RUSK. No; not at all. Let me get the breakdown.

Mrs. KELLY. You can submit it for the record. I simply wanted to make clear that much of our aid has been in the form of loans which have been, and continue to be, repaid.

Secretary RUSK. Yes; if I can submit the figures for the record, it has been predominantly on a loan basis.

(The following was subsequently submitted:)

U.S. ECONOMIC ASSISTANCE, 19 LATIN AMERICAN REPUBLICS

Net obligations and loan authorizations

[In millions of dollars]

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Total
Total economic.....	844.2	1,046.2	967.4	1,228.0	1,172.5	⁴ 1,268.8	⁴ 6,527.2
Loans ¹	684.2	732.1	649.7	865.2	675.2	⁴ 752.3	⁴ 4,358.7
Grants ²	160.1	193.4	250.3	304.1	240.3	264.0	1,412.2
Total U.S. contributions to international organizations.....		120.7	67.4	58.7	257.0	252.5	756.3
Inter-American Development Bank ³		110.0	60.0	50.0	250.0	250.0	720.0
Organization of American States.....		10.7	7.4	8.7	7.0	2.5	36.3

¹ Includes Social Progress Trust Fund funds administered by the Inter-American Development Bank.

² Includes technical assistance grants made by the Social Progress Trust Fund and the administrative costs for operating the fund.

³ These contributions to the Inter-American Development Bank are in turn loaned to the 19 Latin-American Republics.

⁴ Excludes \$90,000,000 Export-Import Bank loan to Mexico to finance U.S. purchases.

Source: U.S. Overseas Loans and Grants Special Report Prepared for the House Foreign Affairs Committee, June 30, 1965, and June 30, 1966.

Mrs. KELLY. That is what I wanted to bring out, Mr. Secretary, because I long regretted the fact that in the 1950's we gave only about \$75 million a year to the entire Latin America, including Central America, while we were giving much more than that to, for example, Yugoslavia. That point was a thorn in my side, and still is.

The solution of the problems affecting Latin America could also be a solution to many of the U.S. problems—for example, the resources on tap in Latin America could be very helpful to all of us in the future.

Secretary RUSK. I think, Mrs. Kelly, that there is considerable excitement about what could happen in Latin America if they had available to them what is called the economics of scale. Countries who might be able to nourish industrial development for a market of \$250 million, or within the next two decades perhaps \$450 or \$500 million are in quite a different position than countries limited to their own national frontiers.

The attractions for private investment in that situation are quite different, the ability to develop more sophisticated industry which can't be supported with small populations in single countries would be very great.

I would think we could see some dramatic development as integration opens up the possibilities of vigorous industrial development, for the most part, on a private enterprise basis.

Mrs. KELLY. Then you will agree that the solution of those problems could be very helpful to the United States and that in the long run it would make a wonderful contribution to the well-being of the entire Western Hemisphere, isn't that right?

Secretary RUSK. I think so, Mrs. Kelly. You know, there may be some people who are nervous about the effect on our trade relations of industrial development in Latin America, but I would point out that Canada, a very highly industrialized country, is our No. 1 trading partner. Our second largest export market is the European Common Market, and Japan, another exceedingly industrialized country, is our No. 3 trading partner. We have found, contrary to some people's expectations, that as full industrial development goes forward we find better customers and better trade partners, and I would expect that to happen here in this situation.

I think also that the matter of scale is of some importance.

The present gross national product of all the Latin American countries that are contemplating integration amounts to something like \$75 billion, one-tenth of that of the United States. And yet you have a country like Brazil that is as big as the United States. There are enormous possibilities of growth and development in this hemisphere if the economic, physical and trade arrangements can be worked out to give it the impetus which it needs.

Mrs. KELLY. Thank you, Mr. Secretary.

Chairman MORGAN. Mr. Frelinghuysen.

Mr. FRELINGHUYSEN. You have been eloquent as usual in presenting your case, Mr. Secretary, but I would like to ask you a few questions about this resolution.

In the Foreign Assistance Act there is formal recognition by Congress, in section 251, of the unique relationship that the United States

has with Latin America. The paraphrase of section 251, which seems to constitute the initial part of the resolution, strikes me as perhaps undesirable.

Is it any more than a paraphrase and perhaps an updating of that language in the act? If so, has any thought been given—certainly not by us—has any thought been given by you as to the difference in the language with which we specifically endorse the special relationship with Latin America through the Alliance for Progress? Why should we buy, without really having a chance to digest it, changes in the language when we already have pretty solid language in section 251 with respect to our relationships with Latin America?

Secretary RUSK. May I ask to which paragraph—

Mr. FRELINGHUYSEN. All the preambulatory language, Mr. Secretary. Would there be anything lacking if we took out all the "Whereases" because there is already language in the existing legislation; namely, section 251. What is the point of this fulsome language with respect to our relationships?

Secretary RUSK. I think, sir, there was no intention in this resolution to present major departures of policy. I do think it was felt that, in drawing together this expression of policy and intent on the part of the Congress, it was well to draw together those elements which are important for the decisions which the Presidents of the hemisphere will consider at their meeting at Punta del Este in the middle of April.

It will be for Congress, of course, to consider the exact language in which it wishes to reflect these matters of policy, but there was no purpose here to avoid or change the statement of these policies as they have appeared elsewhere in action taken by the Congress.

Mr. FRELINGHUYSEN. By updating and rephrasing what we already have now in legislation, are we casting some doubt on the language in section 251?

Secretary RUSK. I think that is a matter that could be examined to see whether or not there is any clash or conflict there that needs resolution or whether some language might not be improved here.

Mr. FRELINGHUYSEN. Perhaps this is unfair, but to submit a resolution which needs to be acted upon affirmatively before the President leaves for South America looks like pointing a gun at the head of Congress and saying:

If you do not act, this will be an evidence of your lack of support for what he is trying to accomplish in South America.

It doesn't seem fair that this should be the case, especially as Congress specifically described already our relationships and our desire to help Latin America.

You say this resolution is going to show that we are prepared to work with them in partnership. I refer to page 2 of your statement. Well, surely we can do that without a new resolution. If we get down to the guts of the resolution, the recommending, operating paragraphs, this seems to me very unusual language, that the Congress recommends that the United States provide an increase in assistance under the Alliance for Progress.

To whom are we recommending? This is an increase over what?

Surely the President now has authority within the ceiling already granted, as you have pointed out, the right to request an increase.

Are we committing ourselves to an increase the size of which can't be specifically delineated? Or are we confining ourselves to the ceiling which we already authorized?

In the next "Recommending" paragraph, the Congress recommends that the United States be prepared to make available significant additional resources. Do you mean above any ceiling which might have been established?

I think it is unwise for us as far down the road with this loose language such as this. I am not saying I am in any sense hostile to what might be attempted, but you suggest there is some psychological reason why the President isn't going to be believed unless he comes to Congress and gets what looks like close to a blank check from Congress. You do this on a last minute basis, with little or no time for discussion of the pros and cons of what might be needed from Congress. You say in your statement that the tangible support to be provided is relatively small and can be done within existing ceilings. Then presumably it is a psychological problem?

Secretary Rusk. Well, Mr. Frelinghuysen, first on the matter of time, it was, we felt, necessary to get a very full reading on the real intentions of the hemisphere on such an important matter as economic integration by hearing them out fully at the recent Foreign Ministers meeting in Buenos Aires.

It was also felt by the hemisphere that they should move relatively promptly to a meeting of the Presidents.

Now, that gave us only limited time in which to consult the Congress. On the matter of consultation, I was very much interested and very much appreciated a remark that Mrs. Bolton made on that subject a moment ago.

There is, I suppose, a certain dilemma under our constitutional system about how the President and the Congress can best act together, and particularly in those situations which are prefinal negotiation. On the matter of economic integration, for example, there is a lot to be done between now and 1969 and 1970, but we are convinced, for example, on this point, that they are serious about it and will move on it, so we are asking the Congress to consider saying with us, "If you do in fact move, the United States will be with you."

Now, it isn't easy to consult in general, because quite rightly you want to know what that means, and so we have tried in our testimony, and in our message, to given you specifically the things we have in mind that would be covered by the general language of the resolution.

Mr. FRELINGHUYSEN. Surely, the language of the law under which you are presently operating indicates that the United States is going to continue to deal with Latin America in its efforts to improve itself. If integration is one of the ways to achieve improvement, surely, we don't need to spell out in very fuzzy language just how far down the line we would be willing to go with respect to something that hasn't yet been formulated.

In other words, what kind of language is this that the Congress recommends the United States be prepared to make available sufficient additional resources over a period of 5 years? We don't know now what kind of demands are going to be made upon us. Surely, we certainly haven't closed the door by not taking a position beforehand. Specifically, we are willing to make a recommendation to whom?

Secretary RUSK. Mr. Frelinghuysen, on that point I think there is a very important political factor here in the hemisphere as well as in this country. Between now and 1970, the governments of the hemisphere will be taking up in their own legislative chambers very important and far-reaching matters of law and policy having to do with integration. This is not going to be a simple process—there will be a good deal of controversy about it.

Imagine what kind of debate we would have here if we were to propose fairly soon that we ourselves undertake a common market with, say, half a dozen countries. There would be a major discussion here in this country. It would be very important in this discussion in Latin America for them to know that the United States is encouraging and is in favor of such an integration if they wish to proceed with it. I think that this could be an important part of the psychology and the politics of the problem as Latin America itself moves toward integration. Some expression, timely, in relation to the Foreign Ministers meeting, the Presidents meeting, could be important from a political as well as a practical point of view.

Mr. FARBERSTEIN. Would the gentleman yield?

Mr. FRELINGHUYSEN. My time has expired.

Chairman MORGAN. Mr. Hays.

Mr. HAYS. Mr. Chairman, I think it is fair to point out, as Mr. Frelinghuysen was saying, we were faced with this same situation to a degree back in 1960. I think I first heard about the proposed resolution from the Eisenhower administration when I was in Los Angeles at the Democratic National Convention, and Mr. Dillon, who was then going to Bogotá, wanted some assurance—do we have a copy of that resolution around?

Secretary RUSK. There is a copy here, Mr. Chairman.

Mr. HAYS. Anyway, the Democratic Congress in reply, in response to a request from the Republican administration, passed such a resolution and gave Mr. Dillon some backing before he went down there, and I am sure the gentleman from New Jersey supported it at that time, I don't remember exactly. It was approved on the 8th of September 1960.

Mr. FRELINGHUYSEN. I assume one of the reasons the administration is currently asking for a resolution is that Dillon got in trouble, despite the fact there was a resolution passed before Bogotá, with respect to the promises he made for a decade ahead.

I am not opposed to the President of the United States being able to say that we continue to be friends and will encourage the Latin Americans to help themselves—I am for it—but I am saying that this language is very badly phrased.

Mr. HAYS. You are taking my time, you already had 10 or 12 minutes.

Mr. FRELINGHUYSEN. I appreciate that the gentleman yielded.

Chairman MORGAN. Mr. Hays.

Mr. HAYS. Anyway, I would point out this was done, and the President, you might say, is on the firing line, whatever he does. If he calls in a group of people as he did last week, then presents a resolution, as he is doing today, people then say he is asking for a blank check. If he goes down there and says, "I will try to commit my country to so and so," then they say he committed the country to a lot of

things he couldn't deliver, so this is, of course, one of the benefits of being in the minority. You can call your shots in either direction, and whatever the Chief Executive does, he is wrong.

I think, for my part, I prefer to be consulted before the fact rather than after the fact, and I appreciate the fact that the President is doing it this way rather than going down and making a commitment and then asking us to support it.

I might say, some members were out of town Friday, but I happened to be here and went down. There were about 40 people from Congress, some with such diverse opinions as Senator Morse and myself, and everybody was unanimous in saying the President had done the right thing and that everybody there, both Democrat and Republican, said they would support it.

Now, there are two things on this, Mr. Secretary, that intrigue me. One is, of course, as I stated last week, the fact that we are going to try to cut down on military aid and do more on the economic side, because I don't think military aid in Latin America would do anything but give these people something to use against each other. I don't see that it is going to protect them for anybody outside the hemisphere.

A second thing—and I would like to clarify it a little if I may, and then ask you to answer this question very briefly.

Ten years ago—I was checking with the staff—a small subcommittee which I had the honor to Chair, including Mr. Selden and Mr. O'Hara and Mrs. Church, who is no longer here in Congress, made a trip to Africa, and second only to Mrs. Bolton, who made a trip alone, it was the first time a congressional committee from the House had ever toured this part of the world.

I guess we got raked over in the press for being junketeers, but I thought I found out a lot of useful information.

I recall one of the people we talked to at length was the President of Egypt, Mr. Nasser, and I am a little bit hazy about the figure, but if I remember correctly he told us that one of his big problems was the fact that every time the sun came up in the morning, I believe the figure he used was he had 1,500 more mouths to feed than he had when it went down the night before.

In other words, every 24 hours, there was an increase of something of that order of magnitude in the population.

I recall that either in that conference with the President or afterward in conference among ourselves we figured out that by the time the Aswan Dam was completed it would provide enough new acreage and enough food to just feed at the same low level of existence the population of Egypt that would be born from the time it started until it finished—it wouldn't add anything for the population that was already there.

Now, isn't that one of the big problems in Latin America, and do you really think—and I am not trying to put you on the spot, I am sympathetic, but I feel pessimistic—do you think we can do anything about this problem? Are the countries attacking it, and is it possible to increase agriculture sufficiently to keep the increased population at a bare level of existence people have now, or are we running as hard as we can on a treadmill to catch up a little bit? What do you

forsee? You don't have to comment if you don't want to on population control.

Secretary RUSK. I will be glad to comment on the two points you raised.

First on the military assistance, I think there are three specific figures that would be of some interest to the committee on this particular point.

First, the defense budgets of the Latin American countries represents $1\frac{3}{4}$ percent of their gross national product. Compared to the world as a whole, that is a relatively low commitment of resources to defense.

Secondly, of all of our aid to Latin America, 7 percent has been military assistance.

Third, of all of our military assistance, 7 percent has gone to Latin America.

This does not mean, Mr. Hays, that waste is to be commended. We have pointed out to some of our friends, for example, what to me is a rather dramatic figure, that one supersonic aircraft squadron can build and maintain a university.

Now, the situation on this matter of military expenditure varies considerably in different parts of the hemisphere. I think we would be hard put to say, for example, that Guatemala or Venezuela have more military forces than they need at the present time, for they are rather busy these days. Nevertheless, there are certain others who have been considering moving to new levels of sophistication and new levels of cost. It is my impression, sir—and I can't speak for them on the present circumstances—it is my impression that they themselves are considering what they can do to accept some limitations on defense budgets in order to avoid a prestige race in highly modernized and sophisticated weapons. This is something they can do more easily on their own than through unilateral pressures. They have their problems, too, but I hope some progress can be made on that, and I share Mr. Hays' concern about the possibility of waste when there are so many other things to be done.

Incidentally, this is a major problem for us and one of the reasons why we would like to see a little peace in the world. This year the defense budget of the United States equals the total gross national product of the rest of the hemisphere combined, if you leave out Canada, almost exactly the same figure, just under \$75 billion.

Mr. HAYS. What about the population?

Secretary RUSK. Now, on the population matter, sir, this is a problem particularly in terms of rates of investment and the utilization of resources. Certain steps are being taken in the Hemisphere, and I have perhaps made the mistake of commenting on some of those steps in a way that makes it more difficult for those governments to get on with it. We could, in executive session, go into some of the specific steps.

Mr. HAYS. Please don't say anything that will make it more difficult.

Secretary RUSK. This is, as you know, in most countries something of a controversial question, and I would not wish to make it more

difficult, but it is an important question and requires a pretty strong effort if the Latin American countries are to achieve and sustain the 2.5 percent per capita increase in productivity which was the target of the charter of the Punta del Este.

Chairman MORGAN. The gentleman's time has expired.

Mr. Broomfield.

Mr. BROOMFIELD. I will yield my time to Mr. Frelinghuysen.

Chairman MORGAN. Mr. Frelinghuysen may have 5 minutes.

Mr. FRELINGHUYSEN. Thank you; I appreciate this.

Mr. Secretary, I would like to begin by saying that I am sure you realize, if maybe some of the members of the committee do not, that in asking these questions about the language of the resolution I am not seeking any partisan advantage at all. I see no basis for any partisanship on this matter.

I happen to feel sorry for the President of the United States. I would like to strengthen his hand in any way I can so far as his handling of foreign policy is concerned. He gets enough sniping from the Democrats, it seems to me.

However, I am concerned about the specific language you are asking us to approve.

Could we take up the last recommending clause in the resolution:

The Congress recommends that the United States be prepared to make available significant additional resources over a period of 5 years * * *

I assume that this is in reference to the money that we assume is going to be needed to establish, or to make a U.S. contribution to, this so-called integration fund. This fund, as you describe it, is going to help smooth the transition of Latin America into a common market. Is that correct?

Secretary RUSK. The additional resources, Mr. Frelinghuysen, would refer to, first, the contingency of an integration fund along in 1969 or 1970 if the Latin Americans do in fact, as we expect them to, proceed to united integration.

Second, an increase in the replenishment of the Inter-American Development Bank by \$50 million.

Third, an increase in the appropriations for the Alliance for Progress.

I would simply point out, so far as the Alliance for Progress is concerned, that the magnitude we have in mind is within the existing authorization.

We consulted about this paragraph, Mr. Frelinghuysen, on the point as to whether the figure the President used in his message should in fact be included in the resolution. There are certain contingencies about that figure, depending upon what our friends in Latin America do, and particularly with regard to integration.

The general view expressed by many on this end of Pennsylvania Avenue was that, since one could not be precise about the figure, it might be better to leave the figure out and speak of significant additional resources. I would say that that would mean in addition those which we have been appropriating and not necessarily in addition to those that have been authorized.

Mr. FRELINGHUYSEN. Mr. Secretary, your answer surprises me. You say that these additional resources refer both to additional con-

tributions to the Inter-American Development Bank and to the programs under the Alliance for Progress.

I would assume that the first paragraph disposed of the importance of making contributions to the Inter-American Development Bank. That language seems to be aimed at that area, and the next to the last paragraph would seem to apply specifically to the Alliance for Progress programs. Yet now you say that the final paragraph refers to all three of those areas.

Secretary RUSK. As I read the resolution—and I might need some advice from my lawyers on this—I read the last paragraph to be in effect a summation of the rest of them.

Mr. FRELINGHUYSEN. Well, if it is a summation, I can see how there might be some value in it, but in part at least it is referring to a situation that is so far down the road that, as you have just said, it is impossible to be precise about any figure.

Why should we commit ourselves through this language to support activities which aren't even going to be formulated for a couple of years, and which will not need to be acted upon until 1969 or 1970? Why do we need to strengthen the President's hand with respect to that kind of contingency?

Secretary RUSK. I think one of the points here, Mr. Frelinghuysen, is that our Latin American friends and American businessmen who have been very much interested in economic integration of Latin America feel that it is important for us to express approval and support of the idea of integration in order to support the processes in Latin America by which integration comes about.

Mr. FRELINGHUYSEN. If all you are seeking is an expression on the part of Congress that we think the integration of Latin America is a good idea, we could come up with a resolution that wouldn't look remotely like this one. That would be quite simple, and we might avoid some of the questions that I have been asking about the details here. This language would seem to come mighty close to an actual authorization for something that we cannot yet be in a position to know whether we approve of it or not—at least I would find myself hard put now to authorize funds to establish an integration fund.

I have no reason to oppose a suitable resolution, and I am not trying, as I have said, to cut the President down to size and make it impossible for him to say anything of consequence—of course he should. But we already have substantial language under which he can operate, and there should be no psychological handicap because Congress does not prepare a resolution the day before he leaves for a conference with the heads of state.

Chairman MORGAN. The time of the gentleman from Michigan has expired.

Mr. Selden?

Mr. SELDEN. Thank you, Mr. Chairman.

Mr. Secretary, am I correct in stating that the administration's request for this resolution, accompanied by the President's message, is an effort to spell out to the Congress in advance the plans that our Government has in connection with Latin America for the next 5 years?

Secretary RUSK. That is correct, sir.

Mr. SELDEN. Am I also correct in stating that the wording of this resolution does not constitute an authorization of funds for any of the programs or projects that are referred to in your statement or in the President's message?

Secretary RUSK. That is correct, sir; we have not asked for authorization in this bill partly because the economic integration of Latin America has not yet taken sufficient form for us to be able to present it for purposes of authorization, partly because a portion of these funds referred to in this bill has already been authorized at least for the next 2 or 3 years.

Mr. SELDEN. Aren't we saying, in effect, in connection with the economic integration of Latin America, that if the Latin American countries go ahead satisfactorily with this program we are willing to cooperate?

Secretary RUSK. That is correct, sir.

Mr. SELDEN. And in your opinion, is this resolution not similar to the resolution that we passed in 1960 in connection with the Bogotá Conference?

Secretary RUSK. That is correct, sir. The one exception there was that there was a specific figure in that resolution, as I recall it.

Mr. SELDEN. And while there is no authorization of funds in the resolution, you are spelling out in your statement as the President's message—and I might add that when I speak in connection with this resolution on the floor I also intend to spell it out—the maximum additional amounts that you feel it will be necessary for our government to spend in Latin America in the next 5 years?

Secretary RUSK. That is correct, sir, and that is to demonstrate that we are not asking for a blank check but, on the other hand, are asking for something more than expressions of general purpose at the highest level.

Mr. SELDEN. Well, let me say, Mr. Secretary, that I for one feel that it is much better to come to the Congress in advance and spell out what the executive branch expects to recommend than it is for the President to go to a conference and make certain commitments which may or may not be approved by the Congress. Consequently I approve the purpose of this resolution and have cosponsored it.

Thank you, sir.

Chairman MORGAN. Mr. Whalley.

Mr. WHALLEY. Thank you, Mr. Chairman.

Mr. Secretary, does the reference to military expenditures on page 6 infer that Congress should give military assistance to the Latin American countries?

Secretary RUSK. You are referring to my statement, Mr. Whalley?

Mr. WHALLEY. Yes.

Secretary RUSK. No; this is an item which was placed on the agenda of the meeting of the Presidents at Latin American initiative. This particular paragraph is a matter for discussion, but there is nothing in the bill in front of you which asks the Congress to make a decision on that point. That is, in the first instance, a problem for the Latin American countries.

Mr. WHALLEY. On page 5 you say that a Common Market is a goal in Latin America. Would the United States be a member of that market?

Secretary RUSK. It is not contemplated that we would be, no, sir. We are a world trading nation, with heavy trade with other parts of the world. We are concentrating now on the Kennedy round, in the course of which we hope to reduce some of the barriers not only to our trade but to the Latin American trade, but it is not contemplated we would join a hemisphere Common Market within the framework of the matters that are now being discussed. That did not come up at the Foreign Ministers meeting, for example, and is not likely to come up at the Presidents' meeting.

Mr. WHALLEY. Wouldn't it have been better for the United States if Canada had been a member, or is there any chance that Canada might become a member of OAS?

Secretary RUSK. Canada has been discussing the possibility of membership, and the members of the OAS have made it clear they would welcome Canada, but Canada has not yet come to a conclusion on that.

