It is the considered judgment of those who are primarily charged with the conduct of U.S. foreign policy in those areas where expropriations are taking place that the language of this act has proven to be so restrictive that it has denied the President the needed flexibility to effectively assist U.S. companies in defending their interests when they have been expropriated.

The problem posed by this provision of the law is that it has attempted to deal in a blanket fashion with diverse situations. Since its enactment in 1962 this provision has proved unworkable and ineffective. In fact, it has been invoked on only one occasion. Despite its existence, there have been numerous expropriations, especially in Latin America. Rather than discouraging expropriations, this provision of law is regarded as having produced contrary results.

The committee believes that the striking of the Hickenlooper amendment would in no way result in denying the United States the opportunity and the flexibility to invoke retaliatory action with regard to our assistance programs if the President and the State Department felt that such an approach would bring about just compensation to expropriated companies by way of negotiations.

The committee further believes that the existing provision forces the United States to take action in a commercial dispute without a full assessment of the evidence and the possibility that a foreign government may be responding to a serious provocation. If, indeed, a foreign government has acted in response to an illegal act of a U.S. company, the American people should not be required to forfeit mutually valuable foreign policy relationships with that country.

Finally, the committee is advised that those most directly involved with the issue of expropriations—the U.S. business community—have spoken out strongly in opposition to the continuation of this provision. For example, the board of trustees of the Council of the Americas, which is composed of the 200 major U.S. companies which represent 90 percent of U.S. direct investment in Latin America, has urged that this provision be eliminated.

Therefore, the committee recommends the deletion of this provision.

Section 17(b)—Prohibitions against furnishing assistance

This section amends section 620(n) of the act relating to prohibitions against furnishing assistance to countries trading with North Vietnam. The amendment authorizes the President to waive the prohibitions of section 620(n) when he finds that such waiver is in the national interest and reports such finding to the Congress within 30 days.

Section 17(c)—Seizure of U.S. fishing vessels

This section repeals section 620(o) of the Foreign Assistance Act which requires that:

In determining whether or not to furnish assistance under this Act, consideration shall be given to excluding from such assistance any country which hereafter seizes, or imposes any penalty or sanction against any United States fishing vessel on account of its fishing activities in international waters.

The committee also repealed the restrictive provisions relating to the seizure of U.S. fishing vessels in the Foreign Military Sales Act and in the Fishermen's Protective Act of 1967.

To date, 10 Latin American countries claim sovereignty or exclusive jurisdiction over the waters or resources off their coast to a distance of 200 miles. These claims are representative of the threat
to freedom of navigation and the potential conflict over rights to ocean resources which led the President, in May 1970, to conclude that existing law of the sea is inadequate and to call for all nations to resolve the disputed issues.

A new Law of the Sea (LOS) Conference has been scheduled by the U.N. General Assembly for 1973–74. Intensive negotiations are underway on treaty articles covering such major subjects as fisheries, a regime for the seabed, territorial seas, straits used for international navigation, marine pollution, and oceanographic research.

Pending an LOS Conference settlement, the committee believes fisheries disputes can and should be resolved through interim arrangements which do not prejudice LOS positions of either sides. This approach has resulted in a bilateral conservation agreement with Brazil on shrimp.

In the case of the tuna fishing conflict with Ecuador and Peru, section 620(o) and other such restrictive legislation have not prevented U.S. fishing vessel seizures by those two countries. To date, the total cost of fines and license fees assessed against U.S. fishing vessel owners has reached close to $7 million. Experience has shown that these countries do not wish to appear to be bowing to U.S. pressure implied by a cutoff of assistance. As a result, when the U.S. Government has applied sanctions, the governments concerned have often reacted against other U.S. interests. For example, when military sales to Ecuador were suspended, the effects were an expulsion of the U.S. military mission, a refusal to negotiate the fishing issue any further, and continuation of the seizures.

In sum, the committee believes that the prospects for a negotiated interim settlement of fishing disputes as well as for a satisfactory LOS Conference would be considerably brighter in the absence of legislative sanctions. In addition, the threat of a negative reaction against other U.S. economic and political interests would be lessened by the removal of such legislation.

SECTION 18—EMPLOYMENT OF PERSONNEL

This section amends section 625 of the Foreign Assistance Act, relating to employment of personnel, by adding a new subsection (k). The new subsection authorizes the participation in the Foreign Service Retirement and Disability System of certain categories of AID Foreign Service personnel.

Under existing law all AID employees, both domestic and Foreign Service, are participants in the Civil Service Retirement and Disability Fund. On the other hand, Foreign Service personnel of the Department of State and of the U.S. Information Agency are participants in the Foreign Service retirement system. That system provides more favorable conditions for retirement to compensate for some of the personal difficulties arising from overseas service. It has several advantages over the Civil Service provisions:

(1) Foreign Service personnel may retire at age 50 with 20 years of service without penalty while Civil Service personnel may retire at age 55 with 30 years of service without penalty.

(2) Foreign Service annuities are calculated at 2. percent of the highest 3-year base. Civil Service annuities are also calculated on the highest 3-year base but on a graduated scale of 1½ percent for the first 5 years; 1½ percent for the next 5 years, and 2 percent for all years of service over 10.
Paragraph (k)(1) designates the categories of personnel serving in AID who would participate in the Foreign Service Retirement System. The major categories are Foreign Service Reserve officers and Foreign Service staff officers and employees serving under unlimited appointments. Based upon current personnel strength, about 2,500 individuals would be transferred from the Civil Service Retirement System to the Foreign Service Retirement System. Although existing law limits participation by Foreign Service Staff personnel to those with 10 years prior service, the Department of State is seeking an amendment that would bring all such personnel in the Department and in USIA into the Foreign Service System without regard to a 10-year period. Thus the amendment proposed in this paragraph is consistent with the proposed legislation.

Paragraph (k)(2) provides that persons who become participants in the Foreign Service Retirement System shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with section 852 of the Foreign Service Act of 1946. This means that, upon transfer from the Civil Service Retirement System to the Foreign Service Retirement System, the previous contributions made by the individual into the former fund will be transferred to his account in the Foreign Service fund. At present, employee contributions to both retirement systems are 7 percent of their salary. In each case, this is matched by the employing agency.

Paragraph (k)(3) provides for the application of section 636 and of title VIII of the Foreign Service Act of 1946. Section 636 permits voluntary retirement of a participant who is at least 50 years of age and has 20 years of service. Title VIII details the computation and conditions of retirement.

Paragraph (k)(4) continues a participant’s coverage under the Foreign Service Retirement System whenever such participant might be assigned to a position not covered by the system. This authority is similar to that contained in section 571(b) of the Foreign Service Act of 1946.

Paragraph (k)(5) is a transitional provision that will permit older employees to make the necessary preparations for retirement. It provides for the gradual retirement over a 7-year period of participants in the system who are above the Foreign Service mandatory retirement age at the time they became participants in the system. It is similar to the formula used when staff personnel of the Department of State and USIA Foreign Service personnel were transferred to the Foreign Service Retirement System. A proviso exempts Presidential appointees confirmed by the Senate, while so serving, from the otherwise applicable mandatory retirement age. It is estimated that of the 2,500 AID Foreign Service personnel who would come under the Foreign Service Retirement System about 625 would qualify for immediate retirement.

Paragraph (k)(6) provides that the President may, whenever he deems it to be in the public interest, extend any participant’s service for a period not to exceed 5 years after the mandatory retirement date for such participant. It is anticipated that this authority will be delegated to the Administrator, AID. A comparable provision in the Foreign Service Act permits the Secretary of State to extend the services of a Foreign Service officer for a period not to exceed 5 years after compulsory retirement.
Paragraph (k)(7) provides that the subsection will become effective on the first day of the first month which begins more than 1 year after the date of enactment but an eligible participant may elect to become a participant before that date. It also provides that a participant who on the effective date of this subsection is age 57 or over may retire voluntarily at any time before the mandatory retirement date set forth in paragraph (5) above.

Paragraph (k)(8) provides that an AID participant in the Foreign Service Retirement System who is separated for cause shall be entitled to the benefits set forth in subsections 637 (b) and (d) of the Foreign Service Act of 1946, as amended. These provide either a lump-sum refund of the participant's contributions or a deferred annuity. This paragraph also provides that the selection-out authority contained in subsection 625(e) of the Foreign Assistance Act shall apply to AID participants in the Foreign Service Retirement System rather than the selection-out authority contained in the Foreign Service Act of 1946, as amended.

