

Mr. LINDER. This we do. Let me explain to you. This may seem to be inconsistent with what I just said, but it is not because we were talking about loans previously. Under our guarantee and insurance programs, we do have four categories of countries, divided according to the risks inherent in the markets, and our insurance premiums and our guaranteed fees vary substantially between the four categories of countries. As I said in my statement, most of the authorizations under the new program would, I hope, come under the category of guarantees and insurance.

When the U.S. Government or one of its agencies lends money on a businesslike basis, but nevertheless, as an arm of the Government, we do not believe the loans can be at different interest rates for different borrowers. Those reasons do not apply to loans that are made by commercial banks and which we guarantee. As I said, we charge different rates for guaranteeing riskier loans. We are not directly in that, you see.

Mr. BROCK. Thank you very much.

Chairman PATMAN. Mr. Reuss.

Mr. REUSS. Thank you, Mr. Chairman. You say always the same interest rate, but I see in your report that you were lending to Australia at 6-percent-plus for peacetime articles and 4½ percent for sophisticated war planes.

How does that sit with your egalitarian interest rate?

Mr. LINDER. They are egalitarian in respect of all our commercial business. But we think that financing defense articles is a peculiar kind of Government transaction, and I would point out that in setting those lower rates—and I believe that such credits for Australia were at both 4¾ percent and 5½ percent—we were concerned with the sale of that defense equipment to a very friendly country. And as long as we were able to do it at a rate which would not result in a loss as of the date the rate was agreed to, since it was a highly specialized kind of transaction, we did make those concessions.

Mr. REUSS. Is not that same friendly country equally friendly when it comes to selling them peacetime goods?

I just think you have put yourself in an impossible position by the differential interest rates.

Mr. LINDER. I would only say, Mr. Reuss, that we are actively discussing with the Defense Department the tail end of these DOD guaranteed loans to developing countries, some of which the President has before him for consideration. With respect to these, and to any new commitments to developed countries for defense articles as well, we are charging a 6-percent rate.

Mr. REUSS. You say in your testimony that this new bill, if enacted, will not be used for military sales. However, there is not a word in the text of the bill to prevent such use, is there?

Mr. LINDER. As you know, there are limitations in our basic bill.

Mr. REUSS. Is there a word in H.R. 16162?

Mr. LINDER. No.

Mr. REUSS. Would you prepare language making it very clear that this would be prohibited under the bill, so I may insert it as an amendment?

Mr. LINDER. Do not all the limitations of the basic bill follow?