The committee might be interested to note that Trinidad and Tobago became a member at the recent Foreign Ministers' meeting, and though the procedures that were adopted since then, so we have added one member to the hemisphere.

Mr. WHALLEY. On page 3, you say that 19 Latin American countries have contributed \$91 billion in 5 years for their own development. Has this been pretty much from all of the 19, or are certain countries contributing most?

Secretary RUSK. This has to do with the total investment as taken from the United Nations Hemisphere Statistics. I might ask one of my colleagues to comment on whether there have been great differences in the rates of investment. Mr. Solomon.

STATEMENT OF HON. ANTHONY M. SOLOMON, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Secretary SOLOMON. Generally speaking, sir, the average investment as a percentage of gross national product in Latin America has been running around 12 percent net, in that range, which means gross investment of around 17 percent. There is variation from country to country, but I do not feel that aside from the variations of per capita income and population the percentage is significantly different from country to country.

Mr. WHALLEY. Thank you, Mr. Chairman.

Chairman MORGAN. Mr. O'Hara.

Mr. O'HARA. Thank you, Mr. Chairman.

Mr. Secretary, as a member of the Congress I am very pleased that the President has asked for my guidance and my counsel and, as an American citizen, I'm very much pleased that the President has said that he is asking the American people to consider his recommendations and that he will look to the judgment of the people. As a Member of Congress, I like that; as an American citizen, I like that.

May I commend you for the caution and restraint in your statement. You are not glorifying with idle promises. You say, in substance, we have an agreement of hemispheric solidarity, and we will work with our money and with our hearts with our Latin American

friends in the good works they may undertake, and to which they give their wholehearted support and contribute their money. We will not go it alone.

Mr. Secretary, what are the minimum requirements for a common market?

Secretary RUSK. I would think, sir, the reduction of tariffs among the members of the common market, possibly with a common external tariff in sectors of the economy where those are required, and the development of the physical facilities of trade and commerce among the members of the Common Market. Those would be the most elementary aspects of a Common Market, I would suppose.

Mr. O'HARA. What would you say is the shortest time within which we might reasonably expect these conditions to be met if everything works favorably?

Secretary RUSK. The Latin American countries undertook in the Foreign Ministers meeting to pursue a policy now of not increasing obstacles, and to move promptly toward gradual reduction of tariffs among themselves.

The decade of the 1970's has been designated as the decade for integration. The more formal steps are likely to be worked out between now and 1970, and those steps are expected to be completed by 1980.

Mr. O'HARA. Well, Mr. Secretary, when you were being interrogated and to a certain extent lectured by my distinguished colleague from New Jersey, I was reminded that his great grandfather was Secretary of State occupying the position that you so well honor now, and some of his remarks I thought went back to that period.

Thank you, Mr. Secretary.

Chairman MORGAN. Mr. Gross.

Mr. GROSS. Mr. Chairman, I hope the Secretary doesn't have a luncheon engagement and, if he does, I hope he will come back tomorrow, because I have a number of questions, and I am sure I can't get them asked and answered in 5 minutes.

Where was this resolution prepared—in the State Department, Mr. Secretary?

Secretary RUSK. It was prepared in the State Department with the assistance of the Treasury and other agencies, but also was modified in the course of consultation with people in the Congress.

Mr. GROSS. When was the date for the Punta del Este meeting set?

Secretary RUSK. It was recommended to the Presidents by the Foreign Ministers at the recent meeting in Buenos Aires which closed approximately 2½–3 weeks ago.

Mr. GROSS. And only yesterday it was determined the President would send up a message and that we would get a resolution overnight?

Secretary RUSK. There has been considerable consultation with Members of the House and the Senate and, as you know, a meeting of the leadership in the White House last week. All of these things had to do with how we would proceed and whether we would proceed with a resolution and, if so, what type.

Mr. GROSS. Mr. Secretary, I resent trying to jamb this sort of thing down our throats on an almost overnight basis; I don't like it at all.

I thoroughly agree with the gentleman from New Jersey, Mr. Freylinghuysen. You can slice as thick or as thin as you like—this reso-

lution does not mean a commitment on the part of the Congress of the United States, and without a bill of particulars to go with it.

The Alliance for Progress was set up and with it went a goal of \$300 million a year in new private U.S. investments in Latin America. How has that been going?

Secretary RUSK. That has varied from year to year. We would like the level of net new private foreign investment to return to the level of the 1950's, at least \$300 million annually. At the present time it is back to \$171 million from the disastrous results of 1962 when there was a net loss of \$32 million.

Mr. Gross. Those are American private investors who, as evidenced by their investments in 1962 and 1963, invested on an average annual basis of \$23 million a year or less. They have little confidence in Latin America as of now?

Secretary RUSK. I think there was a sharp drop, Mr. Gross, in connection with the Castro problem, and some of the disturbances which the Castro problem had created in the Hemisphere. I do think that is moving upward, and perhaps rather sharply so.

I have met with a good many businessmen on this matter, and I have no doubt that there is a very substantial backlog of interest on the part of American private investors in Latin America, and that the idea of the economic integration is a highly stimulating development behind this readiness for investment.

Mr. Gross. Mr. Secretary, the President, in his message yesterday, said that the alliance—quoting from page 2—

Is 6 years old. What can we say of it?

Then he says:

For tens of thousands of families, the most fundamental conditions of life are improving; 350,000 housing units have been, or are now being, built.

That is at the rate of less than 60,000 per year.

Then turn to page 4 of his statement where he says:

Over a million new homes should be built each year.

Are we committing ourselves to finance the building of over a million new homes in Latin America in the future?

Secretary RUSK. The figures on page 2—

Mr. Gross. Just a minute, and then you can comment.

He also says that 28,000 classrooms have been built. That is at a rate of less than 5,000 per year, but on page 4 he says that hundreds of thousands of new classrooms should be constructed.

Are we being committed to construct hundreds of thousands of new classrooms?

He says that farm production should be increased by 6 percent a year, and that would double the present rate which is only 3 percent. Are we going to expend the money on Latin America to increase their agricultural production to the rate of 6 percent?

Secretary RUSK. Mr. Gross, I think the figures on page 2 refer to those activities in which some U.S. financing has participated. The needs expressed on the other page have to do with the total economies of these countries and their longer range requirements.

To put this in some perspective, U.S. assistance to Latin America represents something on the order of between 1 and 2 percent of the gross national product of the Latin American countries. In other

words, what the 98.5 percent of their gross national product will do and will achieve obviously makes a tremendous difference in what happens in the Hemisphere, but our 1.5 percent is able to stimulate and galvanize for improvement of quality and for meeting certain specific foreign exchange requirements and for getting external expert assistance, and things of that sort.

Most of these needs that are referred to on page 4, the overwhelming majority of those needs, will be taken care of by the Latin Americans themselves to the extent that they can within their own economies and within their own productivity.

Mr. Gross. Mr. Secretary, that is the hope you expressed, but let me quote another of your hopes.

Following the upheaval in the Dominican Republic, you called on the OAS to provide promptly a standby military force. Has that standby military force been created?

Secretary Rusk. No, sir.

Mr. Gross. Of course not.

I don't know whether you agree or disagree with this statement in U.S. News & World Report, quoting a Latin American diplomat, who said, "Somebody should tell the truth about Latin American governments, how they don't believe in self-help, how they don't believe in competition, how they always want an economic crutch supplied by somebody else"—and I should say, parenthetically, that somebody else is us—"and yet outvote the United States 19 to 1 on the Organization of American States."

I would think that some day you would come here and make a case for the Latin Americans if you want us to expend taxpayer money in the billions. I would think you would come in and give us a success report once in awhile instead of asking us to underwrite what they fail to do for themselves in Latin America.

Secretary Rusk. Well, Mr. Gross, I don't recall any vote on which we were outvoted 19 to 1 in the Organization of American States. We have been acting from a solid majority in that organization on such controversial matters as providing an international peace force for the Dominican Republic to the near unanimity we had on the issues that arise in this conference in front of us.

I have had connections with Latin American development as a private citizen, as well as an official, now for about 13 years, and I certainly cannot agree with the remark attributed to some Latin American diplomat that these people do nothing for themselves.

I have seen a lot of dedicated service and commitment of local resources to get on with the job for their own people.

Now, they have many problems, as do we. If we will look back at some of the problems of development which we had in this country along about the turn of the century, I would think we could have a deep understanding and sympathy with not only the urgent necessity for development but some of the social and other complexities in getting it moved forward.

We started out in this country trying to give attention first to simple improvements in health. We soon discovered that you can't do that unless you can do something about education, and you can't do anything about education unless you have a stronger economic base on which to support education. All of these things have to be woven into

a pattern of advance on a broad front, and it isn't easy to achieve these at a rapid pace under government institutions because the governments have congresses, and other things, which make it complicated.

I think these people in the hemisphere have been moving—not as efficiently as we, as we would like to see them do, and with not all the results we would like to see them achieve—but they have been moving stubbornly and courageously and I think are motivated by the very great purposes with which we need to associate ourselves.

Chairman MORGAN. The gentleman's time has expired.

Mr. FARBSTein.

Mr. FARBSTein. Thank you, Mr. Chairman.

It is good to see you again, Mr. Secretary.

I would like you to tell me, Mr. Secretary, whether or not in your opinion, in view of the language contained in the President's message and also in the resolution, this is an open end resolution.

Secretary Rusk. This resolution would not take the place of the regular submissions of the President, asking for specific authorization and appropriation for the purposes of this resolution. It certainly would not take the place of the specific authorization acts which the Congress regularly approves or disapproves in its judgment, and is not a substitute for the appropriations procedure.

This is a declaration of policy, a declaration of intent in effect, with full notice of what is involved and what is not involved.

Mr. FARBSTein. In other words, in view of the fact that the sums referred to here are contained in the authorization of \$750 million, the purpose of the message and of this resolution is to dramatize, is it not, the attendance by the President at the conference and to show that the intention of our Government is to assist in the integration of the South American countries.

Secretary Rusk. That is one of its primary purposes, sir, in order that the President may speak for the Nation with the support and understanding and partnership of the Congress on a bipartisan basis in this great enterprise which the Latin Americans are now turning to—the great enterprise being primarily moving toward economic integration and, secondly, to increase their own effort in development under what we know as the Alliance for Progress.

I might just add one further factor, if I may, sir, for just a moment. This hemisphere is where we live. This hemisphere is home for us and the other nations of this hemisphere. At a time when most of the headlines have to do with Vietnam or events in China, or some of the problems we have had in NATO, I think the Presidents in the hemisphere feel that it is very important for the peoples of the hemisphere and abroad to have their attention drawn impressively to what is happening in the hemisphere, its performance, its needs for the future, and not let the affairs of the hemisphere in any way be neglected or forgotten.

Mr. FARBSTein. I would like to go to another subject in this connection, because when you talk of integration I presume you mean, among other things, Common Market.

Now, the Kennedy round isn't working out so well in Geneva, is it; or is it?

Secretary Rusk. Well, we are in the closing, tough and we hope final, stages of negotiation. We hope to have some report back to

the Congress on that within 4 to 6 weeks. We are in the final stages where everybody is sitting up late at night hammering away at the tough negotiations that are going on there.

Mr. FARBERSTEIN. Well, now, in view of our experience with the Common Market on the continent, do you anticipate it will redound to our mutual benefit, both South America and this country, with the formation of a Common Market in South America.

Secretary RUSK. Oh, I would think, sir, that the organization of the Common Market on the continent, to begin with, has been very much in our interest. Our trade with the Common Market in Western Europe has doubled in the last few years.

Mr. FARBERSTEIN. I appreciate that.

Secretary RUSK. I think we could expect that a rapidly growing, increasingly strong Latin American economic system would be not only an effective customer for our production but also an important supplier of some of our basic materials that we need.

Mr. FARBERSTEIN. The main difficulty on the continent now is agriculture, insofar as setting a price for agriculture. This is causing some difficulty, and perhaps may even wind up with a war around the Common Market on the continent.

Do you think that our relationships with the countries of South America are closer than that with Europe, and hence we could look for more favorable possibilities of trade with the countries of South America, even though there will be a common market, than what we can anticipate insofar as the countries on the continent are concerned?

In other words, is our relationship with South America closer than that with the continent, and hence can we look forward to more favorable trade relations than we perhaps could look forward to on the continent even though our business has increased on the continent?

Secretary RUSK. It is our expectation, based on what we know of the trade relations between ourselves and Latin America, as well as our experience with the European Common Market, that our own trade with the Latin American Common Market would increase. This has been the case with our own exports to the EEC in Europe and to the EFTA countries. In the course of about 7 years our trade with those countries doubled.

We have little doubt that a rapidly growing Latin American Common Market would be a very important market for American exports as well as an important source of imports for us.

Mr. FARBERSTEIN. Thank you very much.

Chairman MORGAN. Mr. Morse.

Mr. MORSE. Thank you, Mr. Chairman.

Mr. Secretary, as a practical matter, since your statement includes the figure of \$1.5 billion and will necessarily be incorporated by reference in whatever the House acts upon in the form of a resolution, I think we ought to admit that what we are doing is committing ourselves to a new authorization of at least \$1.2 billion, since if in the future the authorization were not forthcoming it would be a breach of faith on the part of the United States. Isn't that correct?

Secretary RUSK. I think, sir, there are some other factors which would be taken up at the stage of specific authorization.

For example, I am quite sure the executive branch, as well as the Congress, would wish to know a great deal about what a Latin Ameri-

can Common Market is, how it plans to relate itself with other trading areas, what in fact is happening and what those needs might be with respect to any integration adjustment fund, and that kind of thing.

In the case of AID, as you know, we have been trying to exert great effort in the direction of self-help, and I think the Congress would want to look at the self-help aspects at the authorization stage as well as the appropriation stage.

I think what is before you now is not complete, not as complete and detailed as would be an authorization bill or appropriations request.

Mr. MORSE. But it will be understood in Latin America as an implied commitment, Mr. Secretary.

Secretary RUSK. We have tried to make clear, and I think the resolution itself helps to do that, that what is done on the other side is crucial as to what we should do.

Mr. MORSE. Earlier in your statement you do make reference, in paragraph 3 on page 6, to what might be done to improve trade conditions for Latin America, including the reduction of discrimination against Latin American exports to the rest of the world.

I wonder whether there is implied preferential arrangements between the United States and Latin America.

Secretary RUSK. Not at this stage. On that point, as I indicated, we are concentrating very hard on the Kennedy round discussions, and I think all of us in this so-called industrialized world may at some stage have to take a look at the total trade relationships between the industrialized world and the developing countries. But we are not in that stage at this point.

Mr. MORSE. How many of the Latin American countries are parties to GATT?

Secretary RUSK. I believe three, sir, but may I amend that if it proves to be wrong.

Mr. MORSE. Have these three used GATT to expand their trade?

Secretary RUSK. They are taking active part in the negotiations, now.

May I supply for the record the exact names of the countries that are now in the negotiations in GATT?

Mr. MORSE. I would appreciate that.

(The following information was subsequently submitted:)

LATIN AMERICAN COUNTRIES NOW IN THE NEGOTIATIONS IN GATT
(DECEMBER 1966)

Argentina (will)
Brazil
Chile
Dominican Republic
Jamaica

Nicaragua
Peru
Trinidad and Tobago
Uruguay

CONTRACTING PARTIES TO GATT

Barbados
Brazil
Chile
Cuba
Dominican Republic
Guyana
Haiti

Jamaica
Nicaragua
Peru
Trinidad and Tobago
Uruguay
Argentina (has acceded provisionally
to the GATT)

Mr. MORSE. Can you also advise me now—or later, if you don't have the information available—as to why the other 16 have not sought membership in GATT?

Secretary SOLOMON. Historically, many of the less developed countries, sir, have felt that they did not have the same motivations, the same national self-interest in joining the GATT, and we had the development that in the United Nations there was a move by the less developed countries to form the United Nations Conference on Trade and Development, and the less developed countries have concentrated their efforts generally—with a few exceptions—on seeking changes in the rules of the world trading system, and they have felt that the GATT trading doctrines or rules were rather rigid. They felt the cards were stacked against them, and that poor countries could not really trade equally. You are aware of all this, I understand. I think that is one reason.

Now, there is a second reason as well. During the current Kennedy round negotiations, there has been no rush by Latin American countries to join the GATT—with the exception of Argentina—since most of the nonmembers are expecting that they will in any case get some benefit from the Kennedy round.

Mr. MORSE. I notice, Mr. Secretary, that in one of the "Whereas" paragraphs of the resolution before us, you have reference to some of the concepts which were contemplated by title 9 of the Foreign Assistance Act of 1961, as amended in 1966.

Would the Department have any objection to an operative clause which would give further expression to those concepts?

Secretary RUSK. I would not think so, Mr. Morse. May I respond after I have had a chance to think about it? I see no difference in principle about it, sir.

Mr. MORSE. Thank you, sir.

I have one last bit of commentary, and one more question.

Is there any likelihood that any of the Latin American Presidents will be precluded for internal political reasons, or otherwise, from attending the Conference?

Secretary RUSK. There are a number of them who have to have the permission of their Congress to leave the country. At the present time, I do not know of any country where the Congress is refusing that permission.

We do not have a complete list of all those coming yet, but I think there will be a strong attendance by the Presidents.

Mr. MORSE. What would be the purposes of the integration adjustment assistance?

Secretary RUSK. This would depend to a degree on the exact form the integration would take, but I would suppose that it would include typically, for example, three possibilities:

One, some adjustments in foreign exchange between the richer and poorer countries where there might be a disadvantage with the introduction of integration.

Secondly, some investment adjustment here and there, where one particular industry might find itself losing out in the integration, and that particular country might need to stimulate investment in other industries to take the place of the one that is suffering the pressure.

Thirdly, I think there will be a considerable amount of manpower retraining. Not all of that, of course, will be done through any particular fund. Much of it will be done by the countries themselves.

The precise use of this fund would depend on the shape and structure of the integration effort itself.

Mr. MORSE. One final comment.

I was pleased this morning to hear our chairman give credit to the Republican administration for the intensified interest in Latin America as initially expressed by the Latin American Development Act and the Act of Bogotá.

Chairman MORGAN. We are asking your cooperation on this resolution; that is why I mentioned it.

Mr. MORSE. I greatly appreciate it.

The greatest weakness of the Alliance, I think, is the fact that it has been oversold over the last 5 or 6 years, and I would hope we wouldn't fall prey to the same error on this proposal.

Secretary RUSK. I think in the President's message he clearly pointed to the bipartisan background of this effort.

Chairman MORGAN. Mr. Murphy.

Mr. MURPHY. Mr. Chairman, I yield my time to the chairman of the Inter-American Committee, Mr. Selden.

Chairman MORGAN. Mr. Selden is recognized for 5 minutes.

Mr. SELDEN. Thank you.

I think it might be important if someone could give us the figures on just how much we have spent to date in the Dominican Republic in connection both with our own military efforts and the Inter-American Peace Force, and also in our AID efforts.

Secretary RUSK. I think that to clarify the point we would need to put together not only the AID cost but some indication of the order of magnitude of the military cost there, and I would like to submit a figure for the record on that, if I may.

(The following information was subsequently submitted:)

U.S. ASSISTANCE TO THE DOMINICAN REPUBLIC

AID, Public Law 480, and military assistance to the Dominican Republic from January 1962, through April 24, 1965, totaled \$82,209,000.

The total from April 24, 1965, through December 31, 1966, is \$203,207,258.

A breakdown of this assistance is shown in the following table.

U.S. assistance to the Dominican Republic

Type of assistance	January 1962, through Apr. 24, 1965	Apr. 24, 1965, through Dec. 31, 1966
A.I.D.:		
Supporting assistance, total.....	\$56,750,000	\$122,200,000
Grants.....	23,750,000	87,200,000
Loans.....	33,000,000	35,000,000
Development loans.....	9,600,000	14,500,000
Technical cooperation.....	6,837,000	13,153,000
Public Law 480, total.....	44,222,000	10,132,864
Title I.....		
Title II.....	1,671,000	3,393,064
Title III.....	22,696,000	6,739,800
Title IV.....	19,855,000	
Military expenses, total.....	4,800,000	43,221,394
Inter-American Peace Force.....		37,921,394
Military assistance program.....	4,800,000	5,300,000
Grand total.....	82,209,000	203,207,258

Mr. SELDEN. I think it would be good if we could get those figures for the record so that a comparison of what we spent there can be made with what we plan to spend in the next 5 years in the whole Latin American area. I ask for this information in order to emphasize the fact that it may be cheaper in the long run to make some expenditures before events of this nature take place, rather than having to make larger expenditures later in order to avert a catastrophe.

Mr. Chairman, I have no additional questions. I will be glad to yield the remainder of my time to Mr. Gross, if he has some additional questions at this point.

Chairman MORGAN. Mr. Gross, the gentleman has 2 minutes left.

Mr. Gross. I will be glad to use it, Mr. Chairman, and thank you, Mr. Selden.

Mr. Rusk, the President, on page 4 of his message says, "Our governments have been hard at work for months preparing for this meeting."

Would you care to amend the statement you made a few minutes ago that you were preparing for this only 2 to 3 weeks ago?

Secretary RUSK. I didn't say, sir, that we were preparing for this only 2 or 3 weeks ago. I said we were very anxious to hear from the Latin Americans at the Foreign Ministers meeting in Buenos Aires as to what their own considered views were as to the questions of economic integration and increased efforts under the Alliance for Progress.

Mr. Gross. But you fired this message and this resolution up to us and asked us to take it up overnight, Mr. Secretary. This is the point I am trying to make. How long have you been playing with this thing?

Secretary RUSK. The resolution has been discussed with a good many people down here and with the leaders. The President is not trying to hurry this committee in giving it consideration.

We would like to have the resolution enacted by the 12th to 14th of April. Here it is the middle of March—that is about a month. I would suppose that that is within the capabilities of the legislative process to give it full consideration in that period of time.

Mr. Gross. Now, Mr. Rusk, you have been in Washington long enough to know we just don't pick up something like this and pass it overnight, and that is what you are asking us to do. I just want to again protest this kind of a speedup, this kind of a ramming down our throats of a resolution, open-ended, and committing us as it does.

Mr. Secretary, I had high hopes that when the President sent his brother-in-law, Antonio Taylor, down to South America on a consultant's junket, that it would result in something that would relieve us from spending more hundreds of millions—

Mr. GALLAGHER. Will the gentleman yield?

Mr. Gross. No. Let me finish the sentence, will you, please?

Mr. GALLAGHER. You mean President Eisenhower.

Mr. Gross. (Continuing) That this would result in something of benefit to the taxpayers, but evidently it didn't.

Now let me ask you, in addition to the Inter-American Development Bank how many other faucets and funnels are there to finance the Latin Americans?

Let's start with the Inter-American Bank. Are there still three windows in that bank?

Secretary RUSK. Will you answer that, Mr. Solomon.

Secretary SOLOMON. Mr. Gross, there is still the ordinary capital window of the bank, there is the Fund for Special Operations, and the old Social Progress Trust Fund has just about completed its expenditures, but those funds were lent and will be coming back into the bank.

Mr. Gross. It is pretty hard to hear you, sir.

Secretary SOLOMON. I am sorry, sir.

The third window, the Social Progress Trust Fund, just about finished its disbursements of all the funds it had, and therefore there will be refunds coming back into the bank on repayment of those loans.