AID operates only in the less developed countries. Hence its Foreign Service personnel spend almost their entire working years in posts that are designated hardship posts. The transfer of its personnel to the Foreign Service Retirement System should encourage those who meet the age and service requirements to seek earlier retirement. The inclusion of such personnel in the Foreign Service Retirement System does not create a permanent foreign assistance career service and does not prejudice any future action that the Congress or the Executive Branch may wish to take with respect to the foreign assistance program.

SECTION 19—REPORTS AND INFORMATION

Debt status and relief reports

This section amends section 634 of the act relating to reports and information, by adding two new subsections calling for additional reporting.

Subsection (f) provides for comprehensive semi-annual reports showing as of June 30 and December 31 of each year the status of all outstanding obligations owing to the United States and potential liabilities under insurance and contracts of guarantees and loans and other credits resulting from transactions under this act; the Foreign Military Sales Act, the Agriculture-Trade Development and Assistance Act of 1954; and the Export-Import Bank Act of 1945. The status report is limited to those outstanding balances on individual items which exceed $1 million.

Subsection (g) provides for comprehensive annual reports not later than January 31 of each year detailing the worldwide dimensions and impact of the debt servicing problems among the developing aid receiving countries along with specific debt relief measures granted by the United States to these countries. It also provides for summary and detailed reports dealing with the impact of debt relief measures, upon the availability of U.S. aid resources for such countries and detailed analysis as to the net aid flow where debt relief has been granted during the reporting period.

In an ever-increasing number of developing countries, external public debt has become a heavy burden on further economic growth. The GAO has reported that, by December 1970, 80 developing
countries had accumulated over $66 billion of external debt. At the same time, debt service payments increased by about 18 percent, reaching nearly $6 billion annually.

The committee believes that due to this growing importance of the developing countries' debt service burden and the increase of debt relief measures, Congress must be well informed with respect to the relationship of debt servicing problems, debt relief and economic assistance. It should also be noted that Congress may well be required to authorize future debt relief arrangements to the developing countries. The report required by this provision would be a useful aid to Congress for these purposes.

**SECTION 20—ADMINISTRATIVE EXPENSES**

This section amends section 637 (a) of the act relating to administrative expenses by deleting the authorization of $50 million for each of fiscal years 1972 and 1973 and inserting an authorization of $53,100,000 for each of fiscal years 1974 and 1975.

The authorization of $53,100,000 together with unobligated funds carried over, reimbursements, and transfers from other AID appropriations will provide an estimated availability of $57,875,000 for fiscal year 1974 for administrative expenses. This sum represents about one-third of the operating expenses of the Agency. The balance is funded from the major program appropriations and from non-appropriated funds available to the Agency, such as the housing guaranty, excess property programs, and foreign currency trust funds contributed by host countries.

**SECTION 21—FAMINE AND DISASTER RELIEF AND AFRICAN SAHEL DEVELOPMENT PROGRAM**

This section amends chapter 2 of part III of the act, relating to miscellaneous provisions, by rewriting section 639 and adding two new sections providing assistance to African Sahel.

*General authorization*

Section 639 of the act was rewritten to permit the furnishing of famine or disaster relief notwithstanding the provisions of the act or any other law.

Section 639 of the act provides that "no provision of this act shall be construed to prohibit assistance to any country for famine or disaster relief". The proposed amendment would change this section slightly to permit the furnishing of such assistance notwithstanding provisions of the act or any other law. The change is proposed to give the President greater flexibility in carrying out programs of famine and disaster relief.

In its present form, section 639 permits famine and disaster relief assistance in cases in which it would otherwise be prohibited. The section recognizes that humanitarian concerns in such cases override the political considerations which, in some circumstances, would prevent the conduct of ordinary assistance programs.

The purpose of this provision is to facilitate humanitarian activities where normal operating procedures would unduly curtail them. Thus, for example, the provisions of the Merchant Marine Act of 1936 requiring transportation by American-flag carriers would not apply in
disaster situations when their use would result in delay in alleviating the consequences of the disaster. Similarly, the new authority would eliminate delays encountered (for instance, in Biafra and Bangladesh) in responding swiftly and effectively to disaster situations because of the necessity of complying with such sections of the act as 636(i), relating to vehicle procurement and section 604, establishing rules applicable to ordinary procurement activities.

Statutory requirements and regulations would, of course, continue to apply to ordinary economic assistance furnished under the act, and the new authority would be utilized only when assistance was being provided in famine or disaster situations and compliance would interfere with prompt and adequate administrative response.

**African Sahel famine and disaster relief**

Section 639A(a) would affirm Congress’ support for the U.S. Government response in providing famine and disaster relief assistance to the Sahelian nations of Africa.

Section 639A(b) authorizes the appropriation of $30 million to remain available until expended, for emergency and recovery needs of the drought-stricken Sahelian nations.

The $30 million authorized by this amendment is the initial estimate of needs for relief, rehabilitation, and related assistance. Any additional appropriated funds subsequently needed for these purposes would be requested under the disaster relief authorization provided by section 11(b) of this bill as an amendment to section 451(a) of the act.

During the past 5 years, the drought in the Sahel region has become increasingly severe. The sub-Saharan African countries most affected are Chad, Mali, Mauritania, Niger, Upper Volta, and Senegal. About 25 million people, mostly nomads and migrants, live in these six countries. An estimated one-third of them are suffering from hunger and malnutrition, and millions of cattle, goats, and sheep have already died of thirst and starvation.

The United States and other international donors have been focusing on the immediate short-term assistance to the affected areas over the past year. Assistance by the United States up to the end of July 1973 totals about $24 million, $21 million of which was in the form of delivered food grains.

The committee believes, however, that this is an appropriate time for the United States and other donors to join in with the affected countries to begin planning for the medium- and long-term reconstruction and development of the area. This authorization will allow the initiation of such a program.

**African Sahel development program**

Section 639B reflects the Congressional endorsement of the long-term planning for the preservation and development of the Sahel region in cooperation with the United Nations and other international and regional organizations.

**SECTION 22—COORDINATION**

This section directs the President to establish a Development Coordination Committee to advise him with respect to U.S. policies and programs, bilateral as well as multilateral, affecting the development of the low income countries.
This would be a statutory body, chaired by the Administrator of the Mutual Development and Cooperation Agency (MDCA). Its membership would include officials of the Departments of State, Treasury, Commerce, and Agriculture, the Executive Office of the President, and others as designated by the President.

The committee would operate under the foreign policy guidance of the Secretary of State.

The President would be required to report annually to the Congress on U.S. actions affecting the development of the low-income countries, through one of the already existing annual reports.

At the present time, U.S. policies and programs having international economic implications are coordinated by two different bodies. One is the National Advisory Committee on International Monetary and Financial Policies (NAC) which was established by Executive order and is chaired by Treasury. Its preoccupations center on international monetary and financial issues. AID is not a member of NAC.

The other is the Council on International Economic Policy (CIEP), in the Executive Office of the President. This Council operates under a statute which expires June 30. AID is not a member.

Neither of these two bodies is development-oriented. While both of them submit written annual reports, neither of those reports deal now in a comprehensive manner with the whole range of U.S. development-oriented activities.

The need for more effective review and coordination of U.S. development-related undertakings is clear. These programs are conducted under several statutes, by several departments. At times, each of them has seemed to be going in a different direction.

AID is the only U.S. agency which is primarily concerned with development. It (and the successor agency, MDCA) ought to play a more important role than it does now in coordinating these U.S. programs.

As a result of discussions with the executive branch, the committee wishes to emphasize several points about the Development Coordination Committee:

(1) It is left to the President to determine which officials in the executive branch should serve on the committee, in addition to the MDCA administrator, who would chair it.

(2) The report from the President need not be a separate report but may be included in the NAC, CIEP, or State Department annual report, as the President shall determine.

(3) To the extent that information necessary for the report prescribed in this section overlaps with material heretofore provided under title XI or section 621A, it may be omitted from reports required by the latter two provisions.

Section 640C—Shipping differential

This section authorizes the use of funds made available in chapter 1 and part VI of the act to make grants to defray the freight differential between U.S.- and foreign-flag vessels on cargoes financed under the Mutual Development and Cooperation Act.

The purpose of the section is to encourage the use of U.S.-flag vessels, in compliance with the 50-percent requirement of section 901(b) of the Merchant Marine Act of 1936.

The grants authorized here would cover this difference between U.S.- and foreign-flag freight costs and would relieve the importing country and end user of bearing this added cost.
This provision also covers the Export Development Credit Fund under part VI.
It also serves to identify that payments under the 50–50 shipping requirement of the differential between U.S.-flag and foreign-flag vessels do not constitute assistance to a country but are in the nature of support for the U.S. maritime industry.