Chairman MORGAN. The time of the gentleman from Illinois has expired.

I just want to say for the record that I don't think there is anything unusual about this speed, Mr. Gross, because as chairman of this committee in 1960, while serving as a delegate to the Democratic Convention at Los Angeles, I received a call, entirely unexpected, from then Secretary of the Treasury Dillon informing me about the forthcoming conference to be held at Bogotá.

We came back after the convention, and Secretary Dillon appeared before the Committee on Foreign Affairs on August 23, 1960. We rushed through an authorization of \$500 million for President Eisenhower before he left for the conference in Bogotá, so I see nothing unusual in the President's procedure in presenting this resolution.

Mr. GROSS. Mr. Chairman, will you yield?

Chairman MORGAN. I will yield.

Mr. GROSS. I was here in 1960, and I resented that operation—and said so on the House floor, if you will look it up in the record.

Mr. HAYS. Will the Chairman yield?

Chairman MORGAN. I will yield.

Mr. HAYS. The gentleman talks about ramming it down his throat. Would the gentleman agree to swallow this if we gave him 2 or 3 months?

Mr. GROSS. Neither in whole nor in part.

Mr. HAYS. Well, we might as well ram it down your throat, then.

Chairman MORGAN. Mr. Thomson.

Mr. THOMPSON. Mr. Secretary, you said earlier that the \$100 million needed for this program was already budgeted. My question is where are you going to get the \$100 million? Will it be out of some other aid program, or will it be out of the school lunch program, or out of the poverty program, or could you tell us where it will come from?

Secretary RUSK. Mr. Thomson, in the President's overall budget there was an item including government-wide contingencies, and it is his purpose to ask for an amendment of the budget to shift the \$100 million from government-wide contingencies in the budget to A.I.D. the Alliance for Progress.

Mr. THOMPSON. That is not the A.I.D. contingent fund?

Secretary RUSK. This is a government-wide contingency fund for the U.S. budget as a whole.

Mr. THOMPSON. How much will be left in the government-wide contingency fund?

Secretary RUSK. Approximately \$700 million, sir.

Mr. THOMSON. Mr. Chairman, I would like to yield the balance of my time for Mr. Gross, who I think still has some questions.

Mr. GROSS. Mr. Chairman?

Chairman MORGAN. Mr. Gross.

Mr. GROSS. I thank the gentleman from Wisconsin.

I would ask the gentleman who replied to the question—I had a difficult time hearing his answer—did you say that all spigots and funnels are open to the Latin Americas, all faucets and funnels are open, that all aid we give in handout programs in addition to the Inter-American Bank are available, and they benefit from them?

Secretary SOLOMON. The Latin Americans do benefit, sir, from the borrowings from the ordinary capital of the bank as well as from the special fund.

Mr. GROSS. Aid, military expense, everything else they get, don't they?

Secretary RUSK. And they have access—

Mr. GROSS. With respect to the Inter-American Bank, is there a soft loan window in the Riggs Bank of Washington, or one in the gentleman from Ohio, Mr. Hays' bank? I wonder if he has a soft loan window in his bank.

Secretary SOLOMON. As a matter of information, sir, you are aware that the Latin Americans themselves contributed the major part of the ordinary capital of the bank, and they are partial minority contributors to the Fund for Special Operations.

Secretary RUSK. There are other—

Mr. GROSS. Do we have in Buenos Aires or someplace a counterpart of the Development Assistance Committee in Paris to drum up applicants for our various handout programs? Is there such a committee located in Latin America?

Secretary RUSK. The principal parallel to that organization is CIAP, of which my colleague, Ambassador Linowitz, is the American member. It was chosen by the Latin Americans as an expert group to review and analyze and make recommendations upon the development plan submitted by the individual countries. And, as you know, in our AID program, we take that very heavily into account when we make AID commitments under the Alliance for Progress.

Mr. GROSS. What are the Latin Americans doing by way of helping us with the fighting and dying in Vietnam? The last that I heard from your Department, Mr. Rusk, you listed Argentina as sending two observers to Vietnam to examine the possibilities for assistance. Brazil has provided coffee and medical supplies. The Dominican Republic offered cement for use in Vietnam. Ecuador has sent medical supplies, Guatemala 15,000 doses of typhoid and paratyphoid vaccine or promised to send medicines, Venezuela agreed to provide 500 tons of rice.

That is only six of the many Latin American nations. What are they doing by way of helping us with the fighting and dying?

Secretary RUSK. They do not have combat troops there, Mr. Gross.

Mr. GROSS. And why not?

Secretary RUSK. In the first place, it is not their commitment, as it is ours. They are not involved in the SEATO treaty as we are. They

do not have the capabilities of making much of a military contribution there, but in any event it is not their judgment that they should attempt to do so.

Mr. Gross. That is the only answer there is to this—that they just don't have the disposition, or will, or sense of reciprocity to help us where the going is rough? Aren't you concerned about this, Mr. Secretary?

Secretary RUSK. We would be glad to have assistance from any source, and assistance of any type.

Mr. Gross. Did we ask them to do something?

Mr. RUSK. Some of the steps which they have taken have been in response to indications from the Government of South Vietnam and ourselves that assistance would be welcome, but I would not wish to leave you with the impression that this is a serious possibility that the Latin Americans would take part in the military operations in south-east Asia.

Mr. GROSS. As a matter of fact, Mexico refused to make any shipping available to us when our troops in Vietnam were running low on ammunition and other supplies, isn't this correct?

Secretary RUSK. I would have to look into that. I am not familiar with it.

Chairman MORGAN. The time of the gentlemen from Wisconsin has expired.

Mr. Gallagher?

Mr. GALLAGHER. Thank you, Mr. Chairman.

Mr. Secretary, I was just reviewing the vote on the Bogotá resolution. We received the resolution on the 15th of August, from President Eisenhower and we voted on it on the 25th.

This committee moved quite expeditiously. We were proud to authorize our executive people to go down to Bogotá with the full backing of the Congress, and I would hope that our President now will have this resolution speedily passed so that he will have the same authority now that this committee, under a Democratic majority, I might say, gave to President Eisenhower.

I listened to Mr. Gross, who said he had many questions to ask you. He had much more time than any of the rest of us had, but I think it is quite significant, and the record ought to show, there were not very many questions that were germane to this resolution, and that those questions which were asked, I think, were answered right on point, and that any information that was requested was available.

I also heard him ask for a progress report. I think one of the greatest progress reports has not been asked for, since we are considering Latin America, and that progress report is related to the Dominican Republic. I heard a great deal of criticism back in the days of the Dominican Republic when a lot of people said we were quite arrogant, others questioned our credibility, but I think one of the significant things that should be considered now is that the Dominican Republic worked out very well. We said our troops would go home when order was restored. Order was restored and our troops did go home. That country has restored law and order and the people have an opportunity, and there is hope down there. I think this, too, is one of the credentials that our President will be carrying into the coming conference.

I do think and hope that this committee will, with speed and expedition, pass this resolution at the earliest possible moment. Many people say that our President is asking that he be able to operate without authority. Now you are asking for the authority, and there would be those people who would deny that authority, so that, as someone said before, you can have it both ways.

We were not political when President Eisenhower asked for this authority, and I would hope that neither this committee nor this Congress is going to be political, now that new authority is asked, and that our President will be able to go to this conference with full authority and backing of this country.

Mr. Secretary, I would just like you to repeat for the record that this is in no way an authorization, that anything that grows from this resolution you will come back here and ask for enacting authority.

Secretary RUSK. That is quite right, sir. It was not intended to substitute this resolution for the normal authorization procedures of the Congress, and certainly not for the appropriations procedures. We did feel that it was very important that the President be in a position to speak for the Nation, which he can do much more readily and with much greater assurance if the Congress would let the President and Latin America know that this resolution represents the attitude of the Congress and the American people on these dramatic developments we see in front of us here in this hemisphere.

Mr. GALLAGHER. Thank You, Mr. Secretary.

Would you confirm the fact, in reply to one of the other questions by Mr. Gross—I should like to point this out—that there were five Latin American nations that participated in the police force in the Dominican Republic under the command of a Brazilian gentleman?

Secretary RUSK. That is correct.

Mr. GALLAGHER. Thank you, sir.

Chairman MORGAN. Mr. Fulton.

Mr. FULTON. I am glad to have you here. I favor passage of this Latin American resolution to support the hand of the President in negotiations. Of course, there should be a difference among Members in the U.S. Congress. If we all agree, then somebody is not thinking very much. Or else there is no use having Congress debate and settle the issues. This is the place to bring disagreements, so the fact of our disagreement on this committee should not be disturbing on this particular policy.

As a matter of fact, I have been many years a member of the bipartisan foreign policy, and I believe that this particular advance is within those specific directions and principles. Would you not agree, Mr. Secretary?

Mr. Secretary RUSK. That is our conviction, sir.

Mr. FULTON. The next point I would like to make is this. Our U.S. interest in Latin American development is not new. For example, leading up to the Rio Economic Conference in 1954 was the Nelson Rockefeller report, and also the Milton Eisenhower report outlining the basic conditions and directions for United States-Latin American foreign policy. I am glad to say that the Eisenhower administration after some dispute among themselves came to the conclusion that the United States and Congress should move in this direction.

Would you agree with that, Mr. Secretary?

Secretary RUSK. That was a very important and constructive statement.

Mr. FULTON. Thank you. I appreciate your good comment. There have been policies carried on through the Kennedy administration and the Johnson administration and are the continued policies in this instance under this resolution.

Secretary RUSK. That is correct, sir.

Mr. FULTON. Could you put in the record for us your method of providing the integration adjustment assistance, whether it is budget adjustments, foreign exchange, intergovernmental loans, loans through international agencies, government or product subsidies, and currency correlation.

(The following statement was subsequently submitted:)

METHODS OF PROVIDING INTEGRATION ADJUSTMENT ASSISTANCE

We currently foresee that integration adjustment assistance would be provided by a special fund set up to help cover temporary payments deficits resulting from intra-regional trade liberalization and to assist specific industries and labor affected by the liberalization process.

Precise mechanics remain to be worked out during negotiations establishing the fund. However, we have the following thoughts on the subject:

(a) Balance of payments assistance in foreign exchange would be provided, through Central Bank drawings, to countries that, in accordance with criteria to be established, can demonstrate that their deficits were due to rapid and automatic trade liberalization under schedules leading to the Latin American Common Market. Repayments would be made on agreed terms and conditions. Countries will of course continue to suffer balance of payments deficits due to causes other than integration, including their own policies, but these countries would not have resource to the fund.

(b) Adjustment assistance for particular industries and labor affected by liberalization would be provided through national agencies established for this purpose. Applicants to a national agency would have to show that they had been damaged as a result of the integration process rather than by bad management or by the trade and financial policies of their governments. Loans to industries would normally be used to purchase capital equipment or technology required for modernization or conversion to new lines of production. Assistance to workers would normally take the form of training in learning new skills and perhaps some financial assistance during the re-training period. In addition to drawings on the adjustment assistance fund in foreign currencies, we would expect that each government would make domestic resources in national currencies available to its national adjustment agency.

Mr. FULTON. On the question of the word "decade," as I am on the House Space Committee, too, we always are arguing about what President Kennedy meant by "decade," when he said the United States should have a manned landing on the moon within this decade. When the word decade is used in this context, do you mean within the 10 years beginning July 1, 1967, or do you mean 10 years during the 1970's?

Secretary RUSK. I think, sir, there are certain steps—that will be a matter of agreement now.

Mr. FULTON. What does "decade" mean?

Secretary RUSK. In this context, the decade begins in 1970, because you have to negotiate treaties and things of that sort between now and then.

Mr. FULTON. Looking at the commitment, the commitment is only for the sum we are speaking of now and does not run from now through the 1970's until 1980, does it?

Secretary RUSK. We would think the integration assistance fund we speak of, between \$250 and \$500 million, might be in the order of \$300 or \$350 million. That would not be taken up until 1969 or 1970 when we see what it is they are doing.

Mr. FULTON. So we are really making a ring here without committing for the whole period to see how these countries work with themselves and integrate, is that right?

Secretary RUSK. That is correct, sir.

Mr. FULTON. On the question of the "Whereas" clauses, I have unfortunately come to Congress from a corporate law office, where long or many "whereas" clauses were dispensed with. When I read a bill and see that in the title it says "a historic" and on the next line below in the first whereas it says "an historic," it appears somebody should be doing some typo reading.

Secretary RUSK. As a former professor, I should have caught that myself.

Mr. FULTON. Seriously, my recommendation is that we discard the whole front page of "Whereases." The resolution starts pretty well with the two "Whereases" on page 2, and I think Congress would do much better with fewer whereases.

It should be distinctly understood in my view that we are talking in this resolution about countries and governments that are responsible to their people and working for the benefit of the people rather than dictatorships to the left or to the right. We are really not talking about a Communist dictatorship in the den of Latin American Republics nor are we talking about a fascist dictatorship within this resolution and its terms, would you agree?

Secretary RUSK. That is correct, sir. It is true that the military establishments of this hemisphere have in general been strengthening their support of constitutional government, but we still have occasional incidents. The trend is clear.

Mr. FULTON. This resolution is really a people-to-people foreign policy because the Congress through its representatives is saying we would like to make the commitment as well as the President. We hope, of course, that the people of the Latin American Republics will likewise make this commitment, too, is that correct?

Secretary RUSK. That is correct, sir.

Mr. FULTON. There has been much criticism that it is the Government alone that generates and benefits in so many aid programs.

I would like to see a provision emphasizing private enterprise, labor unions, cooperatives, savings and loans, small institutions of that type, and voluntary institutions, and associations, even charitable and eleemosynary institutions, yes, and action by church and religious groups for social welfare purposes.

Thank you, I congratulate you on your good statement.

Secretary RUSK. Thank you, Mr. Fulton.

Chairman MORGAN. Mr. Fraser.

Mr. FRASER. Thank you, Mr. Chairman.

Mr. Secretary, I strongly support the Common Market development in Latin America, and I presume what is proposed here and what our country will do at the forthcoming meeting will be the best we can do to encourage that development.

Secretary RUSK. I think at this stage it is. This fits into the ideas which we see developing in Latin America itself.

Mr. FRASER. If the resolution stopped there, I wouldn't really have had any question of you this morning, but the resolution does go on to reiterate the conventional wisdom associated with economic development in Latin America and the stress on economic aid. I have come to the view that this is a narrow approach. We place great importance on per capita income. One of the countries with a high per capita income is Argentina, hardly a model for any other nation in its government and in its politics. I would join, I think, with Congressman Morse in his suggestion that part of the resolution might be stated so as to give recognition to the fact that we are primarily interested in people, and the nature of their governments and the way they organize themselves to make progress, rather than with the narrow concept of economic aid.

Secretary RUSK. I think whether the resolution itself should encompass that is something the Congress would have to look at. There is a job to be done for the people of the hemisphere. Even though from time to time one or another of the might have an unconstitutional government, the people remain. We do have problems about how to relate the activities of the hemisphere to those countries in those special circumstances.

At the present time, Argentina is working closely with the International Monetary Fund to make some important action in the monetary field in connection with inflation and a number of things that are very important—devaluation of its currency, and things of that sort.

There is a constant pressure toward constitutional government in this hemisphere that has made itself felt on many occasions, and I have no doubt that pressure will continue.

Mr. FRASER. I am just illustrating the fact that a high per capita income doesn't necessarily bring about the result that we are interested in. We seem to be preoccupied with per capita increase in productivity of these countries, which doesn't really tell us very much about what is happening inside these societies. It doesn't tell us what is happening in the rural sector, it doesn't tell us whether the people themselves have the sense that they have a responsive government, it doesn't tell us very much at all, and yet this seems to be too much of our focus. It is this point that I am trying to make.

Secretary RUSK. I understand, sir, and you will find great sympathy with the target not only here but in other countries in the hemisphere.

I think the committee might wish, when it gets into examination of the foreign aid bill in executive session, to go into some of these situations and examine some of the points you have mentioned, Mr. Fraser.

Mr. FRASER. I want to take this opportunity to express my concern about this. The President mentioned the fact that 16 countries have land reform laws. Those are on the books, but what is actually happening is a far different story. It seems to me that we do need to broaden our concern and get away from the conventional statements of the problem that we have grown up with since the end of World War II. We need to broaden our way of talking about it.

Chairman MORGAN. The gentleman's time has expired.

Mr. Findley.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. Secretary, I too am keenly interested in this Common Market development. You stated that you did not expect the United States to be a part of the Common Market, but it would seem to me highly to our advantage, as well as to the advantage of Latin America, if we would at least offer to be a part of the Common Market. Would you comment on that?

Secretary RUSK. That would create very substantial problems for them in the first instance, because I think they would feel very nervous about whether our gross national product would swallow up their gross combined figure. They are very much concerned about the possibility of competition between their people and ours, for example, but beyond that we have very important trade relations with other parts of the world, and this to us would be a very complex issue.

We would hope to be able to work out very satisfactory economic relationships through private trade and private investment that would fill the greater part of the need.

Our own private trade with Latin America has increased from approximately \$3.4 billion in exports to Latin America in 1961 to almost \$4.2 billion in 1966, and imports from Latin America from \$3.2 billion in 1961 to about \$4 billion in 1966, so there has been a steady expansion there.

Mr. FINDLEY. Mr. Secretary, we keep encouraging other areas to form common markets but never seem to express a willingness ourselves to be a part. I am sure there may be some disadvantages to Latin America, if we are part of it, but it would seem on the other hand that we would be wise to at least let them know that if they were so minded we would be glad to consider being a part of it.

I know there are some advantages from their end to having access to the American market. Sugar quotas, for example, are a very sticky question with a lot of Latin American countries, and in that connection I would like to ask if you expect, or if our Government expects to offer to change the discriminatory country quota arrangement for sugar should this common market develop?

Secretary SOLOMON. The Sugar Act passed by the Congress does not expire for another 4 years.

Mr. FINDLEY. But we could give them assurance that efforts would be made to amend it earlier, I would think.

Secretary SOLOMON. Well, sir, we have not give any assurances along those lines. We have felt that the Congress—

Mr. FINDLEY. Here we are being asked to make a declaration of policy. Would the administration like to have us amend this resolution to include in it an expression of willingness to change the sugar quotas?

Secretary SOLOMON. This question of the sugar marketing policy and the present negotiations going on in the world for an international sugar agreement, and we are a party to that, is a very complicated area.

Mr. FINDLEY. And a source of difficulty with Latin America at times.

Secretary SOLOMON. I think that is true.

Secretary RUSK. And everyone else, Mr. Findley.

Mr. FINDLEY. Mr. Secretary, I am glad that this resolution is before the Congress. I think it is a good step to take. I am glad, also, that the Chiefs of State meeting is in the offing for Latin America, but I am wondering why, in view of all the difficulty we have had in NATO, we haven't had a NATO Chiefs of State meeting since 1958.

It would seem to me that Western Europe is a matter of even greater concern to our national security as well as our well being in other respects, and yet I haven't heard a word about the possibilities of a Chiefs of State meeting of NATO.

Can you give us any indication as to when such might occur?

Secretary RUSK. Well, this has been considered from time to time over the past 6 years, but for a variety of reasons, usually different reasons at any particular time, it has not seemed appropriate to have such a meeting.

There has been some discussion recently of a Chiefs of State meeting of the signatories of the treaty at Rome, and whether or not that will materialize, I don't know. This is not an idea we reject in principle. I think the question would be the suitable occasion, and the subjects to be taken up, and whether or not there would be a constructive result.

Mr. FINDLEY. In 1969 it will be the 20-year milestone for the NATO Treaty, and countries might take the option a year ahead of that to withdraw, so it would seem that this year and next year will be crucial years for NATO, and I can't see why a Chiefs of State meeting is not contemplated.

Secretary RUSK. It is an interesting suggestion, sir; and I assure you will give that some thought. We have on other occasions in the past considered the possibility.

Mr. HAYS. Will the gentleman yield?

Mr. FINDLEY. Just one more question.

Can you tell us what the minimum obligation on the part of other countries will be in exchange for our commitment of \$1.5 billion? In other words, what is the minimum reciprocity we will insist upon as a condition for our full participation?

Secretary RUSK. I think, Mr. Findley, it would be useful for me to submit a statement for the record on that, because it is a question in which many will be interested, and it varies somewhat in different aspects.

For example, we can spell out, I think, the kinds of steps that they have in mind taking on the integration and the approximate point at which these steps would amount to a reason for use to come in with such assistance as we can provide.

(The following was subsequently submitted:)

MINIMUM OBLIGATION OF OTHER COUNTRIES IN EXCHANGE FOR OUR COMMITMENT OF \$1.5 BILLION

Our commitment of \$1.5 billion will be governed in its application by the overriding principles of self-help and demonstrated need. Specifically, it is anticipated that the approximately one-quarter to one-half billion dollars over a 3- to 5-year-period proposed as the U.S. contribution for integration adjustment assistance will be matched by a Latin American contribution of approximately the same size.

The proposed increased contribution of approximately \$150 million over a 3-year period proposed for the Inter-American Development Bank's Fund for

Special Operations will be matched by proportional increases in the contributions of the other bank members, and by contributions by the borrowers to the individual projects which these funds will finance.

The use of the approximately \$900 million increase in AID appropriations for the Alliance for Progress over the next five years for education and agriculture will be directly related to commitments on the part of borrowing countries to increase their investment, both public and private, in these sectors. We anticipate that the Presidents will approve specific goals and actions in these fields. United States support will be contingent upon intensified efforts by the Latin American countries to meet those goals.

Mr. FINDLEY. But dollarwise, will we insist, say, on \$5 billion altogether on the part of other countries, or \$10 billion or \$2 billion? Can you give us any guidance there?

Secretary RUSK. On the question of matching?

Mr. FINDLEY. Right.

Secretary RUSK. Let me submit it on the different segments, if I may.

Mr. FINDLEY. I will gladly yield to the gentleman.

Mr. HAYS. I am in general agreement with the gentleman on his thesis and even the desirability of having a meeting of the heads of State, but maybe having no diplomatic niceties inhibiting me I could say something the Secretary couldn't.

It would be difficult at least in one case to get a head of State, which may be the stumbling block, and I am not asking for any comment on it, but it is a difficult area.

Mr. FINDLEY. I am sure the gentlemen will agree that it is important that NATO continue on a strong basis, and a meeting would be useful even though one seat is vacant.

Mr. HAYS. I think it would be better if we had them all full. I think it would be bad if we had a meeting with one seat vacant, maybe worse than not having any meeting. Maybe the gentleman won't agree.

Chairman MORGAN. The gentleman's time has expired.

Mr. Culver.

Mr. CULVER. In response to Congressman Gross' question concerning the third window of the Inter-American Bank, the social progress trust fund, did I understand you correctly to say that nearly all of the \$505 million had been fully expended, or am I correct in my understanding that rather than being expended it has been fully committed?

Secretary SOLOMON. That is correct, all but \$30 million has been committed.

Mr. CULVER. As distinguished from expenditures.

Secretary SOLOMON. Yes.

Mr. CULVER. Mr. Chairman, I will yield my time to Mr. Gallagher.

Chairman MORGAN. Mr. Gallagher, you have three and a half minutes.

Mr. GALLAGHER. Whatever happened to Couve de Murville? Maybe you want to take the "Fifth."

Secretary RUSK. It may indicate the foreign ministers of any country are not necessarily the best candidates.

Mr. GALLAGHER. We notice in this committee there seems to be broad agreement on the resolution clauses but some disagreement on the "Whereas" clauses in the preamble, and I was just wondering whether

or not some of my colleagues would point out the preamble clauses they find objectionable in the light of the need for speed on the resolution, and therefore I would like to ask you whether or not these preamble clauses were agreed to in the consultations that you had with the leadership of both sides, the House and the Senate.

Secretary RUSK. I think it would be unfair to say that there has been any final agreement upon such a matter. There was a review of the resolution, and it seemed to meet the approbation of those who were consulted, but I think that is something on which we can keep in touch with the committee, perhaps through consultation with other bodies, and see what would be the best thing to do here.

There is, I think, some advantage in trying to set forth some of the spirit, some of the lift, in what is happening here in the hemisphere. It seems to me that many of these have a role to play. They will be encouraging to people in the hemisphere. They would be impressive, I think, to people in other parts of the world.

I would hope that most of them could survive.

Mr. GALLAGHER. Thank you.

Chairman MORGAN. Mr. Taft.

Mr. TAFT. Mr. Secretary, in this proposed Common Market that is being discussed, is it contemplated that Mexico would be a party to this Common Market?

Secretary RUSK. Yes, sir.

Mr. TAFT. Is there an indication in this message or this resolution that our aid to Latin America is henceforth generally going to be on a regional basis?

Secretary RUSK. We do in our appropriations make specific appropriations for the Alliance for Progress. On our end, we look upon it as a regional program, but the region itself has organized itself for regional development in the sense that it has the Inter-American Development Bank, the CIAP procedures for reviewing and passing judgment on development plans and projects.

The funds are not handled regionally in every case. The funds are frequently handled bilaterally, but the total effort has a regional supervision and a regional organization to it.

Mr. TAFT. Outside of these regional organizations, is it contemplated that we will be shifting our aid outside of these existing regional organizations to a regional approach, as in the African case?

Secretary RUSK. I think that here in this hemisphere we would continue to replenish the Inter-American Development Bank, but also continue our Alliance for Progress effort where the money actually moves bilaterally.

There are various reasons for that. As I remember, when we were dealing on these matters with our European friends in their postwar development, though they organized themselves for multilateral recommendations, they did apparently want us to reserve the actual bilateral decisions on the actual transfer of funds, as otherwise there might have been tense relationships among them as to who would receive which particular funds under what circumstances. It is not easy to allocate funds on a multilateral basis in many of these situations.

Mr. TAFT. What would your attitude and the attitude of the Department be toward an amendment to this resolution, either in the

"Whereas" clauses or in the body of the resolution, putting in some specific reference, such as Mr. Fulton has already suggested with regard to promoting the private sector of the economies of these countries as compared to the public sectors, or the governmental activities, the direct governmental activities in the economic areas?

Secretary RUSK. We had thought that we had covered that in the third paragraph, but we will examine the question as to whether that might be strengthened in some way, Mr. Taft.

Mr. TAFT. You mean in the third paragraph of the body?

Secretary RUSK. That is correct, sir.

Mr. TAFT. That mentions individual efforts of member states, but I frankly looked at that paragraph in an attempt to find—you do mention use of private resources.

Secretary RUSK. Further reference is made in one of the "Whereas" clauses, but we will be glad to look at this to see whether there will be any difficulty about some further language on that.

Mr. TAFT. One further question, and I know the other members are disturbed by this because this is a somewhat new procedure, as I understand it, as to whether or not this is an authorization.

I recognize, and I am sure most of the other members recognize, that it isn't an authorization. But let's assume that even if the other nations do as well, or perhaps even better, than they can possibly be expected to do under the plan that is outlined here, do you feel that a member, myself or any other member, who would continue to serve here in the forthcoming years if, having voted for this resolution, to support what I estimate is about \$6.5 billion of aid during the next 5 years, would we be inconsistent if I voted to authorize less than that total amount because of changed circumstances in the United States, or perhaps a change in our attitude?

That is what confuses me here about this authorization that isn't an authorization. If I am going to vote for this resolution, I want to make it perfectly clear on the record that I don't want to feel that I am committing myself, and I would like to have some statement from the Department to the effect that they don't feel that I am committing myself on these authorizations.

Secretary RUSK. Mr. Taft, when the question comes up in later years about authorizing legislation or appropriations for the purposes that we are discussing here, there will be a number of things which both we in the executive branch and you in the Congress will want to take into account.

For example, just what does this integration mean, what are they doing, are they moving in a way that they tell us they expect to move?

Mr. TAFT. I am not talking, Mr. Secretary—I think you miss my point—I am not talking about what happens to them. I am talking about what happens to us.

Suppose our balance of payments continues on a highly unfavorable basis, and we decide simply on the basis of our own balance-of-payments situation we have to cut back on authorizations for foreign aid.

Secretary RUSK. I would not consider, Mr. Taft, that a vote for this resolution would pledge you to vote for authorization and appropriation at these later stages, regardless. I do hope that if you vote for this resolution, your view would be later that this is a good idea,

what the Latin Americans are doing here is important, the United States ought to be with them.

Now, there are all sorts of considerations which might make a difference in your judgment at this time as to how you would deal with a specific question in front of you, but it would be important to know, whether as a matter of general policy and general intent, this accurately reflects your approach to the question of our relations in this hemisphere.

Mr. TAFT. Thank you, Mr. Chairman. That completes my questions.

Chairman MORGAN. Mr. Frelinghuysen.

Mr. Frelinghuysen. I am glad to have this further opportunity to come back to the nature of the resolution, Mr. Secretary.

It does seem to me very unfortunate that we should be presented with specific language and the necessity for acting very promptly. The executive branch of course knew we were planning and are going to take an Easter recess very shortly. Yet, as the President pointed out in his special message yesterday, the executive branch has been preparing for months with respect to this Punta del Este meeting. The President also told us yesterday that he believes it is important that a partnership between the executive and the legislative branch be developed.

Well, this is a very belated kind of action. As I say, I am not objecting to giving the President support. I think he needs it, and I may even vote for the resolution. However a comparison between this resolution and the Resolution of Bogotá misses a very important point.

If you will read the Resolution of Bogotá—and I don't suppose that many of us have had an opportunity to compare the language. I am not talking about the executive branch, I am talking about the legislative branch. Few of us have been able to compare the language passed on hastily by Congress. It doesn't bear much resemblance to the language we are being asked to pass hastily on now. It gives me little comfort to hear the chairman say he sees nothing unusual about this course of procedure, because we have acted hastily in the past. In neither case should we have acted hastily.

I have reservations about both the preamble language and in the specific resolutions that are proposed. In expressing by reservations I am in no way acting as a partisan. I see no justification for suggesting that there is some kind of political maneuvering going on that didn't occur when the Democrats were responding to President Eisenhower's suggestion in 1960. There is no political advantage that I can see to be gained out of asking questions. Perhaps as a legislator I am unduly suspicious, or like to ask questions about the executive branch, but it seems to me appropriate for a legislator to ask questions.

At a very minimum, the colloquy between the gentleman from Ohio and the Secretary has certainly brought out that a strong moral commitment will result if we vote for this resolution, to support authorizations and appropriations to carry out the language of this resolution. It isn't worded as an authorization. I would be happier if it were an authorization and did require affirmative action, if new action is needed. This is simply a moral commitment, that Congress recom-

mends that the United States be prepared to make available significant additional resources.

If we had a dollar figure, if we made some commitment now as to what we probably would be willing to do in a 3-year period or a 5-year period, I think there would be more justification. What is being attempted is to tie us hand and foot to something that we cannot envisage, or which no one has tried to clarify for us in such a way as to make it possible to set dollar ceilings.

It makes me very unhappy that we should be presented with the necessity, and I recognize the necessity, of acting pretty much on this language or forgetting the whole thing. If the Senate of the United States acts in the tradition which has developed since the passage of the Formosa resolution, I could understand their agony in accepting without discussion and perhaps without modification this language. Yet if we go through the normal process and either weed out certain of these clauses or add other ones, if we change the basic language and instead of saying "recommending that the United States be prepared to make" we use some other expression, we could be hung up on a matter which requires immediate action.

I am not suggesting there is any solution to the dilemma, but I am reiterating the fact that as I ask these questions I am not seeking to embarrass the administration. I am suggesting that, to be meaningful, the importance of the kind of participation and partnership which is desirable. In my opinion, it should not be done in this way.

It does me little good to know there was a meeting at the White House last week on this subject. I am not saying I am piqued that I wasn't asked to the White House and or that I have not been involved in the preliminary drafting of the resolution which has already occurred. My regret is simply that there is no opportunity now for us to make any meaningful suggestions or to arrive at an understanding which will enable the President to go to Punta del Este and make commitments.

What he is suggesting in his message is that the kind of advice and counsel of Congress which he is now seeking is going to enable him to go down and make commitments which will be binding on us. I don't think that is a reasonable position to take, but look at his language. He says:

I could go to the summit meeting with the President's executive authority and reach understandings with our Latin American neighbors on behalf of this country. I believe it is much more in our democratic tradition if the Executive and the Congress work together as partners in this matter.

I am, therefore, going to you in the Congress not after a commitment has been made, but before making any commitment.

What he is seeking from us, presumably, is a basis for him to make a commitment. Yet we don't know, really, enough about the practical problem to be able to give him the kind of blank check that will enable him to make a commitment, except insofar as the Secretary has sketched out the dollar amounts that he envisages for the various programs. These programs are already in most cases within existing authorization and he didn't need specific approval from Congress to move along those lines.

Secretary Rusk. Mr. Frelinghuysen, first on the matter of time, until we had had this Foreign Ministers meeting in Buenos Aires,

despite the fact that a good deal of thinking and work has been done on this matter in earlier months, we were not at all clear as to just what the Latin Americans themselves were going to decide to do on such matters as economic integration, which is at heart of this particular situation at the present time.

We wanted to do a lot of listening, and we did a lot of listening down there, and it was what we heard and what we have had from governments in connection with the Foreign Ministers meeting and Presidents meeting that makes us think now is an important time for the hemisphere to move and for us to move with it.

On the matter of detail, I agree, sir, that a good many details are simply missing here, but I can assure you that we have not withheld any details which we have. We are talking about the future here, we are talking about an integration process which is in the process of being constructed, and that is the problem.

I am glad you used the word "dilemma," because there is a certain dilemma here about how the Government of the United States can speak with reasonable confidence about a longer term into the future. It is our practice of course, as you know, in international meetings when the executive branch makes a commitment, to make those commitments subject to the action to be taken by the Congress if it involves the need for authorization and appropriation, but it is quite a different thing for the President to say, "I will ask the Congress for the following," than for him to say, "The President of the United States and the Congress of the United States take this view, as you gentlemen of the hemisphere move in the way in which you are telling us you are prepared to move." I think that is a much more encouraging, much more solid, and much more reliable method of stating American policy.

Mr. FRELINGHUYSEN. If I may interrupt, you say this resolution says we will take this view. The fact of the matter is this view doesn't add up to anything. This doesn't really do anything except to say in a very indirect way that we approve the idea that you are developing of economic integration, and that we will make some financial contributions if, as and when such contributions are needed down the road.

Secretary RUSK. That is a pretty important proposition.

Mr. FRELINGHUYSEN. If the heart of the matter was economic integration, this resolution isn't directed to that. This resolution, however, goes all over the lot with respect to a great many paraphrasings of what is already in the law, plus some new language. It doesn't really say we think this is a new idea which we are behind, and are willing to back that up. It simply says there may come a time when there will be some need for money, and presumably we are going to be obliged to support a request for funds because we will have passed this resolution.

Secretary RUSK. Yes; but I would have thought it was more specific than that.

Mr. FRELINGHUYSEN. I don't see any language that is specific about economic integration. There is practically no reference.

Secretary RUSK (reading):

After appropriate steps have been taken toward progressive establishment of such a Market, that the United States furnish through the Inter-American Development Bank standby resources to be matched by Latin American countries to provide integration adjustment assistance to facilitate the transition to a fully functioning Latin American Common Market.

It is a little difficult to say more than that, but it seems to me that says a great deal.

MR. FRELINGHUYSEN. The language in the final paragraph also refers to economic integration, too, but it is of course very general. I was really referring to that paragraph when I talked about the generality—it is so general, the goals of economic integration.

Secretary RUSK. I see.

MR. FRELINGHUYSEN. I appreciate very much your testimony, Mr. Secretary. I wish I had a solution. I certainly am very much in favor of doing more than we have done with respect to Latin America. I do feel we have special responsibilities and, as I say, I would like to strengthen the President's hand. I don't happen to like this way of asking the Congress to strengthen his hand because, in the process, you do seem to be trying to commit Congress, creating a moral commitment that we would find it difficult perhaps to dodge even though the circumstances may be different down the road.

Secretary RUSK. I wonder, Mr. Frelinghuysen, if you would be willing to indicate what you would consider a better alternative in terms of consulting between the President and the Congress before the President goes to a meeting of this importance. I am just interested—

MR. FRELINGHUYSEN. You can't really tell me you couldn't express this whole problem, do we favor economic integration and might the Congress express some position with respect to that, long before the meeting at Buenos Aires had been concluded.

I find it difficult to believe that you felt you couldn't come and talk to us until that meeting was over.

Surely the goals in this resolution could have been developed months ago, at the same time you were laying the foundation for action by the executive branch at Punta del Este.

Chairman MOGRAN. The gentleman's time has expired.

Mr. Hays.

MR. HAYS. I would point out for the gentleman from New Jersey, as well as Mr. Taft, that you needn't feel bound by any commitment you make here, because when that resolution was urged by Secretary Dillon, I voted against that resolution in the committee but later supported it on the floor, and the reason I voted against it in the committee was because I offered an amendment to exclude what was then the Belgian Congo getting any of this money. The amendment was defeated, and I had strong feelings that they had thrown in a few million for the Congo which I felt was wrong, and because of that voted against it. It seems to me we have to take these matters as they come.

In that resolution then—it wasn't a resolution, but was an act of commitment of so many hundreds of millions of dollars—I think a Member would be perfectly justified in voting to cut the amount authorized if he felt that either the Latin American countries weren't living up to what they said they would, or if the internal financial

situation of the United States was such that we couldn't afford it. I don't think anybody can preclude all the contingencies of what might come up 5 years from now.

As I view this now and viewing the problems of the hemisphere, I would feel inclined to support it and support it in the future, if I could conscientiously do it. If I couldn't, I wouldn't feel any qualms about it.

Mr. FRELINGHUYSEN. Would the gentleman yield?

Chairman MORGAN. Mr. Hays, before the gentleman began his testimony today, he said he had a very important engagement and would have to leave the Hill at 12:45.

We have time for one question, Mr. Findley.

Mr. FINDLEY. Mr. Secretary, I know that our Government places the highest priority on our effort in South Vietnam. With that in mind, do you see any objection to an amendment which could be added to this resolution which would express the sense of the Congress that Latin American countries should be more active on our side in the defense of South Vietnam?

Secretary RUSK. I think, sir, that that would be tying two things together that really ought not be tied together. These countries in Latin America are not members of the SEATO Treaty. They have historically not undertaken the responsibilities or interests in that part of the world.

We would welcome such assistance as they might find possible to give South Vietnam, but I would hope that would not be made a part of this great task that we face here in any event in this hemisphere.

Mr. FINDLEY. Thank you.

Chairman MORGAN. I just want to say for the record that the Bogotá resolution passed the House by a voice vote. A rollcall was demanded, but there was not a sufficient number to support this demand and the roll was not called. This is an indication that there was not much opposition in the House of Representatives.

Secretary RUSK. I am glad to hear that, sir.

Chairman MORGAN. Thank you, Mr. Secretary.

The committee stands adjourned.

(Whereupon, at 12:45 p.m., the committee adjourned subject to the call of the chairman.)

SUPPORT FOR A NEW PHASE OF THE ALLIANCE FOR PROGRESS

WEDNESDAY, MARCH 15, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE OF FOREIGN AFFAIRS,
Washington, D.C.

The committee met, pursuant to adjournment, at 10 a.m., in room 2170, Rayburn House Office Building, Hon. Thomas E. Morgan (chairman) presiding.

Chairman MORGAN. The committee will come to order.

We are meeting this morning in open session to continue hearings on resolution House Joint Resolution 428. To support the other American Republics in a historic new phase of the Alliance for Progress.

The witness this morning is the Ambassador Sol M. Linowitz, U.S. representative to the Council of the Organization of American States.

With Ambassador Linowitz is Anthony M. Solomon, Assistant Secretary of State for Economic Affairs; Robert M. Sayre, Acting Assistant Secretary of State for Inter-American Affairs; and Richard Richardson, Acting U.S. Coordinator, Alliance for Progress.

Mr. Ambassador, you have a prepared statement and you may proceed, sir.

STATEMENT OF AMBASSADOR SOL M. LINOWITZ, U.S. REPRESENTATIVE TO THE COUNCIL OF THE ORGANIZATION OF AMERICAN STATES

Ambassador LINOWITZ. Thank you, Mr. Chairman.

I would like at the outset of this statement to offer any disclaimer with respect to longstanding expertise in this field. As perhaps you know, I have only recently taken on my duties. Actually it is a little over 4 months since I came to work for the Government, and what I'll presume to do in a few minutes this morning is offer you some of my own observations as those of someone from the business world who has recently found himself exposed to an enterprise of much larger dimensions—the Alliance for Progress.

As a businessman, even one with an abiding interest in Latin America, I could only acquire a rudimentary sense of the problems of that continent, and only a parochial view of its promise.

But I have now had an opportunity to see the Alliance from the broad perspective that I think only the public service affords. I have, in my work as an Ambassador to the Organization of American States and as the U.S. representative to the Inter-American Committee for the Alliance for Progress (CIAP), come to know my colleagues from

our neighboring countries, and I have picked up a broader familiarity with the countries themselves—what they are doing, what they are thinking, what they are hoping.

I am deeply impressed by what I have seen. The Latin American leaders with whom I have worked are practical men of vision. They will not be content until their countries have emerged into the kind of prosperity that the resources of Latin America should make possible. I have encountered a sense of urgency to get on with things that is the surest guarantee of success. And the progress of the past 6 years under the Alliance for Progress attests to the qualities of this new breed of leadership. The countries of Latin America have, to an increasing degree—and starting from a very low base—mobilized their own resources in the cause of economic and social development. I think the United States has good reason to be proud of its constructive role in helping to assure that these early foundations of progress will endure.

There is still much to be done by the Latin Americans in developing wise and timely governmental policies for continuing and accelerating their own growth. And Latin American leaders are coming to realize that governmental policies can, in fact, be used to generate prosperity in areas previously unexplored. Industry and agriculture means enterprise and initiative on the part of the businessman, the farmer, and the worker. In order to grow and to thrive, they must be subject to the goad of competition. They must have the public facilities—the transport, the communications, the power and the finance—that will make the wheels go round, and they must have markets.

Economic integration is part of the answer to these needs. Many Latin American countries in the early stages of their growth have pursued policies of protection which have fostered uneconomic industries in some cases, and have on the other hand lost important opportunities for profitable investment. Many Latin American markets have proved too small to attract profitable investment. Others, potentially large enough, have been hampered by restrictive tariff and pricing policies as well as by inadequate infrastructure, by lack of trained manpower, and by the low productivity of the land.

These are the things that Latin American leaders are coming to realize and these are the things they want to correct. I am persuaded that economic integration, with its implications for productive private enterprise, deserves the full encouragement of the United States, as the Nation which has demonstrated so brilliantly in its own history the developmental role of the marketplace.

It is this sense of things that the President wishes to support at Punta del Este. It is this sense of things which I urge the Congress to support.

Mr. Chairman, perhaps, with your permission, I might supplement the statement by a few words of explanation, if it seems appropriate, regarding some of the figures we were discussing here yesterday.

With your permission, sir, I would just take a look at the resolution which we have before us and try to relate the paragraphs of the resolution as clearly as I can to the figures which were mentioned in the message by the President and in the testimony by the Secretary yesterday.

If I could do this first by turning to the first operative paragraph of the resolution, you will note it provides that Congress recommends, in support of the concept of a Latin American Common Market and after appropriate steps have been taken toward progressive establishment of such a market, that the United States furnish through the Inter-American Development Bank standby resources to be matched by Latin American countries to provide integration adjustment assistance to facilitate the transition to a fully functioning Latin American Common Market.

What we have in mind with this paragraph and the way it relates to the statement of the President and the testimony of the Secretary might perhaps be summarized as follows.

After the countries of Latin America have entered into a Common Market Treaty, after they have taken appropriate steps to begin to implement that treaty, after these steps have resulted in the diminution or lowering of certain tariff and trade barriers, it is likely that there will be dislocations affecting particularly the balance-of-payments situations of various of these countries.

For example, an industrialized country may be next to one which is far less industrialized. Tariff barriers are lowered. Goods will begin to flow between the two countries. Some of the industries, some of the labor in the less developed country will be adversely affected in its balance-of-payments situation.

This resource which would be provided for under this language would make it possible to offer temporary loans to tide over during that period of imbalance.

Our thought is that we would contribute toward such a standby resource commencing not until 1969 at the earliest, and probably not until 1970, a figure between a quarter and a half of a billion dollars.

For purposes of computation, we are assuming \$450 million as the figure. This would be matched by the Latin Americans. We would be contributing and the Latin American countries would be contributing on a subscription basis, but the outside figure we have in mind there is \$450 million as our share—

Mr. FRELINGHUYSEN. Annually?

Ambassador LINOWITZ. No; one contribution, \$450 million as a single contribution toward this fund.

Mr. FARSTEIN. Is this to be a revolving fund, or is it to be repaid?

Ambassador LINOWITZ. This is to be on a loan basis and therefore to be repaid.

Mr. GROSS. What if they don't match it?

Ambassador LINOWITZ. Well, we used the phrase "matching" meaning subject to agreement with reference to matching, and if they don't do their share, obviously we couldn't be expected to do our share.

Mr. SELDEN. Mr. Chairman, will the gentleman yield?

Isn't the amount to which you refer a maximum of \$450 million but with the possibility it could be considerably less?

Ambassador LINOWITZ. As a matter of fact, we have no reason to believe that even a substantial portion of that will actually be required, but what we are talking about here is a figure of \$450 million to be matched by the Latin American countries to constitute a fund which would be available for such integration assistance.

That is the first portion of this resolution, and I wanted to be sure that the figures were clear in terms of the language now contained.

Mr. MORSE. Mr. Chairman.

Chairman MORGAN. Mr. Morse.

Mr. MORSE. Mr. Ambassador, in your remarks—and I copied your language down very carefully—you said, “This resource which would be provided for under this language.”

Now, it seems to me that what you are implicitly suggesting is that this is an authorization. Those were your precise words, sir—“This resource which would be provided for under this language.”

Now, do you suggest that we are in fact committing ourselves, or what do you suggest by the use of that language? It was your language, sir.

Ambassador LINOWITZ. Mr. Congressman, if the language is not as precise as I will now make it, please regard the amateur nature of the witness for the moment and let me go back and state it so there is no misunderstanding.