**MISCELLANEOUS PROVISIONS**

**SECTION 23—ANNUAL NORTH ATLANTIC TREATY ORGANIZATION REPORT**

This section amends chapter 3 of part III of this act, relating to miscellaneous provisions by adding a new section 659 to the act, requiring specified reports before January 15 of each year from the Secretaries of State and Defense on expenditures by the United States on behalf of its participation in NATO.

Subsection (a) requires a report on the direct, indirect and unallocated costs to the United States of participation in NATO for the past, the current and the immediately following fiscal year along with an estimate of the impact of the expenditures on United States balance of payments after consideration for any offset arrangements. Each such cost is required to be identified by reference to the act of Congress that authorized and appropriated the funds.

Subsection (b) defines the meaning of the terms direct, indirect, and unallocated costs.

Subsection (c) provides that all information included in the report be public information unless it is required to be kept secret in the interest of national defense.

The provision requiring an annual report from the Secretaries of Defense and State on the costs of U.S. participation in the North Atlantic Treaty Organization was suggested by a recent report of the General Accounting Office which noted that NATO costs for the United States were distributed in many different appropriations bills. This circumstance makes it difficult, the GAO noted, for the Congress and its committees to determine the total costs of U.S. participation in NATO.

The committee believes that this provision will correct the deficiency in information available to the Congress.

**SECTION 24—INDOCINA POSTWAR RECONSTRUCTION**

This section adds a new part to the act to provide for reconstruction of the war torn countries of Indochina. The new part contains 5 sections.

**Section 801—Statement of policy**

This section states that the purpose of this part of the act is to (1) authorize immediate humanitarian relief assistance to the people of South Vietnam, Cambodia, and Laos and (2) to assist the people of those countries to return to a normal peacetime existence. In this effort, U.S. bilateral assistance should focus on the sectors of food, nutrition, health, population planning, education, and human resource development. Such assistance should be channeled to the maximum extent possible through the private agencies, particularly those voluntary organizations which already have ties in the area.
The committee rewrote the policy statement suggested by the executive branch because it was felt that future U.S. assistance in Indochina should emphasize humanitarian programs administered on a people-to-people basis. The inclusion of the sectoral approach conforms this part of the act to the precepts of the reforms in bilateral assistance made elsewhere in the act.

Section 821—General authority

This section authorizes the President to furnish assistance for the relief and reconstruction of South Vietnam, Cambodia, and Laos with special emphasis on humanitarian assistance to refugees, civilian war casualties, and other persons disadvantaged by the war. This assistance may be furnished on a loan, grant, or other basis. Section 821 further stipulates that no assistance shall be furnished to South Vietnam under this general authority unless the President receives satisfactory assurances that such assistance or local currency generated by such assistance will not be used for support to police or for prison construction and administration within South Vietnam.

The committee feels that the first tasks are those of dealing with the direct and immediate consequences of the war. The most urgent of these is to provide temporary sustenance, food, shelter, and medical care for refugees and other victims of the war until they can resume normal and productive lives. Such emergency relief programs have been going on for some years amidst the fighting. They must continue for some time to come but now the emphasis can shift to resettlement. There are other problems on the human side as well. Those wounded in war, both military and civilian, need further help, as do orphans and other children of families torn apart. Although much attention has been given to emergency medical care during the years of war, major medical rehabilitation, education, and training of these direct victims of the war still require significant efforts.

In authorizing assistance for humanitarian relief and reconstruction, the committee contemplates that a full range of assistance mechanisms, including project, program, and technical assistance, may be utilized, and that such assistance may be furnished directly by the United States or, to the maximum extent possible, through private, regional, multilateral, or international organizations. The committee recognizes that regional projects funded under this general authority may have benefits for other eligible countries in Southeast Asia, as well as for South Vietnam, Laos, and Cambodia.

By prohibiting the use of U.S. assistance for support to police and for prison construction within South Vietnam, the committee did not intend to forbid the continuation of training of South Vietnamese police officials in the United States. Because the U.S.-based training programs for foreign police officials are designed to impart modern, humanitarian police methods, the committee feels that such training efforts are consistent with the purposes of this act.

With regard to Cambodia, it is the committee's intention that, for the purpose of fulfilling the requirements of section 655(c) of the Foreign Assistance Act, the fiscal year 1974 program figures submitted heretofore to Congress by the executive branch for Cambodia shall constitute a specific authorization.

Report requested on public safety program

In recent years, there has been steadily rising public concern, at home and abroad, over the purposes and operations of the programs
conducted by the Office of Public Safety of the Agency for Interna-
tional Development. Since the establishment of the Office of Public
Safety, there has been no high level review of the effectiveness of the
program. The committee is concerned that rising criticism, whether
based on fact or misunderstanding, and failure to properly evaluate
the public safety program at a high enough level may adversely affect
U.S. relations with other nations. It is, therefore, the committee's
request that the President direct that a thorough review be made of the
programs of the Office of Public Safety and that, not later than six
months after the date of enactment of the Mutual Development and
Cooperation Act of 1973, the President submit to the committee a
report containing (1) recommendations concerning termination of the
public safety program administered by the Agency for International
Development and (2) suggested alternative means of achieving such
program's objectives through other than direct bilateral U.S. Govern-
ment assistance.

Section 822—Authorization

Section 822 provides an authorization for appropriation of $632
million for fiscal year 1974. This figure does not include any amount
for assistance to North Vietnam. The section would also make clear
that while this part will be the principal source of funds for economic
assistance for Indochina, funds otherwise available for these purposes
may also be used. One source of such funds could be the authorities of
the Overseas Private Investment Corporation (OPIC) if and when
the existing congressional prohibition against OPIC carrying on opera-
tions in Southeast Asia is lifted.

Fiscal year 1974 program summary

The following is a comparison of the fiscal year 1974 reconstruction
program to assistance programs for fiscal year 1972 and fiscal year
1973. In the years preceding fiscal year 1974, economic assistance for
this area was provided largely from security supporting assistance.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year 1974 proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>actual</td>
</tr>
<tr>
<td></td>
<td>estimated</td>
</tr>
<tr>
<td>South Vietnam</td>
<td>385.0</td>
</tr>
<tr>
<td>Cambodia</td>
<td>37.3</td>
</tr>
<tr>
<td>Laos</td>
<td>47.3</td>
</tr>
<tr>
<td>Regional development programs</td>
<td>21.3</td>
</tr>
<tr>
<td>Interregional support costs</td>
<td>15.3</td>
</tr>
<tr>
<td>Total</td>
<td>482.0</td>
</tr>
<tr>
<td></td>
<td>444.7</td>
</tr>
<tr>
<td></td>
<td>630.0</td>
</tr>
</tbody>
</table>

The committee hopes that an effective cease-fire can be achieved
throughout Indochina which will bring a long and bitter chapter
to a close. The peoples of Indochina can then turn toward reconstruc-
tion and peaceful development of their countries. While the cease-fire
is not yet fully effective and peace is not fully in hand, economic
assistance from the United States is an essential component in the
successful transition from war to peace. Therefore the committee
has approved the full request of the administration for funds to
begin humanitarian rehabilitation programs and related development
activities.
Vietnam
Within the context of the statement of policy and the general authority set forth in this part of the Act, the committee envisions the goals of U.S. assistance to South Vietnam as follows:

To assist the Government of Vietnam in caring for refugees and other war victims, including help in resettling these people in their former villages or in other areas where they can make a living;

To assist the Vietnamese in reconstructing vital public and private facilities destroyed in the course of the war;

To help Vietnam develop its economy in a manner which will lead to eventual economic self-sufficiency; and

To help provide sufficient imported resources to sustain the people and the economy of Vietnam at a reasonable level during the transition from war to peace.

In pursuit of those goals, the executive branch has programed the following sums for fiscal year 1974 as compared to the sums provided in fiscal years 1972 and 1973.

| PROGRAM SUMMARY |
|-----------------|-----------------|-----------------|
|                 | Fiscal year 1972 | Fiscal year 1973 | Fiscal year 1974 |
|                 | actual          | estimated       | proposed        |
| Humanitarian assistance | 15.0            | 40.0            | 85.0            |
| Reconstruction-rehabilitation | 31.0            | 30.0            | 48.0            |
| Development       | 313.0           | 223.0           | 275.0           |
| Commercial import program | 26.0            | 20.0            | 17.0            |
| Total             | 385.0           | 313.0           | 475.0           |

Cambodia
Seventy-five million dollars of assistance is programed to enable Cambodia to cope with the serious economic and social dislocations caused by the war while continuing its resistance against the Khmer communist insurgents supported by North Vietnamese troops.