Mr. MORSE. If you, as American Representative to the Inter-American Committee of the Alliance for Progress and Ambassador to the Organization of American States, have an understanding as expressed by the words you use, clearly the Latin Americans and everybody else is going to have the same understanding.

Chairman MORGAN. I wonder if we might proceed in regular order and the members reserve their questions until after we have heard the Ambassador's statement?

Ambassador LINOWITZ. Thank you, sir.

The second paragraph refers to the United States joining with the other members of the Inter-American Development Bank in the provision of resources to that institution to be used for financing multinational projects which promote Latin American economic integration.

During the past 3 years—if I may just say a word about that—we have been contributing at the rate of \$250 million a year to the Fund for Special Operations of the Inter-American Development Bank.

The President in the budget indicated that he would be requesting replenishment of that fund for the next 3 years. The rate of U.S. contribution over the past 3 years was \$250 million a year.

What we are concerned about in this resolution is augmenting that Fund. What we have in mind is, that we should cooperate with the Latin American countries in the provision of additional resources in making these multinational projects actually come alive and become effective.

Our thought is that we would be coming back to you and asking for \$50 million a year additional in this Fund over a 3 year period, or a total of \$150 million.

Just to avoid any misunderstanding, what I am saying is, that we would expect to be coming back here shortly to make our case for this \$50 million per year, together with our regular \$250 million annual contribution 3 years for each of the next 3 years to augment the contribution to the Fund for Special Operations.

Now, the third financial portion of the problem before us is dealt with in the fourth paragraph, that the U.S. provide an increase in assistance under the Alliance for Progress for programs of educational and agricultural modernization and improvement of health.

It goes on to say—and I particularly call to your attention this fact—that the nature and amount of such assistance is to be dependent on demonstrated need and adequate self-help within the recipient countries.

Now, for fiscal year 1968, the President proposes to ask for obligatory authority of an additional \$100 million. As you heard yesterday from the Secretary, from the contingency fund which would be added to the figure which is already being asked for in new appropriations, \$543 million, to bring the total to \$643 million in 1968.

For the 4 years thereafter—and again dependent upon the proper performance by the Latin American countries themselves in these areas of education, agriculture and health—we would expect to come back and ask for \$200 million per year for those 4 years to be earmarked for those specific purposes.

That totals \$900 million for education and agriculture. Congress has already established authorization for \$750 million per year under the Alliance for Progress for the years 1968 and 1969.

Therefore, the total figure for 1969 of \$543 million, plus the additional \$200 million for 1969, would come within the \$750 million authorization previously approved for 1969.

Now, that is how we come to the \$1.5 billion; and just one further word, sir. Why didn't we put this figure in the resolution? Why didn't we spell out these precise figures?

I think the simplest way to say it is that what we have had in mind in these projections is to put before you outside figures with reference to these three items. We do not at this moment believe that they are precise enough so that we properly can ask for authorizations. A good deal or most of the validity of these figures will depend on what the Latin American countries do themselves.

We do expect to come back to you each year and to make our case and to ask for authorization, and appropriation, but we did think it was important to come here and ask Congress to convey its sense of cooperation with the President as he goes to Punta del Este. We would hope that would assure the President of that sense of cooperation and support, and it was with this in mind that we presented the resolution as we have and why the figures have not been inserted in the resolution.

Thank you, Mr. Chairman.

Chairman MORGAN. Thank you, Mr. Ambassador.

Mr. Ambassador, from the figures as you read them, I have the impression that about three-fifths of this extra money is to go to basic bread and butter projects such as agriculture, health, and education.

Ambassador LINOWITZ. That is right, sir.

Chairman MORGAN. And about a third of it would go to assist in the formation of a common market.

Ambassador LINOWITZ. Well, sir, of the \$1.5 billion, the outside figure we have in mind, \$900 million would go for education, agriculture, and health, and a total of \$600 million would be available for the two other objectives.

Chairman MORGAN. The two other objectives?

Ambassador LINOWITZ. Yes.

Chairman MORGAN. Thank you, Mr. Ambassador. I recognize the importance of this resolution and I hope that the Congress and this

committee will act promptly. We are facing a limitation on time. This committee will have to work a little harder because, as you know, we are anticipating an Easter recess here on Capitol Hill. The leadership has not yet spelled out the exact number of days of recess, but if we are to act promptly and have this ready by April 12 when the President leaves for the Summit Conference, we may find it necessary to work again tomorrow and Friday, to try to get this resolution ready for the floor next week.

The leadership has not arranged next week's schedule yet. It appears to me that it will be necessary for us to bring it up early next week.

Mrs. Bolton.

Mrs. BOLTON. Thank you, Mr. Chairman.

Mr. Ambassador, the resolution is for a period of 5 years?

Ambassador LINOWITZ. It would be operative over a 5-year period.

Mrs. BOLTON. Why?

Ambassador LINOWITZ. Because we felt that the most we could project presently would be the needs as we anticipate they might arise over the next 5-year period which, in itself, has some merit.

In the areas of education and agriculture, particularly, we could see what has to be done, and on which we could have some specificity get an idea of what might be involved. We thought this was as far as we presently ought to undertake to plan.

Mrs. BOLTON. You did say a minute ago that you would be coming back here each year to the committee.

Ambassador LINOWITZ. Yes; we would, indeed, Mrs. Bolton.

Mrs. BOLTON. Supposing the second year the committee finds that it is not very happy about what is being done and doesn't allow you the money.

Have you agreed to give the money regardless of what you bring to us each year?

Ambassador LINOWITZ. I would not expect that by this resolution you would be committing yourself to precise figures. What I would hope would be that by approving the resolution you would be endorsing the principle and feeling that the President has the support of the Congress in going to Punta del Este and indicating our willingness to cooperate with him in these areas.

Mrs. BOLTON. That is a very clear statement and I thank you for it. That is all, Mr. Chairman.

Chairman MORGAN. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

I am delighted to welcome you here. I am glad that you are a successful businessman from New York who has joined the government, because I have never understood why the business community at times has displayed a rather skeptical attitude toward the things that our Government is doing.

Ambassador LINOWITZ. Thank you.

Mrs. KELLY. I see from your statement that many Latin American markets have proved too small to attract profitable investment.

Can you name some of the possible industries in which Americans may be investing in Latin America in the future?

Ambassador LINOWITZ. May I perhaps with your permission read you—

Mrs. KELLY. If you want to submit it for the record, you might.

Ambassador LINOWITZ. This is just a few sentences from David Rockefeller that I think are particularly apt and may get to exactly the point you have in mind.

He says, in connection with the economic integration movement and what it will mean for us:

Most businessmen I talk with—

And this is an article he wrote in "Foreign Affairs" in April, 1966—

most businessmen I talk with consider it absolutely imperative for true progress. Without such integration there is inefficient division of markets and costly duplication of effort. Only by closer cooperation can the Latin nations make the best of their own resources and provide the broadest appeal to additional foreign investment. Most U.S. businessmen recognize that a tariff barriers between nations are dropped, the increased demand for finished goods will create a broader general market. Agricultural nations will be buying within the Latin American market many of the goods they now import from other areas. The resulting generation of domestic capital will decrease the emphasis on foreign aid and open up new opportunities for private investment.

I think basically that is the philosophy about it.

Mrs. KELLY. That article was written after I had a discussion with Mr. David Rockefeller on this very point. It bothered me that business seeks to invest in industry in those countries where the wages are lower than the wages in the United States and then to import into this country the products made at lower cost.

Now, here is a problem: At what point do we stop helping those people? When the articles produced in their countries become competitive with our own? Am I clear?

Ambassador LINOWITZ. As I understand the question—

Mrs. KELLY. Let me give you an example.

Ambassador LINOWITZ. All right.

Mrs. KELLY. I bought a portable typewriter for x dollars in New York. A friend of mine bought what appeared to be an identical typewriter under a Belgian label for half the price.

Now, that is the question! At what point do we stop investing abroad or providing aid? When that article comes into competition with our own industries?

Ambassador LINOWITZ. I would assume, Mrs. Kelly, that if typewriters are going to be made more cheaply in Belgium, they will be made regardless of whether or not the United States invests—

Mrs. KELLY. But it is a subsidiary of our company that is producing them!

Ambassador LINOWITZ. The choice, I would assume, is not between whether U.S. investment ought to play a part, but whether or not we can compete successfully in certain areas where other countries are able to manufacture products more cheaply than ours.

I think perhaps Mr. Solomon might want to comment on this point.

STATEMENT BY HON. ANTHONY M. SOLOMON, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Mr. SOLOMON. The level of wages and the level of prices in any particular national economy or regional economy—let's say the Common Market in Europe—reflects, of course, the realities of that situation,

and there is no way of attempting to make uniform those differences in per capita income and wage levels.

We have without question benefited from the development of U.S. investments in the Common Market and the large volume of production that they are doing there in two respects.

One, the income effect in the Common Market has created so much new additional trade that it has offset and swamped the problem that you are talking about, Mrs. Kelly; namely, the fact that the Common Market, the creation of the Common Market has diverted some of our exports away so that there are customers among them that trade with each other rather than the United States.

Secondly, we are not concerned about the fact that in sophisticated manufactured goods they have a wage advantage. We have a tremendous capital advantage and technology advantage, and the whole pattern of U.S. trade as it has been evolving is one where we are increasingly making the more sophisticated goods and other countries, 10 or 20 years behind us or even longer, are making the goods that we are beginning to leave behind, and there is where their lower wage factor is an advantage.

This is the nature of a moving world, and the overall result of this I think has been very good. The United States is still by far the largest supplier of the world, we still have the largest trade surplus in the world, we are a stronger economy than ever, and our technology keeps moving ahead.

In fact, it is interesting that the very existence of high wage rates is a spur to our private enterprise to keep developing more and more sophisticated capital technology in order to offset this disadvantage of the higher wage cost in this country, so I think that your concern is legitimate in specific areas, but in terms of the overall U.S. economic situation it is not justified.

Mrs. KELLY. I would like to ask one more question.

Will the Latin Americans themselves, those who are able, invest in their own countries more than they are doing now?

Mr. SOLOMON. We believe that they will, for this reason. The problem of investing in Latin America today is that the Latin American businessman can either invest in a small enterprise which he runs himself and for work for a small market, or he can invest in real estate, land and buildings, where he is protected against inflation, or he can invest in a savings account in California and get himself a 5 percent return, and there has been a substantial volume of that in previous years.

Now, the situation—as you create a larger market—is you necessarily force a larger scale plant or firm to service that market if you want to be competitive. This will tend not only to create a challenging market for the businessman already in business to reinvest all his earnings, because up until now the problem has not been, you see, that he is not making sufficient profit; the problem has been he hasn't had a big enough market.

Therefore he will have a larger market and a larger challenge which will spur him to reinvest at a much larger rate, expand at a much larger rate.

Secondly, the existence of larger scale firms will tend to create a capital market in Latin America with Latin American middle-class people

buying stock in these larger companies, so I think that you will have the effect that you are talking about from two sources.

Mrs. KELLY. Is this going to contribute to diversion of our trade?

Mr. SOLOMON. No, we see no reason why it would. We believe that even more so than in the case of the Common Market in Europe, the trade-creating effects for the United States will swamp the trade-diverting effects, and I think we have proof of that in the statistics which I can submit for the record as to what has happened in the case of the Central American Common Market and the European Common Market.

Mrs. KELLY. Will you supply those for the record?

Mr. SOLOMON. Surely.

(The following information was subsequently submitted:)

TRADE-CREATING EFFECTS OF THE LATIN AMERICAN COMMON MARKET FOR THE UNITED STATES WILL SWAMP THE TRADE-DIVERTING EFFECTS—CASES IN POINT: THE EUROPEAN COMMON MARKET AND THE CENTRAL AMERICAN COMMON MARKET

U.S. exports to the two existing Common Markets, since their creation, have increased at rates double that of total U.S. exports during the same periods. From 1958, when the European Economic Community was initiated, total U.S. exports increased by 53 percent, whereas U.S. exports to the EEC increased by over 100 percent. From 1961, at which time the Central American Common Market became effective, U.S. total exports increased by only 30 percent, as compared with a 70-percent increase in U.S. exports to the Central American Common Market.

The European Economic Community now takes 17.6 percent of total U.S. exports as compared with 13.6 percent in 1958. This increase in U.S. exports occurred despite a marked increase in intrazonal trade in both areas, indicating that trade creation has more than offset any trade diversion which may have occurred due to integration. Attached are two tables which indicate the growth of U.S. exports to the two areas.

U.S. exports to the Central American Common Market, 1961-66

[Millions of dollars]

Country	1961	1962	1963	1964	1965	1966
Costa Rica.....	42	50	53	61	61	62
El Salvador.....	35	41	50	68	61	70
Guatemala.....	60	61	74	85	97	91
Honduras.....	37	43	44	50	54	68
Nicaragua.....	32	46	45	59	69	71
Total.....	207	240	265	323	342	362

Source: U.S. Department of Commerce, Bureau of Census.

U.S. exports to the European Economic Community, 1958-66

[Millions of dollars]

Year:	Value
1958	2, 449
1959	2, 420
1960	3, 482
1961	3, 571
1962	3, 652
1963	3, 994
1964	4, 577
1965	4, 966
1966	5, 332

Source: U.S. Department of Commerce. Data for 1964-66 adjusted to include special category commodities.

Chairman MORGAN. The time has expired?

Mr. Mailliard.

Mr. MAILLIARD. May I defer my questioning, Mr. Chairman, until I find out more about what is going on?

Chairman MORGAN. Mr. Frelinghuysen.

Mr. FRELINGHUYSEN. I welcome you before the committee. I would like to say also that I approve very much of one statement you made today. I agree with you that the United States should be proud of its constructive role in helping to insure that these early foundations of progress in Latin America will endure.

My questions are certainly not aimed at sabotaging what we have been doing, and what I think we will continue to do. I say that as a preliminary, because I am very much disturbed about the nature of the resolution which you are asking us to accept.

You have suggested that the reason we should act is to show that Congress—I am not sure I quote you accurately—that Congress supports the principle of cooperation with our Latin American neighbors.

Well, I don't suppose anyone would argue that we would be unwilling to support that principle. If it were just that, there would be no problem at all, but the practical matter is that you seem to be involving us in something that looks suspiciously like what the President said he was going to ask of Congress only the day before yesterday in a special message. He said that we should and I quote:

I believe we should pledge increased financial assistance in the years ahead.

He goes on to say:

The fundamental principle which has guided us in the past—demonstrated need and self-help—will continue to shape our actions in the future.

Then, with emphasis, he says:

I recommend—

And I can understand the President recommending, but how Congress does it and to whom I still don't know. The President says:

I recommend that Congress approve a commitment to increase our aid by up to \$1.5 billion or about \$300 million per year over the next 5 years.

Well, as I understand it, this really isn't considered a commitment because it is not an authorization.

I was asked by somebody who attended the hearing yesterday, when Secretary Rusk spoke, whether as an alternative to this resolution I would favor an authorization of a certain dollar figure over and above what we have already approved for the Alliance for Progress.

Yesterday I hedged in my answer, but my answer today is that I feel if we are to accept the long-range implications of what the President is clearly asking and what the Secretary of State is clearly asking, we should come up with an honest authorization for a long term ahead.

This resolution as now worded is just going to get us in trouble. All you are doing basically is—you are saying this in one way or another, the Secretary and yourself—you are saying you want an indication of congressional support for whatever the President is going to pledge at Punta del Este next month.

Well, one of the main things that he plans to pledge is that we are going to provide funds for 5 years—instead of 2 that are already authorized—in the field of education and agriculture.

I would be in favor of such a continuation of assistance in those areas. I would be in favor of considering now the advisability of extending an authorization, but I would not be in favor of something which ostensibly does not do that but which, when read with what has been said, must be construed as a promise on the part of Congress, as well as a promise on the part of the executive branch.

You are also suggesting that we buy, as a pig in a poke, the idea of contributions that will not be needed until 1969 or 1970 to a so-called integration fund.

This morning you suggest that a one-time contribution not to exceed \$450 million, whereas only yesterday the Secretary of State said it might be up to \$500 million over a 5-year term, and presumably not as a single shot. We are not really sure how big that fund would need to be, what kind of assistance would be needed, whether it would in fact be a transitional thing and, if so, how long that transitional period would continue.

You are asking us to approve now something which you can't really spell out for us, but nonetheless something that we should support in 1969 or 1970.

I am not saying at all that when the time comes we should not support such a fund. I am not saying that we shouldn't say now that we would give sympathetic consideration to the advisability, when the time comes, of making an appropriate contribution to such a fund if funds should be necessary. However, you are asking us to commit ourselves—in highly irregular, unusual language—to a course of action which is not justified on the basis of any emergency such as did exist in the Tonkin Bay resolution, nor is this resolution comparable in any way to the Bogotá resolution which preceded the commitment which the administration made at the Punta del Este Conference in 1960.

I would suggest, and what I have already attempted to state, that if Congress is to take immediate action we do so on the basis of an alternative resolution. This would indicate the continued sympathy of Congress, which you would like us to express now, with respect to the objectives we have in common with Latin America, and our willingness to continue our support for those objectives, such a resolution would not tie us up in a straitjacket with respect to situations that involve the considerable amount of money, situations, I repeat, that will not be even identifiable, suitably identifiable, until 1969 or 1970.

I would urge, if the chairman is right that we must act immediately, that we act on something other than the language of this resolution.

I would be very reluctant to oppose a resolution, the purpose of which or the basic objective of which I favor, because of the form in which it is cast, yet, I don't see any alternative at the present moment but to oppose what you are suggesting.

Now, could I ask specific questions about the nature of the proposal before us?

Ambassador LINOWITZ. Would you like me to comment on any of the things you have said?

Mr. FRELINGHUYSEN. I would be glad if you would.

Ambassador LINOWITZ. I would like to say a couple of things.

First, to clarify any possible question that there is any inconsistency between what I said regarding the integration assistance fund and what was said by either the President or the Secretary, my understanding is that the President and the Secretary were saying what I was saying.

The language which the President used in his message was—

Approximately one quarter to one half billion dollars over a three to five-year period beginning about 1970 may be required to assist Latin America to move toward a common market.

That is the only indication that there was to be any money put into such fund, that figure over that period of time.

The Secretary yesterday said:

Between \$250 million and \$500 million for the establishment, under the IDB, of an integration fund which will help to smooth the transition of Latin America into a common market. These funds will not be needed until specific action is taken by the Latin American governments, probably not until 1969 or 1970.

In short, we are all saying the same thing, that this is a one time contribution.

Mr. FRELINGHUYSEN. My memory may be short and my arithmetic may not be good, but as I understood you, you said there would be no more than \$450 million, and that figure, with others is how you arrived at the figure of 1.5 billion; \$450 million doesn't sound to me like \$500 million—even in Washington.

Ambassador LINOWITZ. Mr. Congressman, I think what the difference is that the 250 to 500 is the range for the purpose of giving you the outside figure, which is exactly what we are talking about.

Mr. FRELINGHUYSEN. But you didn't use the same outside figure. You gave us something less than the outside figure that both the President and the Secretary of State just gave us. Why didn't you give us 5 hundred million?

My time is slipping by. Apparently time is so precious we really haven't time to discuss either the language of the resolution or why you have reduced the figure from \$500 to \$450 million. If you have an answer, I will be glad to hear it, but it does sound as if we are talking about different outside figures.

Ambassador LINOWITZ. No, I think—

Mr. FRELINGHUYSEN. Why don't you set an outside figure of \$500 million if the President and the Secretary of State do?

Ambassador LINOWITZ. What you are putting your finger on is exactly why we are not here asking for express authorization.

Mr. FRELINGHUYSEN. It is precisely why we shouldn't approve language so loose that we may wind up with even greater figures. I am not saying that when the time comes, and we can see what the total need will be and what the contributions of others will be, to an integration fund that the United States wouldn't have a major responsibility to make some financial contribution I am saying that this language is a pig in a poke. Why should Congress buy something of this kind when you are so fuzzy—by saying you, I am talking about the administration generally—as to what the outside figure will be.

Ambassador LINOWITZ. Well, I don't think we are fuzzy as to the outside figure.

Mr. FRELINGHUYSEN. You haven't answered why you aren't using the \$500 million outside figure that the Secretary used yesterday.

Ambassador LINOWITZ. The way we came to the \$1.5 billion total—it was obviously impossible to take up all the one-quarter to one-half and say we will compute that into the 1.5.

You have to have some figure to add in in order to come to the outside figure of 1.5.

Mr. FRELINGHUYSEN. You ought to agree on your own figures, it seems to me, Mr. Ambassador.

Why is the \$100 million to be used for education and agriculture this year taken from the contingency fund instead of being taken from within the ceiling that is already authorized for the Alliance?

Ambassador LINOWITZ. Because there are special needs that we think will be met by these additional funds.

Mr. FRELINGHUYSEN. It has nothing to do with the nature of the purpose, surely, which leads to the use of contingency funds. You could use funds that would be available under the authorized ceiling for the Alliance.

Mr. SOLOMON. If I may answer that, sir, I think there is some confusion.

We are not talking about the President's contingency fund. What the Secretary said yesterday was, in answer to the question of where is the \$100 million increase in the Alliance for Progress in fiscal 1968 provided for in the budget, that it is included in the \$800 million of worldwide contingency possibilities noted as such in the budget.

This is a common budgetary custom that when you are not yet in a position to indicate, particularly in view of an international negotiation coming up, you are not in a position to indicate where this goes, and you are going to indicate this to the Congress later on in the session, you see, then at that point you do provide for it in this budgetary manner.

Mr. FRELINGHUYSEN. I don't understand what you are talking about. I regret to say your statement clarifies nothing in my own mind. I understood the Ambassador to say the contingency fund is to be used.

Mr. SOLOMON. It is not the President's contingency fund.

Mr. FRELINGHUYSEN. Looking at the language of the resolution, you indicate the second operative paragraph is to be used, if we pass this resolution, to pledge \$50 million a year for 3 years to multinational projects operated by the Inter-American Development Bank; is that correct?

Ambassador LINOWITZ. These would be multinational projects undertaken by groups of nations, but the funds would be administered; yes.

Mr. FRELINGHUYSEN. Well, if the pledge is to be for 3 years why, at the very minimum, is there no reference to a 3-year period in that operative paragraph? There is no reference to a time period at all. If you are planning for a period of 3 years, not 5, not 1, why don't we put in a 3-year limitation?

Ambassador LINOWITZ. I can see no objection to that, sir. Again this is obviously something that would be included—

Mr. FRELINGHUYSEN. Well, I can see an objection. We are talking about a 3- to 5-year period in many of these cases. What you are asking is for Congress to abdicate its responsibility to take a look at these things down the road.

When President Kennedy was alive he had members of the Foreign Affairs Committee up to the second floor. He sat in his rocker trying to persuade us to go for a long term authorization for some of these foreign aid programs, and in the case of the Alliance for Progress in certain cases we have approved a long-term basis.

But if you now are asking—and this is the gist of the argument—for a long-term program, and you are certainly asking this with respect to the integration fund which isn't even going to be in existence until 1969, you should surely spell out that this is the significance of the resolution. You want us to pass judgment on certain questions for a period of years. Then we will not be in a position to pass judgment on it in future years.

I would suggest, if you propose a 3-year program for that kind of financial assistance, that we ought to indicate it in the resolution. It seems very poorly phrased. There is no reference—with respect to the integration fund paragraph—at all that is not to be developed until 1969, that this is in effect to be a one-shot operation. There is no indication of what a transitional period is. There is no indication of how much matching is to be required.

It seems to me that if we are to tie our hands with respect to an obligation to provide substantial financial assistance, that we ought to have language that at least represents what we plan to commit ourselves to next month.

Chairman MORGAN. The time of the gentleman from New Jersey has expired, and the time of the gentleman from Michigan, Mr. Broomfield, has expired.

Mr. SELDEN.

Mr. SELDEN. Mr. Ambassador, I think perhaps some of us are getting confused as to just what is in this resolution, what it actually does. Consequently, I would like to ask several questions, the answers to which I hope will clarify the situation.

Am I correct in stating that, while the resolution does recommend resources to carry out certain specifics, the resolution does not authorize the appropriation of funds. Am I correct in that statement?

Ambassador LINOWITZ. It does not authorize, that is right.

Mr. SELDEN. Am I correct in stating further that the reference to specific amounts in the President's message, in the Secretary of State's statement yesterday, and in your statement today, is an effort to spell out the maximum additional amounts that the executive branch of our Government feels it will be necessary to spend in Latin America during the next 5 years?

Ambassador LINOWITZ. For these purposes, that is correct, sir.

Mr. SELDEN. Am I correct in stating further that this resolution does not in any way bind the Congress to a specific figure? The amount spelled out in the President's message, as I understand it, will have to be presented to Congress with the necessary justification,

and specific funds will have to be authorized and appropriated. Am I correct in that statement?

Ambassador LINOWITZ. That is absolutely correct, sir.

Mr. SELDEN. I think the record should show this clearly, because some of the statements that have been made by members of the committee would indicate that they have interpreted the resolution somewhat differently.

Now, it is my further understanding that, if some of these provisions are not carried out—for example, if steps are not taken toward the progressive establishment of a common market—then there is a good possibility that the United States will not appropriate any funds for that purpose, let alone \$450 million.

Only if progressive steps are taken toward the establishment of a common market and the Latin American countries under the provision of this resolution agree to match integration adjustment assistance funds will we participate in assisting them in bringing about this Latin American Common Market. Am I correct in that statement?

Ambassador LINOWITZ. That is correct, sir.

Mr. SELDEN. In other words, this resolution does not authorize funds. What your statement has done, as well as the statement of the President and the statement of the Secretary, is simply to spell out what you are going to come to the Congress later and ask for, provided these different things work out in the manner that you hope they will work out during the next 5 years.

Ambassador LINOWITZ. That is exactly correct.

Mr. MORSE. Will the gentleman yield?

Mr. SELDEN. I will be happy to yield.

Chairman MORGAN. There is 1 minute remaining.

Mr. MORSE. I have a question of the gentleman from Alabama. Doesn't it seem reasonable, if the Congress in adopting this resolution which says that the Congress recommends that funds be expended—

Mr. SELDEN. It says "additional resources".

Mr. MORSE. Will the gentleman tell me what is meant by "resources" unless it is money?

Mr. SELDEN. The resolution does not authorize funds.

Mr. MORSE. If the Congress recommends now that resources will later be expended, and necessarily incorporates by reference the specific figures included in the Ambassador's testimony and the Secretary's testimony, when the administration comes up for an authorization what they are going to do is not seek an authorization but merely pursue a previously adopted congressional recommendation.

Mr. SELDEN. They will have to seek an authorization because the resolution does not authorize funds.

Mr. MORSE. Of course. Do you think for a moment Congress is going back on its word?

Mr. SELDEN. Congress isn't saying in this resolution how much they are going to appropriate or authorize. All they are saying in the resolution is that, under certain conditions, they will make additional resources available—when and if. The Executive returns and justifies a specific authorization. I don't think anyone is bound to a specific amount. The President has indicated the maximum specific amount he expects to request but, as Ambassador Linowitz pointed out, these amounts could be smaller.

Mr. MORSE. If that is the intent of the resolution, let's make the language say just that.

Mr. SELDEN. It says that.

Mr. MORSE. I disagree.

Chairman MORGAN. Mr. Gross.

Mr. GROSS. Mr. Chairman, in response to the gentleman from Alabama, he has been around here long enough to know that if the Congress gives its approval to a deal of this kind, the appropriation will be forthcoming on the basis of the commitment.

He has been through that old deal of the multi-million dollar highway that went with the Chamizal agreement and all that cruddy stuff, and he knows that if the House adopts this commitment resolution and the President goes down there with a greenbacked carrot—as this resolution would authorize him to do—the money will be forthcoming.

Mr. SELDEN. Will the gentleman yield?

Mr. GROSS. Let's see if I have time, and then I will yield to you.

First of all let me ask you, Mr. Linowitz, was this Xeroxed, this copy of your statement?

Now let me ask about this proposed Common Market in Latin America. If it is such a good thing, why don't the Latins establish their own Common Market?

Ambassador LINOWITZ. They are making the overwhelming contribution toward it, sir.

Mr. GROSS. I don't care whether it is overwhelming or underwhelming. Tell me why they don't create their own Common Market if it is such a good thing.

Ambassador LINOWITZ. This is their own Common Market, sir, but we are cooperating with them by offering them the assurance of some financial help.

Mr. GROSS. Why should we have to finance any part of it?

Let me ask you this question: What is this Common Market going to do to American farmers? I happen to represent a few of them and I would like to know. We have had some rather sad experience with the Common Market in Europe. Can you give me any idea as to what the Common Market in Latin America will do to American agriculture?

Mr. SOLOMON. The staff papers that have been done on this so far and the consultations—

Mr. GROSS. What staff papers?

Mr. SOLOMON. The papers that we have worked on in the Government to analyze the difference effects of the Latin American Common Market, and the consultations we had with the experts in the Department of Agriculture do not indicate to us any injurious or adverse effect on U.S. agricultural exports.

Now, U.S. agriculture exports to Latin America, for commercial purposes as distinguished from Public Law 480, are fairly limited. What we believe the chief impact of the Common Market will be on agriculture, Mr. Gross, in Latin America is that there will be substantial increases in the volume of food grown as industrial development takes place in the cities as a result of the larger market, and the workers in those factories will have higher incomes to buy more food.

One of the big problems in Latin American agriculture is not simply that the governments are not putting enough capital resources or the

farmers are not putting enough resources into growing more food—the problem is marketing the food because the people in the cities have such small incomes.

Mr. GROSS. I have heard that story time and again.

You know we had our throats cut for a long time in the European Common Market, and American farmers are being clobbered today by European imports of dairy products. They were first clobbered on poultry products.

If you have read the latest figures on farm prices to American farmers, you will find they are down 11.5 percent on poultry in the last year. These things haven't helped us any, yet you come here and want us to spend money to create a common market when we haven't the slightest idea of what it is going to do to American agriculture. Not with my vote.

How many loans of our loans are in default or have been deferred or rolled over in Latin America? Have you any figures? How are you doing with the present loans down there?

Ambassador LINOWITZ. Mr. Gross, our present estimate is about a half dozen may be in default, but we would like to supply full information for you later on, if we may.

Mr. GROSS. I would think if you were coming up here to sell us such a bill of goods you would have some figures at hand as to what has happened to our loan situation in Latin America.

Ambassador LINOWITZ. I am told that the default is not more than a couple of months, sir, so there would not have been longstanding default in the loans.

Mr. GROSS. I don't care whether it is longstanding or shortstanding defaults, I would like to know.

Chairman MORGAN. The gentleman's time has expired.

Public Law 480 is primarily for the benefit of the farmers, they don't need to worry about a common market. An aid program supports the domestic market, Mr. Gross, which is of great benefit to your farmers.

Mr. O'HARA. Thank you, Mr. Chairman.

Mr. Ambassador, I join my colleagues in welcoming you on board.

The President in his message asked for the counsel and help of the American people. How many of the American people do you think would understand the meaning of economic integration—what percentage of the American people do you think would understand what that means?

Mr. LINOWITZ. Not enough, I am sure.

Mr. O'HARA. They would get that mixed up with some other kind of integration, wouldn't they?

Ambassador LINOWITZ. They might.

Mr. O'HARA. What percentage do you really think understand the meaning of the words "open market"?

Ambassador LINOWITZ. Again, not enough Americans.

Mr. O'HARA. All might not realize that one of the reasons for the success of our country has been that we have had an open market, right?

Ambassador LINOWITZ. Right.

Mr. O'HARA. There were people at the beginning who thought the States should levy their own duties, and control their own com-

merce with other States, with no common commitments, but fortunately, our forefathers wisely gave us the open market. That is why the farmers in Iowa today are in such an enviable economic position. They owe a lot to the open market.

Now, Mr. Ambassador, is it your thought that if this has worked well with us it will work well in Latin America? Is that our thought?

Ambassador LINOWITZ. I think that is relevant, sir. It worked well here, it worked well in Europe, and we think it makes extremely good sense in Latin America today.

Mr. O'HARA. Let me read from your testimony, as I think this was very well put:

The businessman and the farmer and the worker, in order to grow and thrive, must be subject to the goad of competition.

They must have the public facilities, the transport, the communications, the finance, and then they must have markets.

This is the way you put it.

We will help them develop their public facilities, transport and communications, but that won't be enough. They must have the markets.

You go on and discuss economic integration. Now, Mr. Ambassador, I appreciate the way you have presented your position and the way the Secretary yesterday and the President have presented it. We don't know how much it is going to cost. We don't know how long it will take. We don't know the degree of cooperation we will get from the Latin American leaders and institutions, but all we are saying is if these opportunities broaden, if we have this cooperation, if we see ahead of us a realization of the dream that beckons, we will go into it.

Now, that is all we are doing, isn't it?

Ambassador LINOWITZ. We say if they do their part we want to be ready to help.

Mr. O'HARA. My good friend and colleagues and able chairman of the subcommittee has stated that this is no appropriation, no authorization, but is merely a saying to our cooperating American nations that if you prove up and do your part we will not fail you. That is all, isn't it?

Ambassador LINOWITZ. Yes, sir.

Mr. O'HARA. Thank you.

Chairman MOGRAN. Mr. Derwinski.

Mr. DERWINSKI. Thank you, Mr. Chairman.

Mr. Ambassador, I would like to clarify a bit of the background of this coming meeting. There has been so much debate over this tragically controversial resolution, I would like to clear the total picture.

First of all, how many Latin American Presidents at the moment are not expected to attend the Conference?

Ambassador LINOWITZ. We are hopeful that all of them will.

Mr. DERWINSKI. Including Duvalier?

Ambassador LINOWITZ. We really haven't any reason to believe he will not come, but there are some who think he may not.

Mr. DERWINSKI. In other words, we are hoping for a full attendance to give this Conference a most dramatic impact. This is our hope, but I feel from the language in the newspapers it will fall

short, even with our hopes and aspirations. I just want to be sure that somebody in the State Department was taking some advance attendance roll.

Chairman MORGAN. Your question has already been covered in the record. It was asked of the Secretary yesterday, and he answered it pretty well.

Mr. DERWINSKI. I realize that, but I want to be sure that everybody will be there to appreciate our generosity.

Mr. FARSTEIN. Wouldn't you include Duvalier in the Caribbean group rather than South America?

Mr. DERWINSKI. I understand Duvalier is chargeable to South America.

Now, Mr. Ambassador, isn't there a danger in the wording of this resolution by whomever specifically in the Department drew it up that this resolution in effect is an admission of failure of the Alliance for Progress, because it speaks about a historic new phase which to me would say that the previous efforts have been a failure and we are rushing in to bridge the gap. Isn't that the danger here?

Ambassador LINOWITZ. May I respectfully say that is a misreading of the resolution and I think a misreading of the facts. The Alliance for Progress has been a great success.

Mr. DERWINSKI. Why don't we just continue on the present foundation rather than this entirely new approach both in language and dollars?

Ambassador LINOWITZ. Because the needs are greater, the requirements to move them forward into the 20th century are coming upon us from all sides. These are people who have made such progress over the past 6 years that we now see an opportunity to make even greater progress.

Mr. DERWINSKI. In the last few years they moved from the 18th to the 19th century and now they are to be moved from the 19th to the 20th?

Ambassador LINOWITZ. I think, as you know, sir, the fact is we have been shown substantial progress in Latin America over the past 6 years, and precisely because we have been encouraged by that, and we are heartened and excited by what took place at Buenos Aires just a few weeks ago, that we are here with the resolution to support the President when he goes to Punta del Este.

Nations committed themselves clearly in the meeting in Buenos Aires to fulfill the very things we are here talking to you about, sir.

Mr. DERWINSKI. This would include perhaps an understanding of the problems our fishing fleets have had offshore in Latin America?

Ambassador LINOWITZ. We are discussing that with them.

Mr. DERWINSKI. Successfully?

Ambassador LINOWITZ. I think in a spirit of mutual understanding.

Mr. DERWINSKI. Now, there is one specific phrase that intrigues me on page 3 of the resolution, the last line, of the first "Whereas," "Commensurate changes in national policies and practices."

This language would seem to me to indicate we intend to dictate changes in national policies and practices.

How could this balance with democracy and the principle of self-determination or any other phrase you throw around in the State Department?

Ambassador LINOWITZ. Of course, we don't intend to dictate national policies and practices. We are hopeful that they will adopt, of their own volition, changes in national policies and practices with which we can fully cooperate.

Mr. DERWINSKI. And if they don't?

Ambassador LINOWITZ. All this is dependent upon their doing what we believe they should be doing in order to have the benefit of our assistance and cooperation.

Mr. DERWINSKI. That will make interesting reading when we start to write minority reports.

In a number of instances in this resolution we use the phrase "standby"—"standby resources," "standby commitments."

Now, just what is the commitment by us by the word "standby"? Does this imply, as others have pointed out, perhaps an advance commitment from the Congress?

The word "standby" would indicate it is available when the use is deemed necessary.

Ambassador LINOWITZ. As and when needed, a standby resource is one there to be used as and when needed.

Mr. DERWINSKI. We would be pledging ourselves now to provide it later when needed. We would already be creating a standby situation.

Ambassador LINOWITZ. No; may I again respectfully say that the standby resource referred to is one which is not calling for a commitment of this Congress. It is merely there to indicate the kind of thing we hope Congress would support when we come back and ask for a precise sum.

Mr. DERWINSKI. Then we are pledging something in the future to meet this standby obligation.

Ambassador LINOWITZ. We are asking Congress to approve the idea of having established a standby resource.

Mr. DERWINSKI. I would like to direct one question—if I have time left—to the chairman.

Mr. Chairman, fully appreciating the importance of this resolution and trying to appreciate its priority, I can't help but note that it is going to be a month before the President is down in Latin America so perhaps we ought to drop this thing for a week and give him some resolution before he heads to Guam. He shouldn't have to go to Guam without a resolution—

Mr. GALLAGHER. If the gentleman would introduce it, I would support it.

Chairman MORGAN. I would request the gentleman to go back and read the testimony of Under Secretary Dillon when he appeared before this committee on August 23, 1960, in support of a request for a similar resolution to help a President from the gentleman's own party when the same type of speed was essential.

Mr. DERWINSKI. It is a dangerous precedent, Mr. Chairman. You shouldn't have set it.

Mr. FRELINGHUYSEN. Will the gentleman yield?

Mr. DERWINSKI. I will yield.

Mr. FRELINGHUYSEN. The resolution Mr. Dillon supported has very little resemblance to the one we are now considering. That was an authorization of an additional \$500 million for the Alliance for Progress.

Chairman MORGAN. In 1960 it was recognized that a new administration was coming in and it was deliberately stated that they were not going to request a single dime until the following year.

Mr. FRELINGHUYSEN. I hate to argue with my chairman, but to me there is a fundamental difference between an authorization resolution, which is a promise, a commitment, to consider the advisability of making appropriations, and a quasi-commitment such as is being asked of us with this kind of language.

Chairman MORGAN. Under Secretary Dillon pledged \$20 billion at Punta del Este.

Mr. FRELINGHUYSEN. Well, suppose this President pledged a figure of \$20 billion, would we be displeased or pleased?

If we were committed to accept whatever the President was going to say before he went down, because he came and told us what he was going to make in the way of a pledge or commitment, we would have had our mouths shut. Perhaps because Secretary Dillon got in hot water there is now an honest effort on the part of this administration to indicate quite clearly what kind of pledges they are planning to make this time. I sympathize strongly with the President in his desire to get congressional support beforehand, and their understanding of what he is going to do.

However, this involves making a commitment on the part of Congress long before anything has developed, for instance, with respect to a specific need for money in an integration fund. I do not think we should commit ourselves in the way in which it is being asked of us, nor do I think this is similar in any way to the resolution that was submitted before the conference in 1960.

Chairman MORGAN. The gentleman will remember that the resolution in 1960 carried an original amount of \$700 million. There was \$500 million for which no appropriation was to be requested at that time plus \$100 million for the contingency fund, and \$100 million for earthquake relief for Chile. The contingency fund was eliminated on the House floor because the Appropriations Committee under a previous authorization had already appropriated the \$100 million which was needed. None of the \$500 million which was specified in the resolution that the Under Secretary of State took with him to Bogotá was appropriated at that time.

Mr. FRELINGHUYSEN. It was committed in the sense that we developed an authorization. The chairman is simply pointing out the danger of the procedure actually used in 1960, the unwisdom of responding with such speed to a request of such a size without sufficient consideration by this committee or by Congress. This is the very reason I think we should go slower, not more quickly, with respect to a resolution that can't be even roughly compared with what we did at that time.

Mr. SELDEN. Will the chairman yield?

Chairman MORGAN. Well, I wonder if something was wrong with the great body, the House of Representatives on August 23, 1960, when the Bogotá resolution passed the House on a voice vote.

Mr. FRELINGHUYSEN. I didn't suggest that was anything wrong with the House at the time it took that action. What I am suggesting is that if there was nothing wrong then, there is nothing wrong now in taking similar action now. If we do want to make a commitment, we can authorize it before the President goes down and makes the commitment. If an authorization doesn't stand the test of whether we should approve of such a big commitment over so long a period, it would have been a mistake to have offered it, but it seems to me this is the orthodox and appropriate way for us to proceed.

Mr. SELDEN. Will the gentleman yield?

Mr. FRELINGHUYSEN. I didn't realize I had the floor, but I will be delighted to yield to my friend from Alabama.

Chairman MORGAN. This is Mr. Farbstein's time.

Mr. FARBSTEIN. I will yield.

Mr. SELDEN. Is the gentleman from New Jersey suggesting we put a special fund authorization in the resolution, although as he has pointed out, it may be several years before we know how much will be needed as far as the integration fund is concerned?

Mr. FRELINGHUYSEN. If the gentleman is seriously asking me the question, I think he has answered it. I think it is obvious that Congress should not abdicate its responsibilities with respect to an honest evaluation of a program of that substance.

My belief is that if we had an authorization there would be a rejection now of any decision as to whether to commit ourselves—to the extent which the administration may be planning to do next month in Punta del Este—to a program that will not be established until 1969.

I think it is wrong for Congress to go along with that kind of an operation. I think it is right, entirely right that we support in generous, even fulsome terms our longstanding and intimate relationships with Latin America, and our desire to continue to provide substantial financial assistance to help them with their problems, including economic integration. However, I think a resolution should not go beyond that. If it simply said that we cooperate with our President in his going down to Punta del Este, I would have introduced the resolution, but when you look at this resolution it doesn't do any such thing, and it does a far more dangerous thing. It invades the prerogatives of the Congress to take a look at a matter of this substance at a time when we would have sufficient evidence for us to be able to evaluate it.

Mr. SELDEN. I disagree with the gentleman. As I read the resolution, it simply does not authorize or appropriate funds, and Congress will have an opportunity to look at these programs before they authorize or appropriate.

Mr. FRELINGHUYSEN. But the gentleman couldn't possibly be contending that the specific and open admission on the part of the Secretary of State and the Ambassador this morning, and the special message to the Congress by the President of the United States, are not going to commit this country to a course of action which will be ratified, if this resolution should be passed, by Congress. When the bills become due as long as 5 years down the road we will be under a moral obligation, at least, to pay those bills.

Surely the gentleman is not naive enough to think that there isn't something mighty close to an authorization in the language which he is advocating.

Mr. SELDEN. If I am not mistaken, commitments were made in connection with the Alliance for Progress for something like a maximum of a billion dollars a year, but I might point out to the gentleman this committee hasn't authorized a billion each year, nor has the Congress appropriated that amount. We have looked at the programs very carefully and have given different authorizations each time in connection with the Alliance for Progress.

Mr. FRELINGHUYSEN. That is why I say we should not go down the road 5 years and give any one a blank check.

We have never done that with respect to a fund which may never come into existence and which may need four times as much money as the administration now anticipates.

Mr. SELDEN. We are simply saying in this resolution, as I understand it, if this economic integration fund comes into existence and if the Latin Americans do certain things, then we are going to cooperate with them.

The President, in his message, spelled out the maximum amount the Executive thinks will be necessary, if that happens, but it still will be subject to the authorization of this committee and an appropriation by the Appropriations Committee.

Mr. FRELINGHUYSEN. That is no protection at all. We will have an obligation to honor our commitment made this year without any knowledge of what the financial situation will be with respect to this fund 3 or 4 years from now. The fact that we have an outside figure which varies depending on which administration we hear from is not going to be any protection to us as an outside limit in 1969.

Mr. SELDEN. I would certainly agree with the gentleman that if these things are carried out, if the Latin American nations come through with their commitments, we would be obligated to support them in their integration efforts.

Mr. FRELINGHUYSEN. This is my argument.

Mr. SELDEN. In my opinion, however, the executive branch must justify any request for funds to this committee before we would authorize a specific amount.

The Secretary, the President, and the Ambassador have simply spelled out what they believe will be the maximum amount necessary, but if this resolution is passed we are not authorizing funds.

Mr. FRELINGHUYSEN. No one has contended that.

Mr. FARBSTAIN. Is my time used up?

Chairman MORGAN. The gentleman from New York's time has expired.

Mr. FARBSTAIN. Mr. Chairman, may I ask one question?

Chairman MORGAN. I am sure the committee will bear with one question.

Mr. FARBSTAIN. I would like to reply to Mr. Frelinghuysen.

On page 4 of this resolution in the printed copy, at the bottom in the paragraph before the last it says:

The nature and amount of such assistance is to be dependent on demonstrated need and adequate self-help within the recipient countries.

Now, does the gentleman suggest that Congress should determine whether or not there was demonstrated need and adequate self-help, or should the administration determine whether or not there has been demonstrated need and adequate self-help in order to determine whether or not money should be advanced?

Mr. FRELINGHUYSEN. I don't understand the relevance of the gentleman's question at all. It is quite obvious the administration has considerable responsibility in this area.

Mr. FARBSTEN. That is exactly the point that I seek to make.

Mr. FRELINGHUYSEN. Who is arguing that point? No one is arguing that the administration hasn't a responsibility in this area. No one is arguing that it wouldn't be appropriate from time to time for the Congress to support the administration in its efforts to make progress in the Alliance for Progress or elsewhere.

Mr. FARBSTEN. Then it comes down to the administration in its wisdom shall appropriate or recommend sufficient money to be appropriated in order to meet what they think are the needs by the South American countries.