**Commodity import program.**—The principal part of the programed funds ($46.7 million) will be required for financing essential private sector imports. This import level, including such goods as fertilizer, machinery spare parts, chemical and steel raw material, and foodstuffs, is the minimum necessary to maintain the Cambodian people’s already low standard of living. After a cease-fire and a return to relative security, the import composition will shift more toward capital equipment to help restore prewar industrial capacity. Estimated obligations for the commodity import program in fiscal year 1973 are $45 million.

**Multilateral stabilization program.**—Another important program needed to finance imports of commodities and services not available from U.S. sources is the multilateral stabilization fund for which $18.3 million is programed.

Under the auspices of the IMF, a multilateral Exchange Support Fund is in its second year of operation. The fund provides support to stabilize the Khmer economy. The fund finances (a) commodities for which Cambodian reserves and earnings are insufficient, and (b) services and commodities required in connection with capital projects or technical assistance. The fund’s resources are used in accordance with
rules and procedures established by representatives of the multilateral
membership.

At a November 1972 review with other donors and Cambodia for
the calendar year 1973, the United States repeated its previous year's
intention (subject to authorization and appropriation of funds by
Congress) to match the contributions of others. The U.S. contribution
for calendar year 1973 is planned to be $17.5 million, or half of the
estimated total of about $35 million. Other contributions are estimated
as follows: Japan, $7 million; Australia, $1 million; United Kingdom,
$490,000; Thailand, $250,000; New Zealand, $10,000; and Malaysia,
$10,000. The Cambodians will put $8.7 million into the fund, includ-
ing proceeds of a special IMF drawing.

Laos

The cease-fire agreement of February 21, 1973, has provided the
basis for the establishment of an economic program directed toward
rehabilitation, reconstruction, and development in Laos.

Although the terms of the Lao accord have not yet been fully
realized, the level of fighting there is the lowest in Indochina.

Given a modicum of political stability in Laos, the U.S. economic
aid program can be redirected from support for a war effort to support
of the peace. The permanent resettlement of refugees is an urgent
requirement. Reconstruction of facilities damaged by the war must be
undertaken. Greater emphasis can be placed on long term develop-
ment leading to eventual economic self-sufficiency. It will also be
necessary to continue the economic stabilization program, but the
eventual demobilization of Lao troops should lead to the gradual
reduction of the amount of outside aid necessary for this purpose.

With these encouraging developments in mind, the executive
branch has proposed the following level of funding for programs in
Laos for fiscal year 1974 as compared to the sums provided in the two
previous fiscal years.

<table>
<thead>
<tr>
<th>Program Summary</th>
<th>Fiscal year 1972 actual</th>
<th>Fiscal year 1973 estimated</th>
<th>Fiscal year 1974 proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humanitarian assistance</td>
<td>28.1</td>
<td>28.9</td>
<td>18.4</td>
</tr>
<tr>
<td>Reconstruction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>18.2</td>
<td>16.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Total</td>
<td>46.3</td>
<td>45.0</td>
<td>55.0</td>
</tr>
</tbody>
</table>

Section 823—Center for Plastic and Reconstructive Surgery in Saigon

A new section 823 is added to the act which earmarks $712,000 of
funds authorized for Indochina postwar reconstruction for assistance
to the Center for Plastic and Reconstructive Surgery in Saigon,
Republic of Vietnam.

This is a well-known and highly competent plastic surgery facility
with the dual purpose of treating and rehabilitating disfigured Viet-
namese children while training Vietnamese doctors in plastic surgery.
It is the only facility of its kind in that country.

Founded by Americans and staffed by doctors and nurses of several
nations, the Center has received assistance in the past through the
Agency for International Development, but the AID contribution has been reduced in recent years.

During committee hearings on the bill, Dr. Arthur J. Barsky, professor of plastic surgery at the Albert Einstein School of Medicine, New York, and a cofounder of the Center, testified in detail on the work of this medical facility.

The committee believes that the work of the Center deserves sufficient support to permit its continuation and expansion. The $712,000 will assist in the financing of a third-floor addition to the facility which will provide expanded care for general patients and which will be turned into a specialized unit for the treatment of burn cases as Vietnamese staffing becomes available. Both the Center and the proposed burns unit have the active support of the South Vietnamese Ministry of Health.

A similar earmarking provision was approved by both the House and Senate in amending the Foreign Assistance Act in the 92d Congress, but it failed to become law because a House-Senate conference could not settle differences in the foreign aid legislation.

Section 824—Assistance to South Vietnamese children

A new section 824 is added to the act which earmarks the use of $5 million for the specific purpose of providing assistance to children in South Vietnam, who clearly are among the most unfortunate victims of the war.

The funds can be used for two purposes:

First, they can provide for the establishment, expansion, and improvement of day care centers, orphanages, hostels, school feeding programs, health and welfare programs, and training programs related to such programs.

Second, the funds may be used to facilitate the adoption by American citizens of orphaned and abandoned children in South Vietnam, especially those fathered by Americans. Of the funds available under the provision, however, not more than 10 percent may be used for adoption assistance.

The committee believes that this form of assistance is a particularly appropriate expression of our Nation's compassion and concern for the thousands of war-disadvantaged Vietnamese children.

SECTION 25—EXPORT DEVELOPMENT CREDIT FUND

Section 25(a)—Establishment of Export Development Credit Fund

Section 25(a) adds a new part to the act (sections 901–909), creating a facility for the purpose of increasing U.S. exports which can advance the development of 4 billion people who live in the lowest income countries of Asia, Africa, and Latin America.

The proposed fund would utilize repayments from outstanding development loans to subsidize the interest rates on export credits to the poorer of the developing countries, thereby aiding U.S. exports and enabling low-income countries to purchase American goods and services needed for their development.

An average of $1 billion per year in U.S. exports were facilitated by the Fund in recent years, with the job-creating efforts of the Export-Import Bank's regular operations suggesting that an estimated additional 80,000 jobs would be created for U.S. workers. The Export-Import Bank calculates that each additional $12,500 of exports creates one U.S. job.
The committee anticipates that to the fullest extent possible, supplier credits under the Export Development Credit Fund will be substituted for development lending as a means of providing needed products to developing countries and introducing American goods to their markets.

**Background**

U.S. exports to developing countries as a whole have been rising rapidly in recent years. These exports have increased by some 43 percent in the past 5 years, and their volume of $16.3 billion in 1972 nearly equaled the total of U.S. exports to the recently enlarged European Community (including the United Kingdom) and Japan.

However, U.S. exports have been declining to the 60 percent of the people living in the lowest income countries (those with per capita GNP below $200 per year), both in absolute volume of sales and as a share of that market.

U.S. sales to the latter market depend upon U.S. Government financial support for about three-quarters of their financing, as contrasted with the two-fifths support provided to sales to the developing countries with per capita incomes above $200. Government financing for sales to the lowest income countries with their limited near term repayment capacity consists largely of development loans, other aid and Public Law 480. Only 9 percent comes from the Export-Import Bank.

By contrast, Government financing of sales to the rapidly growing market in countries above the $200 annual per capita income level consists chiefly of Export-Import Bank support.

As noted in the following chart, the Bank during fiscal year 1972 authorized credits to the poorest countries which amounted to only 10 cents per capita. By contrast, its per capita credits to the "emergent" countries was $12.27; while to poor countries ($800-$375 annual per capita income) it was only $1.55.