Mr. FRELINGHUYSEN. But they are not doing that in this case. If they were recommending an authorization for funds so that the President could go down and say, "The Congress has authorized me to say that we will pledge additional funds to what had already been authorized by Congress," I would accept this as a conventional way of expressing support for the nature of the commitment that the President is intending to make, with or without this kind of support. I am citing the irregularity of the way they are seeking congressional support.

Chairman MORGAN. Mr. Berry.

Mr. BERRY. Thank you, Mr. Chairman.

I hesitate to inject myself into these various arguments over agriculture and foreign aid, resolutions, and so forth, but I think it should be pointed out that instead of the farmer getting a great windfall through Public Law 480, actually it is agriculture that has been paying for a sizable part of the foreign aid program, and I think I should also point out, for those who represent a strictly consuming area, that these so-called farm support price programs are a subsidy to the consumer and not to the farmer. The farmer simply collects the check. The consumer receives the benefit in the form of cheaper food.

I just wanted to toss this in, too, with regard to this portion of the resolution. I think if we pass this resolution as it is, and it is understood that the figure would be in the neighborhood of \$450 million to finance this Common Market program—and I am not opposed to the Common Market program, I want you to understand—I am certain that the State Department would then come back to Congress, pointing out that Congress is under obligation, because of this resolution. They will claim that the South American countries have gone ahead and established their Common Market program on the basis of this pledge. I think that Congress is tying its own hands in this resolution.

The thing that I think should be pointed out is the fact that South America has more natural resources than this country. The only reason that this Nation is further ahead, or primarily the only reason, is because of our system of government, or free enterprise system of

economy. This is the thing that has made this country great. The fact that South America is decades behind is because they lack free government and free enterprise.

What I am wondering is what we are doing to improve their systems south of the border, their systems of government, to help them build up government patterned somewhat after ours. Are we doing anything as to that, or are we limiting it only to monetary aid?

Ambassador LINOWITZ. Well, of course, we are working with them as neighbors in all areas, political, economic, social, and the relationships which we have established cut across the board—they cover the whole sweep of inter-American relationships.

What we have before us in this resolution obviously relates only to indicating our sense of wanting to make them aware of the support for these Common Market projects they envisage and the new efforts in education, agriculture, and health which they contemplate.

This does not mean that this is all-inclusive. For example, the agenda adopted by the Foreign Ministers at Buenos Aires just a few weeks ago covered items obviously not contained in this resolution, and there will be more which will be introduced when the Presidents meet, just as many more of these matters have been and are constantly under discussion between us and the countries of Latin America.

Mr. BERRY. Would this \$450 million then be used for education and this sort of thing in the Common Market, or is this just for the Common Market organization, as such?

Ambassador LINOWITZ. Just for the organization and the transition to the Common Market to help them; once they have taken steps to move to a fully functioning Common Market, we are going to be co-operating with them by making our contribution toward the fund, which will help.

Mr. BERRY. The organization of the Common Market, though, is economic only; is it not?

Ambassador LINOWITZ. Yes, sir.

Mr. BERRY. That is all, Mr. Chairman.

Mr. GROSS. Will the gentleman yield?

Mr. BERRY. I yield.

Mr. GROSS. Will that be operated like the Coffee Agreement, where they put the price up to the American consumer?

Ambassador LINOWITZ. The Common Market would not relate to that.

Mr. GROSS. But would it be operated on that basis?

Ambassador LINOWITZ. No; it would not, sir.

Chairman MORGAN. The gentleman's time has expired.

Mr. Gallagher.

Mr. GALLAGHER. Thank you, Mr. Chairman.

Ambassador Linowitz, I share with my colleagues my delight in your being here today.

In listening to my colleagues, I think it is regrettable that this resolution has fallen into the political meat grinder. Normally on matters like this involving foreign policy, this committee has been bipartisan. We all recognize what this resolution does. It is a resolution of good will and an indication of our support for a more progressive day in Latin America.

If it all works, then this Congress can work its will and its liberality to implement this resolution when, as it clearly states in line 23, they have demonstrated need and self-help within the recipient countries. I think it is quite clear—

Mrs. BOLTON. Would the gentleman yield?

Mr. GALLAGHER. Yes, I will yield.

Mrs. BOLTON. Just for a moment.

I want to have it very clear in this meeting that there is absolutely no partisan spirit in what is being said on this side of the table. We have every desire to help the President and to work together with him, but when we believe that a thing isn't done very well, what should we do—keep still—when we think it could be done better?

Mr. GALLAGHER. No, I think if it can be done better, then there should be a substitute resolution to go into an authorization request, and I would support an authorization request, but I think just to potshot at the Ambassador here today is not really serving any great and noble bipartisan purpose.

Mrs. BOLTON. I am sure the gentlemen doesn't really mean what he is saying. There is no potshotting at all.

Mr. GALLAGHER. Well, I heard the Ambassador potshot at quite a few times this morning. If my friends want to substitute an authorization request to implement this resolution, I would support it.

Mrs. BOLTON. But is there time?

Mr. GALLAGHER. This is one of the problems. In 1960, following our chairman's leadership, I was delighted to support President Eisenhower, who just wanted the kind of credentials that our President wants here today to go down and say that the United States is looking forward to some progress in Latin America and we are prepared to do our part.

I think if there is an attempt to try to embarrass our President, then I think what they are really doing is embarrassing this Nation—

Mr. BOLTON. That is the last thing we are trying to do.

Mr. MORSE. Will the gentleman yield?

Mr. GALLAGHER. I will yield.

Mr. MORSE. I resent deeply the implication of the gentleman's statement. There is no one on this committee who has worked any harder over 4 years in support of the Alliance for Progress, then I have and the gentleman knows it.

For him to suggest that the questions raised by me or my colleagues on this side of the aisle are designed to embarrass the President of the United States or the people of the United States is an outrage.

Mr. GALLAGHER. Well, I am glad the gentleman views it that way, because it was not an implication—it was a clear statement of fact in some of the questions that were asked. Some of the things that you have said and some of the things Mr. Frelinghuysen has said have raised very good points.

Is there really a moral obligation that the Congress is assuming? You may think so; I do not think so. I think we are going to have an opportunity. But some of the other questions that were directed were clearly undiluted politics.

Mr. MORSE. The gentleman is indulging in politics of a high order right now.

Mr. GALLAGHER. You can say that. I thought we would bring some balance into this meeting.

Chairman MORGAN. If the committee will come to order, I hope we can stick to the subject matter at hand.

Ambassador LINOWITZ. Mr. Chairman, could I make a statement, sir?

Chairman MORGAN. Yes. Mr. Gallagher?

Mr. GALLAGHER. Yes.

Ambassador LINOWITZ. I would just like to say this, if I might.

I know that the President is deeply anxious that this resolution, if it is to be approved as he hopes and we hope, will have the widest possible bipartisan support.

I know the President would not have wanted to participate in the launching of this resolution if it were going to be construed as a partisan matter or one which suggested that partisan considerations should be invoked.

I know, too, that—as all of you here do—the President believes this is a critical time in our relations in this hemisphere. We were in a difficult situation. We found only when the Buenos Aires Conference came to an end that the Latin American nations were indeed ready to make the kind of commitments which would justify us in coming before the Congress and asking for some resolution which would convey the sense of this Congress as well as of the Executive that we were with them, offering them encouragement and incentive to go forward with these commitments which are going to mean a great deal of effort, of dedication, of use of resources on their part.

This resolution—may I just again say—is not designed to evoke a commitment of Congress to a specific figure. We are not asking and have no right to ask, and shall not ask for what has been described as a blank check. We are not seeking and shall not seek to shortcut congressional procedures.

We are here hoping that you will agree that a resolution in the form presented would be appropriate, would convey the sense of this Congress in cooperation with the President so that the countries of Latin America, with whom he meets in a few weeks, will know that the U.S. Government as a government is with them, is ready to help them if they carry through on the statements and the commitments they undertook at Buenos Aires.

The language here proposed has nothing except the intention of carrying through on what I have just said. It may well be that there could be changes, perhaps Mr. Frelinghuysen might have some change in wording which would help and perhaps others might. If there is something here which you believe goes beyond what I have just said, it is not intended to be part of this resolution.

I hope these words will perhaps clarify what apparently has been troubling some of the members of this committee, and I would be glad to reiterate it and to meet with any of you at any time in order to find a way of avoiding the slightest question but that that is precisely what we are trying to accomplish here.

Thank you, Mr. Chairman.

Mr. GALLAGHER. Mr. Ambassador, I think that you have entirely clarified the point. That is exactly the whole point of this resolution,

and I think it could not be more clearly defined than by the definition that you have just given to it.

Is it possible under existing conditions to define an authorization request in this matter at the present time?

Ambassador LINOWITZ. Mr. Gallagher, we think it would not be fair to you nor fair to us for us to come in today with an authorization request. We think you have a right to expect more of us than we can give you now. We have to know more about what the Latin American countries are ready and willing to do. We think when we come back we must in good conscience be ready to support with all available evidence the request we make of you, and we don't think we are at that point today, and we have no right making that request until we are at that point.

Mr. GALLAGHER. Thank you very much. I think that is the exact point of the discussion here this morning.

Chairman MORGAN. The gentleman's time has expired.

Mr. Mailliard.

Mr. MAILLIARD. Mr. Chairman, I regret that illness prevented my being here yesterday. I had asked for my time to be postponed slightly in order that I might read the transcript—which I have now done.

I might also say that Mr. Gallagher and Ambassador Linowitz, perhaps better than I could, made the points that I had wanted to make.

As a coauthor of the resolution, Mr. Linowitz, I know, will bear me out that this language wasn't just dreamed up. There was a lot of discussion that went on before it was agreed to.

It was my understanding when I introduced the resolution that it had three purposes, the primary one to give the President an expression of congressional approval of his participating in the summit meeting to support the objectives implicit in the agenda agreed upon at Buenos Aires. That was the first and primary purpose of it.

The frankness of the administration's testimony as to what they contemplate as possible future requests for authorization and appropriation, it seems to me, has turned out to be a stumbling block rather than something they should have gotten credit for, for spelling it out as clearly as is possible under present circumstances—I think we still don't know, having been at Buenos Aires. There are still a lot of questions which must be resolved.

Certainly, as far as I am concerned, the language of the resolution is intended to avoid any specific commitment on dollar amounts by the Congress until the dimensions of the whole matter are better known.

I would also say that I think an authorization at this time would be most unwise, because I doubt we could really justify it until we move a little further down the track and find out what can be agreed upon in more detail than has been arrived at so far.

It seems to me that in practically every one of the operative clauses there is a phrase of one sort or another announcing to our friends in Latin America that while we agree in principle, the amount and the timing of our financial support of the program is heavily dependent upon what specifics they agree to.

Would you be willing to accept that as the administration's understanding as to the purpose of the resolution?

Ambassador LINOWITZ. Completely.

Mr. MAILLIARD. I don't criticize any of my colleagues for looking for a joker in the pack—I think that is their job—but I don't believe there is any intention, certainly not on the part of Mr. Selden and myself, in having any joker in it whatsoever.

I would hope—with whatever amendments the committee in its wisdom might want to make in the language—that we can give this to the President, and certainly there is no “bum's rush” that anybody could avoid. The timing is such that I think as a practical matter this has to pass the House before we go into Easter recess if it is to be taken up by the Senate and be passed before the time the President intends to leave.

Mr. FRELINGHUYSEN. Would the gentleman yield?

Mr. MAILLIARD. I yield.

Mr. FRELINGHUYSEN. I would like to express my regret at the timing of the resolution. It does seem to me, to use the gentleman's expression, that there is a “bum's rush.” We are given very little time to discuss reasonable alternatives and are accused of partisanship if we even raise questions about the language in the resolution. It seems to me that as legislators we have a responsibility to protect the legislative branch of our Government.

In 1957 when the so-called Middle-East resolution was advocated by then President Eisenhower, the then Senator Lyndon B. Johnson, described that resolution as a proposition that could not be disposed of hurriedly in one fast gulp. The chairman and others are urging just that with respect to this resolution.

As I have said before, I am very anxious to support my President in what he does in the field of foreign policy. I am also anxious to continue my support in a solid, satisfactory, commonsense way for the Alliance of Progress, which I supported before it got that fancy name. Yet I must say, I am inclined to resent somewhat the heated comments which have been bandied about regarding the partisanship which has been evident here today. I haven't intended it myself.

I feel that we have a responsibility in this committee to look closely at the actual language and determine what kind of a commitment, if any, this does impose on future Congresses as well as this Congress.

Thank you.

Chairman MORGAN. Mr. Fraser.

Mr. FRASER. Thank you, Mr. Chairman.

Ambassador, I want to join in the welcome. I think you are a good warmup for some of the sessions with our Latin American friends.

I want to raise two or three questions.

There are two ways to expand the market for industrial production in Latin America. One is regionally and the other is within the country.

In some respects the potential market within a country holds as much promise as a regional development, as things stand today. Isn't that true?

Ambassador LINOWITZ. Yes, sir.

Mr. FRASER. Many people in Latin America are really not participants in the market.

Ambassador LINOWITZ. It is true that both markets have to be developed. There has to be more done to develop the national markets as well as an effort to develop the Common Market.

Mr. FRASER. And of the amount of money that is referred to in the resolution, \$900 million is not directly involved with the Common Market, but rather with development of education, agriculture, and health?

Ambassador LINOWITZ. Yes, sir.

Mr. FRASER. I want to emphasize—as I attempted to do with the Secretary of State yesterday—my concern about our continued emphasis on the narrow inputs oriented toward economics. I agree with Mr. Berry that how their societies are organized is going to have more to do, in the long run, with whether or not those internal markets open up, than will the specific contributions that we make in a monetary form.

I hope that our committee will pursue an amendment—if the resolution is to be left in the form it stands now—which will emphasize our interest in seeing that these societies move in ways to involve more people in the development process, more of their own people.

Ambassador LINOWITZ. Mr. Solomon wants to comment briefly.

Mr. SOLOMON. I think you are absolutely right, Mr. Fraser, with regard to the broad question that how the organization of the societies in Latin America does evolve is more important than any narrow sectorial consideration.

I would like to comment on your first statement that there is room for as much growth within the national economies as there is in the regional common market situation, because what has happened in the manufacturing field in Latin America is that all the simpler kinds of manufacturing investment to produce consumer goods which are within their capabilities have pretty much come to an end or are coming to an end.

To continue the process of economic development in Latin America requires a moving in of heavier industry, more capital goods, more petrochemicals, more natural gas exploitation—there is a whole range of areas where a small national market will not justify, will not permit the private enterprise investment on the scale which is needed to exploit it sufficiently.

Mr. FRASER. I won't argue that. I would make the argument that if the enclaves in Latin America begin to trade with one another, I can see an enormous value from that. They can get costs down and get more efficient, and this will aid in their efforts to broaden their own country's market. My point is that there are so many millions of people in Latin America that aren't even in the market at all. In a given country, the enclave that exists, the developed enclave, can reach out into its own country and find a market, hopefully, as the rural areas come into the picture, with enormous benefit. It is not just a matter of joining enclaves around Latin America, tying them together. This is only to illustrate the point and not to argue it.

The other question I wanted to ask is, Why are we not asking for multinational support in underwriting this common market effort? I know this falls outside of the OAS, but why is it we don't seek to join hands with our Western European friends and others in Latin America? Why do we insist in keeping this hemisphere an American enterprise—or I should say a U.S. enterprise?

I think this deserves to be commented upon.

Ambassador LINOWITZ. Mr. Fraser, the thought is not a new one; it is one which we have been exploring. I think it would probably be inappropriate for me at this meeting to comment on it, but I can just tell you that we are very much aware of what you have just said.

Mr. FRASER. Some parts of Latin America are further away than Moscow from Washington, if I recall my geography correctly.

Ambassador LINOWITZ. That is correct.

Mr. FRASER. And we have presumed that Latin America is our sphere of influence, but it seems to me we are finding that this concept is increasingly irrelevant in this world and that we must begin to draw in other nations as a matter of self-interest.

Ambassador LINOWITZ. As a matter of fact, sir, in Buenos Aires we did, in our discussions with Latin American representatives, make clear we would work with them in helping open up markets in other parts of the world.

Mr. FRASER. When I talked to some of my friends in Canada, I asked, "Why don't you get into the OAS; there is need for you in the OAS to provide leavening of this big giant versus the much smaller countries?"

Their reaction was, "Isn't that relationship just a little too overwhelming?" I am talking about some of our friends in Parliament up there.

The United States is so overwhelming in this hemisphere that we ought to reach out and get others to join in this enterprise along the way. I don't mean that we should hold off, but we ought to broaden our horizons here if we are going to serve our interests, I think.

Ambassador LINOWITZ. I think that is a part of our policy, as a matter of fact.

We have been very much aware of the point you make with reference to Canada. As you probably know, we are in discussions with them on this matter.

Mr. FRASER. But I know what their reaction is.

Ambassador LINOWITZ. Mr. Sayre might comment on that.

STATEMENT BY ROBERT M. SAYRE, ACTING ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. SAYRE. Congressman Fraser, the Canadians are making a contribution in Latin America. They have taken a particular interest in helping the islands in the Caribbean develop, and in Canadian terms they feel they are making a substantial contribution down there.

They are also making a contribution to the Inter-American Bank. The Canadians have put funds at the disposal of the Inter-American Bank, and they are being administered for Canada by the Inter-American Bank.

In addition to this, the Europeans are putting quite a bit of money into the Inter-American Bank, and have opened up their capital market to Inter-American Bank bonds.

It has been a philosophy of the Alliance for Progress from the day it was announced, and it was also a philosophy before that that we should try to get the Europeans and other capital countries to come in and participate in this, and I would say that we have pursued that with great vigor and intend to continue to pursue it.

Chairman MORGAN. The gentleman's time has expired.

Mr. MORSE.

Mr. MORSE. Thank you, Mr. Chairman.

I am grateful, Mr. Ambassador, for the explanatory statement you made a few moments ago, because it puts at rest some of the questions that I have had.

I do have a conscientious convictions that some of the language in the resolution as presented goes beyond that which the Congress should now commit itself. I support fully the concept of the Latin American Common Market and the objectives of the resolution. However, I am troubled by this perhaps technical but, in my view a perfectly valid point, that the Congress is committing itself and is in fact endorsing the Presidential recommendation, "I recommend that the Congress approve the commitment to increase our aid."

It seems to me that this resolution was designed to give expression to the Presidential recommendation.

I shall now pose a question to you, sir, to determine what kind of a lawyer you are.

Does the Congress have the constitutional right to make the sort of commitment encompassed in that statement?

Ambassador LINOWITZ. I am still enough of a lawyer to say I would like to look it up; but we have talked about it, sir, and I understand that it has been done in the past in some situations, but if I might say so that is not the commitment we are asking for here or suggesting here. It is only a commitment to the principle expressed in the resolution.

Mr. MORSE. If we can modify slightly the language of the operative clauses recommended by the administration to overcome the reservations and concerns that some of us on this side of the aisle have, but give clear expression to a commitment to the principle, would that be acceptable to the administration?

Ambassador LINOWITZ. I am certain that there is no magic in these precise words, and therefore if we could find words that do the same thing and will not—and you are more familiar with this than I am—that will not cause delay in the other body in getting the resolution through, we would welcome your cooperation.

Mr. MORSE. As a matter of fact, I think it would expedite consideration by the other body if we were to effect these. There is no magic in the language, I am sure, but my colleague from New Jersey awhile ago asked, as an aside, to whom does the Congress recommend? The word "recommend" is used in several of the operative clauses, and I don't know to whom Congress recommends.

Does it recommend to the President? Does it recommend to subsequent Congresses? Does it recommend to the people of the United States?

It is these kinds of questions that trouble me.

Ambassador LINOWITZ. I might say that Mr. Frelinghuysen asked me the same question yesterday, and my response was "recommend to the President," that this would be Congress recommendation to the President that this be undertaken, because what we hope is that the President could go to the summit meeting and say that he has the recommendation of Congress that he follow this course.

Mr. MORSE. Then clearly with the language as it presently exists, when the President comes back for specific authorizations to give expression to the resolution, he will be in the comfortable position of saying that his request is pursuant to an earlier congressional recommendation, and it would seem difficult for Congress to change its mind at that time, as this implies to me a clear commitment.

Thank you very much, sir.

Chairman MORGAN. Mr. Tunney.

Mr. TUNNEY. Mr. Linowitz, it is a pleasure to have you here today testifying before the committee.

I have a couple of technical questions. First, how much has been done to date by the Latin American countries to promote a common market and to integrate their economies?

Ambassador LINOWITZ. As I assume you know, sir, there is a Central American Common Market which is functioning very successfully, and LAFTA into South American countries plus Mexico, which has been making slow progress, but some progress. Our hope is that spurred by this kind of commitment which we hope will come out of Punta del Este there will really be a major thrust forward toward a true Common Market which has not yet really gotten underway for Latin America.

Mr. TUNNEY. In the domestic politics in such countries as Argentina and Brazil, is there a real desire on the part of the local politicians to join forces to bring about this economic integration?

Ambassador LINOWITZ. The most gratifying part of these meetings from which we returned a few weeks ago in Buenos Aires was the unanimity of the countries, all of the countries, with respect to this objective, and all 20 Foreign Ministers agreed that in 1970 the Common Market should be launched and concluded by 1980. This of course meant the participation not only of the Foreign Ministers but the people for whom they purport to speak, and our assumption is that when they spoke they spoke with the knowledge of what the various peoples within their countries wanted.

Mr. TUNNEY. I apologize for my ignorance, but was there discussed at that time that the United States would participate within the framework of the Common Market?

Ambassador LINOWITZ. No; it is not contemplated the United States would join in that Common Market.

Mr. TUNNEY. And what sort of a timetable was discussed in bringing about at least the bare framework of the Common Market?

Ambassador LINOWITZ. Perhaps the easiest way would be for me to read precisely what the foreign ministers said when they issued their resolution.

They first said that economic integration is a collective instrument for the development of Latin America and should be a policy goal for each of the countries of the region as a necessary complement to national efforts.

They then said that they agreed to recommend to their presidents the following:

Create in the decade beginning in 1970 the Latin American common market, which should be in full operation no later than 1980.

Mr. TUNNEY. Thank you very much.

I have no further questions, Mr. Chairman.

Chairman MORGAN. Mr. Fulton.

Mr. FULTON. I am glad to have you here.

I am one of the supporters of the resolution, so I do believe that with Congressman Mailliard and other of us Republicans supporting the resolution that makes the policy proposed still bipartisan.

My concern is that the proposed policy requires both Democrats and Republicans to be bipartisan. I am a little doubtful about some Democrats, I might add. Rather than have criticism about some Republican members going off the deep end, it should be pointed out that in the other body of the U.S. Congress there are some very VIP Democrats who are already off the deep end and refusing to enter this resolution or support it. If it is bipartisan in the other body, it is bipartisan with some other President than President Johnson.

Mr. GALLAGHER. That is your definition of VIP Senators, I take it.

Mr. FULTON. Well, it is very difficult for us to find which Democratic Party we are dealing with at times either in the other body or this House.

Mr. GALLAGHER. The Democratic Party of responsibility.

Mr. FULTON. But one can't tell which branch it is that is the responsible party sometimes: that is the point.