**Context of U.S. Exports**

<table>
<thead>
<tr>
<th>Countries: GNP per capita (1970)</th>
<th>Rich above $1,000</th>
<th>Emergent $1,000-$4,000</th>
<th>Poor $500 to 200</th>
<th>Poorest below $200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (million)</td>
<td>813.5</td>
<td>198.6</td>
<td>536.4</td>
<td>1.96</td>
</tr>
<tr>
<td>Of which Communist</td>
<td>(231.7)</td>
<td>(43.7)</td>
<td>(267.3)</td>
<td>(71.1)</td>
</tr>
<tr>
<td>1972 GNP (billion)</td>
<td>$796.7</td>
<td>$54.5</td>
<td>$165.6</td>
<td>$239.3</td>
</tr>
<tr>
<td>Of which Communist</td>
<td>(372.7)</td>
<td>(23.7)</td>
<td>(61.9)</td>
<td>(122.9)</td>
</tr>
<tr>
<td>1972 U.S. Exports (billion)</td>
<td>$35.2 (40.4)</td>
<td>$6.1 (7.2)</td>
<td>$10.0 (12.9)</td>
<td>$11.6 (13.9)</td>
</tr>
<tr>
<td>As percent of importer GNP</td>
<td>2.3</td>
<td>5.4</td>
<td>12.6</td>
<td>14.8</td>
</tr>
<tr>
<td>As percent of importers (trade)</td>
<td>18.2</td>
<td>25.2</td>
<td>25.6</td>
<td>14.8</td>
</tr>
<tr>
<td>U.S. Government, fiscal year 1972 commitments (billion)</td>
<td>$1.3</td>
<td>0.9</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>As percent of calendar year 1972 U.S. exports</td>
<td>1.5</td>
<td>1.2</td>
<td>7.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Sources of commitments:
- Export Credit Insurance (ECI) guarantees
- AID (including technical assistance)
- Eximbank, BIF (Export-Finance program)
- Public Law 480
- Eximbank authorizations (ppr. capitale, fiscal year) 1972
- Bank of International Settlements

Note: U.S. Exports to the lowest income countries depend heavily on U.S. Government financing. Most of that financing is through Public Law 480 and AID; very little is by the Export-Import Bank. However, the latter is the largest financier of exports to countries in each of the 3 income groups above the lowest.
U.S. exporters are at a growing disadvantage in the market of lowest-income countries since U.S. commodity-tied development loans are declining, and these countries do not have the servicing capacity for a substantial volume of loans on standard Export-Import Bank terms. In many cases, lack of financing on competitive terms, rather than price or quality, explains U.S. inability to compete for this market.

This market of about 3 billion people (excluding Communist areas), whose GNP has been increasing at approximately 5 percent annually, is important, and promises to grow more, important in the future. Europe and Japan, apparently, believe this and offer vigorous and steadily increasing government-financing programs which help develop their markets in these countries.

If the United States wants to avoid further losses and increase its share in this market, there will have to be increased Government financing on terms that compete. Such financing also can advance the development of low-income countries and thereby lead to their further expansion as markets for U.S. exports. The committee intends that most export credits would be on somewhat harder terms than those provided for in section 201 of the act but still appropriate to the developing country's repayment capacity.

The rapid expansion of U.S. exports in the past 10 years to such countries as Mexico, Brazil, Korea, and Taiwan illustrates the potential for increased U.S. exports on commercial terms as these countries progress.

U.S. exports to these countries have increased from approximately $100 million in 1960, 90 percent of which were U.S. aid-financed, to a level of over $500 million in 1972, very little of which was financed by U.S. credits on concessional terms.

### U.S. Exports to Taiwan, 1965-71 (In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>135</td>
<td>120</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>30.0</td>
<td>28.0</td>
<td>22.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>30.0</td>
<td>30.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Mineral fuels, lubricants, and related materials</td>
<td>30.0</td>
<td>28.0</td>
<td>28.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Animal and vegetable oils and fats</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

### Section-by-section explanation:

Section 901 (General Authority) establishes a fund to be known as the United States Export Development Credit Fund. It authorizes the President to extend credit on terms not easier than the minimum terms specified by law for development lending under part I of the act to facilitate the sale of U.S. goods and services of a developmental character to the lowest income countries. It provides that the fund shall be treated in the same fashion as the Export-Import Bank.
for purposes of exclusion from budget totals and exemption from expenditure and outlay limitations, including requirements for transmission of an annual budget and an annual report to the Congress.

Section 902 (Financing). In this respect, the fund would follow the Export-Import Bank pattern. Ex-Im is financed outside the budget, primarily through use of borrowing authority, and covers the modest interest differential between the rate at which it borrows and the lower (currently 6 percent) rate at which it lends through income from its capital, currently approximately $2.5 billion. The fund’s operations, to the extent that they would involve use of borrowing authority, would also be financed outside the cash budget of the United States. Both the borrowing of the fund and the availability of repayments on past aid loans would be subject to the annual appropriation process.

The proposed bill provides that the fund may only be used to finance goods that advance development objectives of the assisted countries. Care would be required to prevent low-utility exports from being financed. The fund should have a flexible commodity eligibility test, designed to make certain that its exports support development in the importing country. Beyond that, there may be good reason for the fund to verify that the import and investment policies of the importing country are such that fund-financed exports to that country have a reasonable prospect of being constructively used. Such tests should not lessen the fund’s usefulness as a promoter of U.S. exports, since the range of U.S. goods and services helpful to development is very broad and can range from capital goods to individual raw materials and fertilizer.

In order to take these development considerations into account, the fund should have some expertise in the development business. In that connection, the Advisory Committee established by this bill should prove valuable, for wherever the President might locate the fund administratively, the committee would insure that the extensive development experience accumulated by the U.S. Government was brought to bear on its decisions.

Further, development in this context does not mean industrial development through exporting to the United States or competing with U.S. exports. The provisions of sections 201 and 211 dealing with possible adverse effects on the U.S. economy, with special reference to areas of substantial labor surplus, and on the U.S. balance-of-payments position, would apply to the fund. The fund shall not be used to displace production of, or use of, modern equipment and facilities in the United States.

The bill provides that countries with less than $375 per capita annual GNP are to be the main recipients of the fund. Particular emphasis, the committee believes, should be given to the poorest countries; those with a per capita national product less than $200 annually.

Although per capita GNP is the best measure we have of poverty, it is not a perfect measure. For that reason, the fund should be administered with some flexibility to take account of all relevant factors, including ability to pay, poverty, and the need for a subsidy to support U.S. exports. It seems clear, however, that the need and the opportunity for the fund is greatest, though not exclusively, in the category of countries with the lowest incomes.

This section authorizes the President, as may be provided in appropriation acts, to borrow up to one-fourth (currently $5 billion) of Export-Import Bank loan, guaranty, and insurance authority, during
the period from the enactment of this legislation through December 31, 1977, to be used (except for $500 million of reserves) for the purposes of the Fund. Any interest that accrues will be from these amounts of reserves.

Any difference between the interest the borrowers are to pay to the Fund on export credits extended (at low rates of interest) and the interest the Fund pays on the funds it borrows (at higher rates of interest); which constitutes an interest subsidy, would be paid from dollar receipts from loans made under foreign assistance legislation.

These repayments on past aid loans are rising (and will peak at $613 million in 1981 if AID were to make no further development loans) and will average almost $400 million per year over the next 4 years.

Of these amounts, an annual average of about $50 million will be available over the next few years from receipts which now go into general receipts of the Treasury, and about $260 million is, under present law, available for AID loans.

Thus, receipts would be sufficient to pay the interest subsidy, for 4 years of operations at the rate of $1 billion of new credits per year, while still leaving nearly $300 million per year for development assistance under the proposed new Mutual Development and Cooperation Act (this should bring up about $200 million). Four years would provide ample experience to judge whether the Fund should continue to make new loans.

Receipts from loans made by the Fund, if not needed to pay interest or repay the principal on the Fund's obligations, may be used for the purposes of the Fund, and all deobligated funds may be reobligated for the purposes of the Fund.

Section 903 (Lending Ceiling and Termination) places a lending ceiling on the principal amount of loans by the Fund outstanding at any one time amounting to one-fourth (currently $5 billion) of the Export-Import Bank loan, guaranty, and insurance ceiling, and authorizes the Fund to operate until December 31, 1977.

Section 904 (Reports to the Congress) requires a detailed report on the operations of the Fund to be transmitted to the Congress semi-annually.

Section 905 (Administration of Fund) requires the President to establish an advisory committee, including the Secretaries of Commerce, Treasury, and State, the President of the Export-Import Bank, and the Administrator of the Mutual Development and Cooperation Agency.

This Fund could be administered in a variety of ways, e.g., by the Export-Import Bank, the Department of Commerce, as an independent fund, or by MDCA. The final decision is left to the President. As has been done with reasonable success for Public Law 480, it would be closely coordinated with interested Government agencies through the Advisory Committee provided for in the bill.

Section 906 (Provision for Losses) reserves 10 percent ($500 million) of the Fund's borrowing authority to cover losses and provides that receipts from loans made under foreign assistance legislation may also be used for that purpose. Any amounts borrowed from the reserve would eventually have to be repaid, and foreign assistance receipts could be used for that purpose. Losses may include loans written off or payments suspended, or deferred, or the interest payments required to service funds borrowed in the amount of the loans written off or payments suspended or deferred.
The experience with loans to the poorest countries over the past 20 years suggests that they can and will repay their debts but occasionally need to reschedule repayments when the terms of their debt are too hard. In fact, so-called "bad debts" do not normally result from inability to repay but from an internal political change. For example, two defaults on the books of the Export-Import Bank have resulted from the change of governments in China and Cuba.

Since the Fund will extend terms more commensurate with their ability to pay, and for goods and services of a developmental character which strengthen the borrowers' economies, there should be fewer problems of need for debt relief than if these credits were not available or if they were available only on harder terms.

However, there may be cases where rescheduling is necessary. Rescheduling means the Fund will lose income in the year when rescheduling gives debt relief. Therefore, provision must be made for the Fund to handle such losses. It is proposed that in the event of such income loss, the repayments on previous aid loans be used to cover the losses. In addition it is proposed that a reserve for bad debts be established which would consist of 10 percent of the Fund's authorization to borrow.

Section 907 (Export-Import Bank Powers) provides that this part does not limit the powers of the Export-Import Bank.

Section 908 (Prohibition on Loans for Defense Articles or Services) prohibits use of the Fund in connection with the sale of defense articles or services and provides that this prohibition may not be waived.

Section 909 (Definitions) defines "lowest income countries" as the poorer developing countries with special reference to countries where national product per capita is under $375 a year.

Section 25(b)(1)—Exclusions from prohibitions on assistance

This section amends section 638 of the act, relating to assistance under other legislation, by adding part VII of the act which establishes the Export Development Credit Fund to legislation now excluded from certain restrictions of the act.

Other acts presently excluded from the prohibition against giving assistance are: the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961; as amended (Hays-Fulbright); and the Export-Import Bank Act of 1945, as amended.

Section 25(b)(2)—Inspector General, Foreign Assistance

Section 624(d)(5) currently holds the Inspector General responsible for reviewing and inspecting all activities being conducted by AID, assistance under the Latin American Development Act, Peace Corps, military assistance program, OPIC, and Public Law 480.

This section would add the Export Development Credit Fund established in this bill to the Inspector General's responsibility.

SECTION 26—MEANING OF REFERENCES

This section assures that the change of the title of the act to "Mutual Development and Cooperation Act of 1973" and of the name of the administering agency to "Mutual Development and Cooperation Agency" will not affect existing or future references to either.
SECTION 27—FOREIGN MILITARY SALES

Section 27 amends the Foreign Military Sales Act. The major objectives of the fiscal year 1974 amendments are as follows:

1. To repeal provisions of the law relating to the seizure of fishing vessels;
2. To extend the repayment period for credit purchases from 10 to 20 years;
3. To eliminate the requirement that guarantees be issued only to banks in the United States when banks in the United States are unable to provide fully for such financing;
4. To permit the sale of promissory notes generated by previous direct credits extended by the Department of Defense without charge to current appropriations or current aggregate ceiling;
5. To permit part of the funds generated by the sale of such promissory notes to be used to satisfy the requirements of section 24(c) that 25 percent of the face value of the credit transaction be set aside in a guarantee reserve with respect to the sale and guarantee of such promissory notes;
6. To authorize the appropriation of $450 million to finance the foreign military credit program;
7. To establish an aggregate ceiling of $760 million on the total amount of foreign military sales credits and guarantees that can be made in fiscal year 1974. Of this amount $300 million is earmarked for Israel;
8. To increase the regional ceiling on credits and guarantees for sales of defense articles and services to Latin American countries from $100 million to $150 million in any year and to exclude cash sales from counting against the regional ceiling for Latin America and African countries. The ceiling for military assistance, including credits and guarantees for sales to African countries, would remain at $40 million per year;
9. To remove the reporting requirement of the provisions of section 36(a) of the Foreign Military Sales Act which require semiannual reports on the export of defense articles on the U.S. Munitions List;
10. To bring the terms of the Foreign Military Sales Act into conformity with the amendments made by this bill, and
11. To prohibit the sale or grant of sophisticated weapons, including sophisticated aircraft, to any foreign country that has transferred U.S.-furnished defense articles to a third country without prior approval of the President.

Subsection (a)(1)—Seizure of U.S. fishing vessels

This section deletes subsection (b) in section 5 of chapter 1 of the Foreign Military Sales Act which stipulates that "no sales, credits, or guarantee shall be made or extended under this Act to any country during a period of one year after such country seizes, detains, or takes into custody, on the high seas, an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country.

The committee's decision to repeal this provision of the Foreign Military Sales Act is based on the reasons and evidence set forth in section 17(c) of the report relating to the repeal of section 329(b) of the Foreign Assistance Act.
Subsection (a)(2)—Eligibility for sophisticated weapons

This subsection amends section 505(a) of the Mutual Development and Cooperation Act of 1973 and any other provisions of law, relating to eligibility to receive defense articles from the United States. Specifically, the amendment provides that no sophisticated weapons, including sophisticated jet aircraft or spare parts and associated ground equipment for such aircraft, shall be furnished under this or any other act to any foreign country on or after the date that the President determines that such country has violated any agreement it has made in accordance with paragraph (2) of subsection (a) of this section or section 505(a) of the Mutual Development and Cooperation Act of 1973 or any other provision of law requiring similar agreements. The prohibition contained in the preceding sentence shall not apply on or after the date that the President determines that such violation has been corrected and such agreement complied with.

The purpose of this amendment is to strengthen the transfer restrictions in existing law and to help assure that sophisticated weapons, including jet aircraft that might be sold to any Persian Gulf country will not be transferred to any other country. At the first evidence of such a transfer, the flow of sophisticated weapons and spare parts from the United States would be immediately terminated until the country involved has given assurances to the President that such violations will not reoccur and that the weapons have been returned to the country violating the agreement.

Subsection (b)—Credit terms

This subsection amends section 23 of the Foreign Military Sales Act, which deals with credit financing of sales of defense articles and services, by extending from 10 to 20 years the length of time for which credit may be extended. The extension of the credit repayment period will permit the U.S. Government added flexibility when justified by the national interest to help facilitate the transitioning of economically less developed countries from grant assistance to credit financing. By increasing the repayment terms to 20 years, countries will be able to finance more of their own security programs and to depend less upon the United States.

Subsection (c)—Guaranties

This subsection amends section 24(a) of the Foreign Military Sales Act by eliminating the requirements that guaranties be issued only to financial institutions doing business in the United States. The change will permit the utilization of overseas sources of financing military exports at times when banks in the United States are unable to provide fully for such financing.

Subsection (d)—Charges against the ceiling

Subsection d(1) amends section 24(c) of the Foreign Military Sales Act in two respects. The purpose of these amendments is to permit the sale of promissory notes generated by credit extended under section 23 of the Foreign Military Sales Act without additional charge against current appropriations or the current program ceiling as is now required.

The Foreign Military Sales Act as presently written requires that the face value of any sales made in any one fiscal year shall count against both the appropriation and the aggregate ceiling for that year. If that promissory note is sold in a succeeding fiscal year to a private
financial institution, with a Department of Defense guaranty, the
transaction also counts against the appropriation and aggregate ceiling
for that year as well. Thus, if a promissory note were accepted in 1972,
it would count against the aggregate ceiling and the appropriation for
that year. If this note were sold to a private financial institution in
1973 with a DOD guaranty, it would also count against the aggregate
ceiling and the appropriation for credit sales for 1973 as well. Because
of this situation the U.S. Government has not sold any promissory
notes with a guaranty since the Foreign Military Sales Act became
law in 1963. The Department of Defense currently holds $1,126
million in promissory notes from previous credit transactions.

These changes are intended to facilitate the Treasury Department's
debt management functions and would not increase the amount of the
foreign military sales credit program.

Subsection (d)(2) is related to amendments contained in subsections
(f), (g)(2), (h)(2), and (i)(3) of this section of the bill. These amend­
ments clarify the computation of the 25 percent guaranty reserve
established by section 24(c) of the Foreign Military Sales Act in
conformity with the practice of the Export-Import Bank.

Heretofore, in contrast with the practice of the Export-Import
Bank, the Department of Defense has counted both the principal
amount of the guaranteed loan and the interest against the aggregate
program ceiling. The provisions of this subsection will enable the
Department of Defense to exclude guaranties for interest repayment
from counting against the aggregate ceiling. The amendments specify
that the principal amount of the loan guaranteed will be charged
against the program ceiling and that 25 percent of that principal
amount will be charged against the current appropriation for the
 guaranty reserve.