The question has arisen here on the word "commitment." Actually this is a resolution, to me, that is a sense of Congress resolution rather than a recommendation. It should be put in that context. So I believe we should have some words about the sense of Congress, that it is our judgment that the proposed policy is a proper course.

The question is whether this type of approach with Congress has been used before. It should be recalled that the same type of long-term proposal was made by the President on the Marshall plan. Those of us on the Foreign Affairs Committee at that time had the problem of how could we in one Congress of 2-year duration, make a commitment for 4 years for the Marshall plan for rebuilding Europe. Unless there had been some definite evidence of an agreement by Congress that the policy was necessary we couldn't have had cooperation on a bipartisan basis in this country nor could we have had collective action with the European nations, so that advance commitment is a requirement.

Another point where we in Congress have agreed to a long-term commitment was when every one of us then in the House in 1961 voted favorably after President Kennedy, in May of 1961, made the proposal that the United States should have a program for a manned landing on the moon within this decade. Every one of us then in Congress voted on the record for that commitment, which I remember particularly as I called the rollcall, and the vote was unanimous. Both Republicans and Democrats in the House have voted for that space long-term commitment.

In our U.S. system where we have action by the three independent branches of the Government, the question is which branch shall move first. We should be in the position where it is concomitant action so that we in Congress are proceeding together with, rather than at the instance of the President. I put the resolution in that frame of reference—that this is the Congress proceeding independently with the President. This resolution shows the evidence that Congress in a sense-

of-Congress resolution, favors these new advances over the next decade in U.S. foreign policy toward Latin America.

Could I ask a question on the amounts? These amounts are not specific, as has been said many times, but what is the area of reference within which they operate? Is it a 5-, 10-, 15-, or 25-percent variation of this figure, or is it just a round figure that has been taken?

Ambassador LINOWITZ. I think Mr. Solomon perhaps might respond to that.

MR. SOLOMON. Well, the agriculture and education increases in the Alliance for Progress are quite specific, sir. We would hope to be able to justify those specific amounts in our request.

Now, in a multinational project, the 50 million part of the \$300 million a year authorization that will be proposed for replenishment of the special fund in the Inter-American Development Bank, that also will be quite specific assuming that the Board of Governors of the Inter-American Development Bank agrees in April on a multilateral replenishment of the funds with appropriate relationships with the U.S. contribution being \$300 million, of which 50 would be earmarked for this.

The thing that is very "iffy" yet would be the exact amount of the integration assistance fund if the Latin Americans do take—as Ambassador Linowitz has said—the appropriate actions. In that area, the range was developed, after a series of various studies were done—

MR. FULTON. You could put a statement in the record on that. I would like to have in the record an indication of how the figures were developed in that respect and what the reports were, specifically, with some citations.

MR. SOLOMON. All right, sir.

(The following information was subsequently submitted:)

HOW FIGURES FOR INTEGRATION ASSISTANCE FUND WERE DEVELOPED

The requirements for integration adjustment assistance will depend on the pace of integration and the criteria used for drawing from the fund. Both of these remain to be worked out during the negotiations establishing the Common Market and the integration fund.

Since the decisions have not been made that would allow a more precise calculation of requirements, a U.S. contribution could be estimated only within the wide range of from \$250 to \$500 million. A matching Latin American contribution of approximately the same size is anticipated. Estimated requirements are based essentially on experience from 1959 to 1965 in intra-LAFTA and intra-Central American Common Market trade.

Balance-of-payments assistance would be expected to represent by far the largest part of the integration adjustment assistance provided by a regional fund. It is anticipated that such assistance would be based on calculations of incremental intraregional trade deficits where the increment can be reasonably identified as resulting from automatic trade liberalization under the schedules leading to a Common Market.

Our analysis found that incremental intraregional trade deficits among the LAFTA countries over the period 1962 to 1965 ranged from a low of \$38 million in 1964 to a high of \$149 million in 1965. The average incremental deficit was about \$100 million. Thus, were all incremental deficits considered to give rise to drawing rights and past experience to be indicative of future requirements, demand on the integration fund for balance-of-payments assistance would be about \$100 million a year.

In fact, however, there are considerations which would probably operate both to increase and to decrease the amount of required resources.

On the one hand, it is envisioned that the fund would support an integration arrangement encompassing all Latin American countries and be based on a much more rapid rate of intrazonal trade liberalization than during 1962-1966. These factors could increase the need for adjustment assistance relative to past experience.

On the other hand, criteria for drawings are contemplated that would assure that not all or perhaps even the majority of incremental deficits lead to drawings from the fund. If, for instance, the incremental deficit arose from a diversion of imports from extra- to intraregional sources or could be financed from an extraregional surplus or the surplus country was itself in a position to finance part of the deficit, the need for drawings would be lowered or eliminated.

It is anticipated that adjustment assistance for particular industries and labor would be provided through national agencies established for this purpose. Drawings, presumably, would be based on criteria that require applicants to show that they had been damaged by integration rather than by bad management or by the trade and financial policies of their governments. Moreover, damage from integration might not necessarily lead to drawings for industrial adjustment assistance. The dollars received under balance-of-payments drawings from the fund, for example, might be used to finance the capital equipment or technology required for modernization or conversion to new lines of production and thus serve a dual purpose. Or the local currency counterpart to such drawings might be used to provide training to workers and perhaps some financial assistance during the retraining period. Furthermore, in addition to drawings on the adjustment assistance fund in foreign currencies, other resources in domestic currencies would presumably be made available to national agencies by their governments. With all these limitations probably no more than 10 to 15 percent of regional integration adjustment resources would be used for this purpose.

It is believed, accordingly, that the proposed fund would roughly meet anticipated needs. If Latin American fears of damage from integration are to be overcome, the fund should have available resources on a standby basis adequate for several years' operations. If the dislocations they fear do not materialize, part of the funds need never be called. After 1980, when the transition period would end, the fund would be expected to cease lending operations and gradually liquidate its debts.

Mr. FULTON. As one fellow counsel to another, I feel that any excess verbiage causes trouble in trying to find out what is meant at a later date. My recommendation is that every "Whereas" clause except the last two be deleted. I think they are unnecessary, and we may get variations in what history is and what our intentions really are.

We should not try to decide which shall be the first as to Congress and the President on affirmative actions in the international field. The situation might be like the legislature of one of the early American States. They were dealing with the problem of a single-line railroad with certain spurs or sidings for passing. The legislature had decided that they would have a statute saying that whichever train arrived at the siding first should pull onto the siding. But then the legislature added a further provision that when that had occurred, neither train shall proceed until the other train shall have passed. You see, we can get into that situation with the President—neither one of us can act until the other has already acted.

Thank you, Mr. Chairman.

Chairman MORGAN. The gentleman's time has expired.

Mr. FINDLEY.

Mr. FINDLEY. Mr. Ambassador, I appreciate the fact that this resolution is before the committee. To me, it gives the House an additional and helpful role in the development of foreign policy.

I also view as very hopeful any move toward Common Market developments any place in the world. I say that even though the European Common Market is becoming a more protected market, and perhaps will continue this trend, which may have some adverse consequences for us.

I might add, too, that even though the United States is not to be a part of the Latin American Common Market, I feel it is a very worth while endeavor. We should provide encouragement, but I question whether we have explored fully our own national self-interest in this proposal.

Has any Latin American government expressed any objection to the United States being a part of this proposed Common Market?

Ambassador LINOWITZ. You mean as a full partner in the Common Market?

Mr. FINDLEY. Yes.

Ambassador LINOWITZ. I don't think it has ever been put to the representatives of Latin America in that sense. As the Secretary said yesterday, there are two reasons which immediately might raise questions——

Mr. FINDLEY. I realize that, but no government has expressed any concern about this?

Mr. MORSE. Would the gentleman yield?

Mr. FINDLEY. I am afraid I am going to be cut off, and I would like to proceed, if I may.

Now let me illustrate what I have in mind. The principal items that come to my mind that Latin America has that it would like to sell into our market on more agreeable terms are sugar, perhaps coffee, certain grades of livestock, petroleum, some textiles, and minerals.

Now, I am sure that Latin America would like to have a better business relationship on those items in our market, and it could occur to Latin American that we simply are not interested ourselves in becoming a part of a Latin American Common Market and that is why there has been no expression. At least it can be said correctly that as of today no single chief of state of a Latin American country has expressed any objection, either officially or unofficially, to the United States being a part of this larger market. Am I correct on that?

Ambassador LINOWITZ. Would you comment, Mr. Solomon?

Mr. SOLOMON. Informally, there have been continued discussions of different possible ways that there could be a broadening of markets.

Mr. FINDLEY. Has there been any objection to our membership in the Common Market in those informal discussions?

Mr. SOLOMON. In informal discussions, but I don't know of any at the chief of state level, at informal discussions, ministerial and sub-ministerial, and in various studies put out by organizations working on the Latin American economic development, it has been clearly recognized that a Common Market in which the United States participated as a full member with Latin America would simply swamp and kill the manufacturing and industrial development potential of Latin America.

Mr. FINDLEY. I would like to have you illustrate that, because I can't imagine how Utah, for example, which we might regard as less developed industrially than the rest of the United States, has been swamped or adversely affected simply because it is a part of a large free trade area consisting of the 50 States.

Why would it necessarily follow that underdeveloped areas, less industrialized areas would be adversely affected simply because trade barriers between it and an industrialized area are removed?

Mr. SOLOMON. Because the problem, Mr. Findley, is this: That the process of building up the manufacturing establishment in Latin America has been on the basis of highly protective tariffs. In fact, one of the things that we are hoping is not only will there be increased competition within the Common Market, but we would hope and expect that the average common external tariff that would emerge afterward would be substantially lower than the present range of very highly protective tariffs.

Now, there is a period of adjustment that is required before these manufacturing industries become competitive.

Mr. FINDLEY. Of course, and a period of adjustment was provided in the Treaty of Rome, as would hopefully be provided in the development of this common market.

Take Italy, for example, less industrialized than Germany at the outset of the Common Market. Can it be said that Italy was disadvantaged because Germany was a part of the European market?

I think quite the contrary can be said, and it would seem to me to follow naturally that the position of less developed areas in the Western Hemisphere would be improved if the United States, with all of its tremendous capital resources, and know-how and skill in marketplace operations, were opened up to become a part of their area. I would think it would lead to better wage and working conditions, growth of capital and all of these other beneficial things that have come about in the European Common Market.

Mr. SOLOMON. The day may come when the disparity between our average level and their average level of manufacturing efficiency may be sufficiently reduced, say comparable to what it was between West Germany and Italy, so that it may be possible—looking at it from a strictly economic point of view—that a broadening of a Latin American Common Market to include other more industrialized areas such as the United States might very well be in their interest.

Mr. FINDLEY. Why don't we say so in this resolution, then?

Mr. SOLOMON. I think that is so far off in the distance, and it raises all kinds of other problems, you must remember—

Mr. FINDLEY. Why should it be put off in the far distance? What valid fears should any Latin American country have with the United States as a part of the Latin American Common Market?

Mr. SOLOMON. There is the general fear in Latin America that their competitive ability would be adversely affected were a country as industrially powerful as the United States to be a member.

Mr. FINDLEY. Do you think that is a valid fear?

Mr. SOLOMON. I think it is today, without question.

The day may well come where the average manufacturing competitive efficiency relationships between our two areas may be sufficiently narrowed so that they would then find that they could enter into a common market relationship with a country such as ours and get on balance net advantages even though some of their industry would be still, under those conditions, knocked out.

Mr. FINDLEY. Don't you think it is possible that some American industries, given this common market, might find it to their advantage to establish industries in Latin America which presently are not there? Would this not be an incentive for American industry to go south?

Mr. SOLOMON. I think it would be, and even with the Latin American Common Market without the United States.

Mr. FINDLEY. Wouldn't it be a greater incentive if we were indeed a part of this common market area?

Chairman MORGAN. The gentleman's time has expired.

Mr. GROSS?

Mr. GROSS. I want to be more specific about the information that I asked for awhile ago.

I would like to have filed for the record, or for my personal use and perhaps for you, Mr. Chairman, the loans in default by country, and of course the amount of the loans—dealing exclusively with Latin America; loan delinquent, by country, and of course with the amounts; loans refinanced or—as the State Department likes to say—rolled over in each country; loans converted to grants, by country; payments deferred, by country. And please include whether each loan carries a maintenance-of-value provision.

Then I would like for you, too, to file for the record how many Latin American countries today have balance-of-payment problems. (The following information was subsequently submitted:)

STATUS OF LOANS TO LATIN AMERICAN COUNTRIES

The total value of the 273 dollar loans made by AID and predecessor agencies to Latin American countries is \$2.4 billion as of December 31, 1966. Of this amount only two dollar loans, having \$2.5 million outstanding in principal and interest, are in default. This is approximately 1 percent of the value of dollar loans authorized for the Latin American countries. In addition, one local currency loan, made with "Cooley" proceeds of a Public Law 480 sale, is presently in default.

Although loan installments totaling \$107.8 million were delinquent as of December 31, 1966, all but one of these installments were collected in early January. The remaining delinquency totals \$835,488.

Payments have been rescheduled on only 24 of the 270 loans made to Latin American countries.

The total value of principal and interest payments rescheduled comes to \$9.8 million—11 percent of the outstanding balance of \$88.5 million of these 24 loans.

No dollar loans have been converted to grants.

This information is presented in detail in the following tables.

Loans in default, Latin America, as of Dec. 31, 1966

Country and borrower	Type of loan	Type of repayment	Loan number	Interest	Outstanding principal balance	Total
Bolivia: Sociedad Industrial Azucarera L.A. Esperanza, S.A.	D.I.F.-L.I.Q. 1	L.C. W/MOV 2	511-A-005	\$262,341.10	\$1,533,030.69	\$2,095,371.79
Costa Rica: Soc. Ital. De Colizz. Agricole	A.F.P. 3	Dollar	511-L-005	16,907.77	124,330.31	141,238.08
Paraguay: Pan Western Enterprises, Inc.	D.I.F.-L.I.Q. 1	do	515-A-002	91,271.07	296,883.18	388,154.25
	Public Law 480(c).	L.C. W/O MOV 4	520-E-010	229,303.65	767,439.15	996,742.80
Total, Latin America			(1)	599,823.59	3,021,683.33	3,621,506.92

¹ D.I.F.-L.I.Q. Development Loan Fund-Liquidation Fund.

² L.C. W/MOV, Local currency with maintenance of value.

³ A.F.P. Alliance for Progress.

⁴ L.C. W/O MOV, local currency without maintenance of value.

Delinquent loan installments, Latin America, as of Dec. 31, 1966

Country and borrower	Type of loan	Type of repayment	Loan number	Due date	Interest	Principal	Outstanding balance	Remarks
Brazil:								
Government of Brazil.....	Public Law 480(g).....	LC W/O MOV ¹	512-G-056	Dec. 30, 1966	\$5,950.87	0	\$1,272,727.27	Collected Jan. 13, 1967.
Do.....	AFP ²	Dollar.....	512-L-008	Oct. 9, 1966	748.72	0	3,635,022.29	Collected Jan. 3, 1967.
Departamento Nacional De Es-	AFP ²	do.....	512-L-019	Dec. 24, 1966	27,595.69	0	8,992,187.37	Collected Jan. 31, 1967.
tradas De Rodagem.	AFP ²	do.....	512-L-032	Nov. 29, 1966	2,599.73	0	583,896.31	Collected Jan. 10, 1967.
Chile: Government of Chile.....	AFP ²	do.....	513-L-020	Nov. 15, 1966	2,002.26	0	141,942.66	Collected Jan. 5, 1967.
Colombia:								
Government of Colombia.....	AFP ²	do.....	514-L-039	Dec. 31, 1966	131,826.87	0	34,171,322.43	Collected Jan. 3, 1967.
Do.....	AFP ²	do.....	514-L-044	Dec. 27, 1966	113,904.83	0	44,843,761.09	Do.
Paraguay:								
Government of Paraguay.....	DLF-LIQ ³ 91.....	LC W/MOV ¹	526-A-006	Oct. 11, 1966	7,550.85	27,465.95	835,488.26	Collected Jan. 6, 1967.
Do.....	DLF-LIQ ³ 14.....	LC W/MOV ¹	526-A-004	Aug. 1, 1966	32,389.26	88,367.02	1,850,751.57	Do.
Do.....	DLF-LIQ ³ 216.....	LC W/MOV ¹	526-A-008	(Dec. 7, 1966 { June 7, 1966	121,373.59 118,701.37	153,746.65 150,801.38	-----	-----
Total.....					240,134.96	304,548.03	6,935,622.61	-----
Government of Paraguay.....	Public Law 480(g).....	Dollar.....	526-G-001	(Dec. 1, 1966 { June 1, 1966	17,453.67 18,193.13	22,634.87 20,420.58	-----	Collected Jan. 6, 1967.
Total.....					35,646.80	43,055.45	1,966,349.77	-----
Government of Paraguay.....	Public Law 480(g).....	LC W/O MOV ¹	526-G-014	(Oct. 9, 1966	565.88	0	254,026.25	Collected Jan. 6, 1967.
Do.....	Public Law 480(g).....	LC W/O MOV ¹	526-G-007	(Nov. 1, 1966	47,788.35	2,525.81	2,389,417.59	Do.
Total Latin America.....			13	-----	648,705.07	465,962.26	107,872,515.47	-----

² AFP, Alliance for Progress.¹ LC W/O MOV, Local currency without maintenance of value.³ DLF-LIQ, Development Loan Fund-Liquidation Fund.

Rescheduled or rollover of loan installments, Latin America, as of Dec. 31, 1968

Country and borrower	Loan No.	Type of repayment	Type of loan	Interest		Rescheduled principal	Outstanding principal
				Rescheduled	Capitalized		
Argentina: Government of Argentina.	510-A-003	Dollars	DLF-LIQ ¹	0	0	\$2,800,000.00	\$10,574,887.42
Bolivia:							
Casas Y Cia Industrias La Belgeca, S.A.	510-A-001 (DLF 39)	LC MOV ²	DLF-LIQ ¹	0	\$403,620.19	0	2,747,565.79
Government of Bolivia.	511-A-002 (DLF 82)	Dollars	DLF-LIQ ¹	0	0	334,000.00	1,497,000.00
Sociedad Industrial Azucarera La Esperanza S.A.	511-A-005 (DLF 185)	LC MOV ²	DLF-LIQ ¹	0	83,030.69	351,254.79	1,833,030.69
Brazil:							
Coop Agro-Pecuaria Patavo, Ltd.	512-A-003 (DLF 45)	LC W/O MOV ³	DLF-LIQ ¹	0	3,757.77	0	0
Cia. Pernambuco de Borracha	512-G-045	LC W/O MOV ³	Public Law 480 (F)	0	93,636.34	909,090.91	851,212.10
Cia. Pernambuco de Borracha	512-I-007	Dollars	AFP ⁴	0	467,907.90	0	3,221,230.15
Companhia Hidreletrica Vale Do Paraiba	512-I-011	do	AFP ⁴	0	981,240.21	0	12,158,064.41
Centrais Electricas Matagrossenses S.A.	512-I-022	do	AFP ⁴	0	67,503.61	0	2,479,035.67
Central Electrica de Furnos, S.A.	512-I-023	do	AFP ⁴	0	240,828.49	0	7,737,831.71
Companhia Hidreletrica de Sao Francisco	512-I-027	do	AFP ⁴	0	70,702.28	0	2,720,473.35
Chile:							
Companhia Paranaense de Energia Electrica	512-I-041	do	AFP ⁴	0	11,346.92	0	2,497,803.42
Companhia Hidreletrica de Boa Esperanza	512-I-053	do	AFP ⁴	0	4,201.56	0	640,447.80
Colombia:							
CIA: Hotel Del Prado, S.A.	513-B-004 (ICAX 13-4)	do	MSP ³	\$1,556,786.29	0	2,856,796.10	8,356,796.10
Crisalcara Peller, S.A.	514-E-012 (C-14-6)	LC W/O MOV ³	Public Law 480 (F)	0	0	5,538.46	8,307.69
Manufacturas De Ceramica, S.A.	514-E-022 (C-14-11)	LC W/O MOV ³	do	0	0	55,384.62	165,153.85
Guatemala: Productos De Kenaf	514-E-033	LC W/O MOV ³	do	0	0	30,769.23	246,133.85
Haiti:							
Government of Haiti	520-A-001 (DLF 73)	Dollar	DLF-LIQ ¹	0	0	\$20,000.00	0
Do	521-A-001 (DLF 58)	LC MOV ²	DLF-LIQ ¹	0	624,064.97	227,260.22	4,899,740.20
Mexico: Government of Mexico	521-A-002 (DLF 104)	do	DLF-LIQ ¹	0	13,108.01	157,001.11	124,100.35
Paraguay: Intencional Products Corp.	523-L-020A	Dollar	DLF-LIQ ¹	0	145,427.77	0	16,545,437.77
Peru: Energia Hidreletrica Andina S.A.	526-A-005 (DLF 16)	do	AFP ⁴	0	131,611.47	0	0
Uruguay: Administration general	527-L-025	do	AFP ⁴	0	76,593.93	0	1,607,450.33
	528-A-002	LC MOV ²	AFP ⁴	9,343.62	0	418,373.38	7,633,635.9
Total, Latin America	(24)			1,566,129.91	3,487,870.11	8,195,468.82	88,506,360.67

¹ DLF-LIQ, Development Loan Fund-Liquidation Fund.

² LC W/O MOV, local currency with maintenance value.

³ LC W/O MOV, local currency without maintenance of value.

⁴ AFP, Alliance for Progress.

⁵ Mutual security program.

Loans which have had payments deferred, Latin America

Country and borrower	Type of loan	Type of repayment	Loan No.	Deferred interest	Deferred principal	Outstanding balance
Colombia: Hogares Columbianos.....	Public Law 480(E)	I.C. W/O MOV ¹	514-E-018	0	\$10,256.41	\$235,897.43
Dominican Republic: Government of Dominican Republic.....	AFF ²	Dollars.....	517-L-002	\$38.34	-----	2,082,276.86
Total, Latin America.....			(3)	38.34	10,256.41	2,318,174.29

¹ I.C. W/O MOV Local currency without maintenance of value.² AFF Alliance for Progress.

BALANCE-OF-PAYMENT PROBLEMS, LATIN AMERICA

All developing countries have some form of balance-of-payments problems since, in general, the resources they need to build an industrial structure and for carrying out important infrastructure projects must be imported. These import needs generally outstrip the export capabilities in the early stages of development. This is a major reason for the need for foreign assistance on long terms and low rates of interest. In Latin America the countries having the most serious balance-of-payments problems are Brazil, Colombia, Chile, Argentina, Uruguay, and Costa Rica.

Mr. Chairman, if I might make one observation. A while ago you spoke of the subsidy for farmers.

Chairman MORGAN. I said they had done very well under the foreign aid and Public Law 480 programs.

Mr. Gross. I might remind the chairman, who is a medical doctor, that the doctors have been pretty well subsidized by medicare.

Chairman MORGAN. Are there any further questions? If not, the committee stands adjourned until 10 o'clock tomorrow.

Thank you, Mr. Linowitz.

(Whereupon, at 12:38 p.m., the committee adjourned.)

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