**Subsection (e)—Authorization**

This subsection amends section 31(a) of the Foreign Military Sales
Act by authorizing the appropriation of $450 million for fiscal year
1974 to carry out the purposes of the act. This amount compares
with an appropriation of $400 million in 1973 pursuant to continuing
resolution authority.

<table>
<thead>
<tr>
<th>FOREIGN MILITARY CREDIT SALES—SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>[in thousands of dollars]</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>——</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
</tr>
<tr>
<td>Middle East and South Asia</td>
</tr>
<tr>
<td>Africa</td>
</tr>
<tr>
<td>Latin America</td>
</tr>
<tr>
<td>Total obligational authority</td>
</tr>
<tr>
<td>Private financing</td>
</tr>
<tr>
<td>DOD financial</td>
</tr>
<tr>
<td>Guarantor of private financing</td>
</tr>
<tr>
<td>New obligational authority</td>
</tr>
<tr>
<td>Total obligated authority</td>
</tr>
<tr>
<td>DOD financial</td>
</tr>
<tr>
<td>Guarantor of private financing</td>
</tr>
<tr>
<td>New obligational authority</td>
</tr>
</tbody>
</table>

The executive branch requested an authorization of $425 million
for fiscal year 1974. The committee reduced this amount by $75 million.

With the amendments dealing with the guaranty of private financing
financial institution with a Department of Defense guaranty, the transaction also counts against the appropriation and aggregate ceiling for that year, as well. Thus, if a promissory note were accepted in 1972, it would count against the aggregate ceiling and the appropriation for that year. If this note were sold to a private financial institution in 1973 with a DOD guaranty, it would also count against the aggregate ceiling and the appropriation for credit sales for 1973 as well. Because of this situation the U.S. Government has not sold any promissory notes with a guaranty since the Foreign Military Sales Act became law in 1968. The Department of Defense currently holds $1,126 million in promissory notes from previous credit transactions. These changes are intended to facilitate the Treasury Department's debt management functions and would not increase the amount of the foreign military sales credit program.

Subsection (d)(2) is related to amendments contained in subsections (f), (g)(2), (h)(2), and (i)(3) of this section of the bill. These amendments clarify the computation of the 25 percent guaranty reserve established by section 24(d) of the Foreign Military Sales Act in conformity with the practice of the Export-Import Bank.

Heretofore, in contrast with the practice of the Export-Import Bank, the Department of Defense has counted both the principal amount of the guaranteed loan and the interest against the aggregate program ceiling. The provisions of this subsection will enable the Department of Defense to exclude guaranties for interest repayment from counting against the aggregate ceiling. The amendments specify that the principal amount of the loan guaranteed will be charged against the program ceiling and that 25 percent of that principal amount will be charged against the current appropriation for the guaranty reserve.

**Subsection (e)—Authorization**

This subsection amends section 31(a) of the Foreign Military Sales Act by authorizing the appropriation of $450 million for fiscal year 1974 to carry out the purposes of the act. This amount compares with an appropriation of $400 million in 1973 pursuant to continuing resolution authority.

### FOREIGN MILITARY CREDIT SALES—SUMMARY

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>1972</th>
<th>1973</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>71,550</td>
<td>79,400</td>
<td>127,000</td>
</tr>
<tr>
<td>Near East and South Asia</td>
<td>395,000</td>
<td>395,500</td>
<td>400,000</td>
</tr>
<tr>
<td>Europe</td>
<td>21,700</td>
<td>18,100</td>
<td>17,500</td>
</tr>
<tr>
<td>Africa</td>
<td>61,750</td>
<td>59,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Total obligations</td>
<td>550,000</td>
<td>550,000</td>
<td>785,000</td>
</tr>
<tr>
<td>Private financing</td>
<td>-220,500</td>
<td>-220,000</td>
<td>-313,500</td>
</tr>
<tr>
<td>DOD financed</td>
<td>325,500</td>
<td>350,000</td>
<td>448,000</td>
</tr>
<tr>
<td>Guaranty of private financing</td>
<td>55,100</td>
<td>50,000</td>
<td>78,500</td>
</tr>
<tr>
<td>Total obligations</td>
<td>400,000</td>
<td>400,000</td>
<td>525,000</td>
</tr>
</tbody>
</table>

The committee granted an authorization of $525 million for fiscal year 1974. The committee reduced this amount by $75 million. With the amendments dealing with the guaranty of private financing...
and the authority to draw upon the funds that are available in overseas branch of domestically based U.S. banks contained elsewhere in this section, the Department of Defense should be able to obtain additional private financing thus reducing the requirement for the larger appropriation.

**Subsection (f)—Aggregate ceiling**

This subsection amends section 31(b) of the Foreign Military Sales Act by raising the foreign military sales credit ceiling from $550 million for fiscal year 1972 to $760 million for fiscal year 1974, of which $300 million is earmarked for Israel. The purpose of this ceiling is to place a limitation on the total amount of sales of defense articles and services that can be financed during the fiscal year from U.S. Government credits either directly or with a guaranty. Details of the fiscal year 1974 credit and guaranty program are as follows:

**FOREIGN MILITARY CREDIT SALES**

<table>
<thead>
<tr>
<th></th>
<th>1972</th>
<th>1973</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of China:</td>
<td>46,000</td>
<td>45,200</td>
<td>65,000</td>
</tr>
<tr>
<td>Korea</td>
<td>17,000</td>
<td>24,200</td>
<td>25,000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8,550</td>
<td>10,000</td>
<td>15,600</td>
</tr>
<tr>
<td>Philippines</td>
<td>3,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,550</td>
<td>79,400</td>
<td>127,000</td>
</tr>
<tr>
<td>Near East and South Asia:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>60,000</td>
<td>58,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Israel</td>
<td>300,000</td>
<td>307,500</td>
<td>300,000</td>
</tr>
<tr>
<td>Jordan</td>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
<td>10,000</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>15,000</td>
<td>20,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>395,000</td>
<td>395,500</td>
<td>465,000</td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberia</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mali</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>15,000</td>
<td>9,800</td>
<td>12,000</td>
</tr>
<tr>
<td>Tunisia</td>
<td>2,500</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Zaire</td>
<td>2,000</td>
<td>6,300</td>
<td>3,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,700</td>
<td>16,100</td>
<td>18,000</td>
</tr>
<tr>
<td>Latin America:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>15,000</td>
<td>11,500</td>
<td>22,500</td>
</tr>
<tr>
<td>Bolivia</td>
<td>4,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>20,000</td>
<td>15,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Chile</td>
<td>10,000</td>
<td>12,400</td>
<td>10,000</td>
</tr>
<tr>
<td>Colombia</td>
<td>7,200</td>
<td>10,000</td>
<td>7,500</td>
</tr>
<tr>
<td>El Salvador</td>
<td></td>
<td>2,600</td>
<td>2,000</td>
</tr>
<tr>
<td>Guatemala</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>2,000</td>
<td>7,500</td>
<td>2,000</td>
</tr>
<tr>
<td>Uruguay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td>61,700</td>
<td>59,000</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,700</td>
<td>59,000</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Worldwide total</strong></td>
<td>550,000</td>
<td>550,000</td>
<td>760,000</td>
</tr>
</tbody>
</table>

The committee did not reduce the aggregate ceiling. The Congress desires and the executive branch is trying to move military assistance programs from grant aid to sales. To reduce the ceiling would not be consistent with those objectives.
This section also makes technical amendments to section 31(b) which are explained above in the analysis of subsection (d).

**Subsection (g)—Latin American ceiling**

Subsection (g)(1) amends section 33(a) of the Foreign Military Sales Act by removing cash sales from the ceiling on aggregate military assistance and sales to Latin America. The committee believes that limitations on the furnishing of military assistance and credit should not be applied to cash transactions.

Subsection (g)(2) makes technical amendments to section 33(a) of the Foreign Military Sales Act to bring it into conformity with the amendments explained above in the analysis of subsection (d) relating to the disposition and accounting for the sale of and guarantee of premissory notes.

Subsection (g)(3) amends section 33(a) of the Foreign Military Sales Act by raising the ceiling on the total amount of military assistance and sales to Latin America from $100 million to $150 million annually.

This change is designed to enable the United States to be more responsive to legitimate requests, originating in Latin America, for conventional military hardware and spare parts.

Latin America spends less than 0.5 percent of its gross national product for military purposes. A significant portion of the military equipment owned by the Latin American countries is either worn out or obsolete and in need of replacement. In recent years the United States has provided only a small share of replacement military equipment required and purchased abroad by the Latin American governments. In the opinion of the executive branch, the proposed change is consistent with the maintenance of friendly relations with the other nations of this hemisphere. The committee finds the $150 million ceiling reasonable.

**Subsection (h)—African ceiling**

Subsection (h)(1) amends section 33(b) of the Foreign Military Sales Act by removing cash sales from the ceiling on aggregate military assistance and sales to African countries. There is no increase in the aggregate ceiling.

Subsection (h)(2) makes technical amendments in section 33(b) to bring it into conformity with amendments pertaining to guaranties explained above in the analysis of subsection (c).

**Subsection (i)—Waiver of regional ceilings**

This subsection amends section 33(c) of the Foreign Military Sales Act relating to waiver of the regional ceilings to bring it into conformity with subsections (d), (g)(1) and (2) relating to guaranty and (b) relating to the exclusion of cash sales from the regional ceilings for Latin America and Africa in this section of the bill.

**Subsection (j)—Annual reports**

This subsection repeals section 33(e) of the Foreign Military Sales Act which requires the Secretary of State to submit semiannual reports to the Congress on exports of significant defense articles on the U.S. Munitions List. Section 807 of the Act which was enacted in 1972 in the People's Republic of China Act repeals the submission of annual reports on the exports of significant defense articles on the Munitions List. The committee notes that the reports previously submitted under section 33(e) of the Foreign Military Sales
Act. The committee fully expects that future reports submitted in compliance with section 657 of the act will include, but not be limited to, full information as to the particular defense article exported, the particular recipient or purchaser, the terms of the export, including its selling price, if any, and such other information as may be appropriate to enable the Congress to evaluate the distribution of U.S. defense articles abroad.

Subsection (k)—Deposit in guaranty reserve

This subsection amends section 37(b) of the Foreign Military Sales Act to permit part of the funds generated by the sale of promissory notes to be used to satisfy the requirements of section 24(c) that 25 percent of the face value of all credit transactions be set aside as a guaranty of repayment. Therefore, instead of taking the 25 percent reserve from current appropriations, the reserve guaranty for the promissory notes being sold would be taken from the proceeds of the sale of those notes.

This change is related to the amendments made by subsection (d)(1) and its purpose and effect are explained in the analysis of that subsection.

SECTION 28—FISHERMEN’S PROTECTIVE ACT OF 1967

This section repeals section 5 of the Fishermen’s Protective Act of 1967 which requires the Secretary of State to make and collect claims against a foreign country as a result of such country’s seizure of any U.S. fishing vessel in international waters. Section 5 of that act further requires that in the event that such country should refuse to pay in full any such claim, the Secretary of State shall transfer an amount equal to the unpaid portion of such claim from funds appropriated for assistance to such country to the Fishermen’s Protective Fund.

The committee’s action in repealing this provision of the Fishermen’s Protective Act is based on the reasons and evidence set forth in section 17(c) of the report relating to the repeal of section 620(o) of the Foreign Assistance Act.

SECTION 29—REVISION OF SOCIAL PROGRESS TRUST FUND AGREEMENT

The aim of this section is to insure the continuing use of funds authorized for the purposes of the Latin American Development Act of 1960 for social development in the Western Hemisphere.

Following congressional passage and funding of the Latin American Development Act, the United States in 1961 entered into an agreement with the Inter-American Development Bank (IDB) to administer for the United States a Social Progress Trust Fund (SPTF). In subsequent years the IDB loaned virtually all of the funds provided by Congress for the purposes of the Latin American Development Act. Subsequently, the IDB decided to discontinue substantial use of SPTF and, with U.S. approval, has diverted loan repayments to the IDB’s Fund for Special Operations. While this use has permitted maintenance of value of the local currencies repaid under SPTF loan agreements, the volume of local currencies flowing into the IDB is expected to substantially exceed the Bank’s needs in the years ahead. It is estimated that in the years 1973-82 the availability of local currency funds from the SPTF alone will total $440 million.
ESTIMATE OF ANNUAL FUND AVAILABILITY FOR PERIOD 1973-82

<table>
<thead>
<tr>
<th>Year</th>
<th>SPTF principal repayments</th>
<th>Participation principal repayment</th>
<th>Estimated Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>23.3</td>
<td>2.9</td>
<td>13.2</td>
<td>39.4</td>
</tr>
<tr>
<td>1974</td>
<td>24.0</td>
<td>3.4</td>
<td>13.2</td>
<td>40.6</td>
</tr>
<tr>
<td>1975</td>
<td>24.8</td>
<td>3.7</td>
<td>13.2</td>
<td>41.7</td>
</tr>
<tr>
<td>1976</td>
<td>25.3</td>
<td>3.9</td>
<td>13.2</td>
<td>42.4</td>
</tr>
<tr>
<td>1977</td>
<td>25.8</td>
<td>5.1</td>
<td>13.2</td>
<td>44.1</td>
</tr>
<tr>
<td>1978</td>
<td>25.3</td>
<td>6.6</td>
<td>13.2</td>
<td>45.1</td>
</tr>
<tr>
<td>1979</td>
<td>25.3</td>
<td>7.3</td>
<td>13.2</td>
<td>46.6</td>
</tr>
<tr>
<td>1980</td>
<td>26.8</td>
<td>7.8</td>
<td>13.2</td>
<td>47.8</td>
</tr>
<tr>
<td>1981</td>
<td>27.1</td>
<td>6.0</td>
<td>13.2</td>
<td>46.3</td>
</tr>
<tr>
<td>1982</td>
<td>25.8</td>
<td>7.6</td>
<td>13.2</td>
<td>44.6</td>
</tr>
<tr>
<td>Total</td>
<td>252.3</td>
<td>56.3</td>
<td>132.0</td>
<td>440.6</td>
</tr>
</tbody>
</table>

Assets of Social Progress Trust Fund, as of December 31, 1971

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans outstanding</td>
<td>$398.3</td>
</tr>
<tr>
<td>Dollar funds not disbursed by U.S. Government</td>
<td>18.1</td>
</tr>
<tr>
<td>Social Progress Trust Fund holdings of U.S. Government obligations and dollars in cash</td>
<td>1.4</td>
</tr>
<tr>
<td>Social Progress Trust Fund holdings of dollar participations in the Fund for Special Operations</td>
<td>35.0</td>
</tr>
<tr>
<td>Social Progress Trust Fund holdings of Latin American currencies</td>
<td>19.8</td>
</tr>
<tr>
<td>Social Progress Trust Fund holdings of Latin American currency participations in FSO</td>
<td>71.2</td>
</tr>
<tr>
<td>Other assets and accrued charges on loans</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>547.2</td>
</tr>
</tbody>
</table>

The committee finds that these funds should be utilized more directly for the social development purposes for which they were originally intended, that they are substantially excess to the needs of the IDB, and that use of the funds directly by the United States, particularly through the Inter-American Foundation, can more effectively accomplish the goal of promoting social development in Latin America and the Caribbean.

Section 29 seeks to insure that uncommitted funds remaining in the SPTF as well as all reflows into the SPTF be used, to the extent feasible, to foster hemisphere social development by directing the President to seek an amendment of the original U.S. agreement with the IDB to provide that SPTF funds be made available periodically to:

1. The Inter-American Foundation, established by Congress in 1969 specifically to promote social development in Latin America and the Caribbean and, or
2. The Department of State for the social development purposes of the Latin American Development Act and, or
3. To the United States Treasury for general uses of the Government, with the consent of the Department of State.

The section also specifically permits continuing use of some SPTF funds by the IDB subject only to the provision that to the extent possible the monies be used to benefit the least developed countries belonging to the IDB.

In seeking revision of the Social Progress Trust Fund Agreement, the committee recognizes the need for an orderly and gradual change in the uses of SPTF funds. This section specifies that the transfer and
use of funds should be in proportions agreed to by the United States and the IDB. In addition, the committee recognizes the advisability of continuing to have the IDB act as recipient for all SPTF loan repayments.

The committee, through this section, does not seek to exempt any agency from the normal budget process. It is expected that the Office of Management and Budget will coordinate the use of funds to be transferred by the IDB. The committee intends, however, that funds continue to be used primarily for social development. In 1969, the committee supported establishment of the Inter-American Social Development Institute, now known as the Inter-American Foundation, for just such a purpose. It is the committee's view that, to the extent feasible, the purpose of this section can best be accomplished by transfer of a substantial and gradually increasing proportion of SPTF funds to the Inter-American Foundation to be used for the purposes for which it was established.

While stressing the use of SPTF monies for social development purposes, the committee recognizes that there may be instances in which some of these funds might be appropriately used for the general uses of the Government and thus has provided for the transfer of funds to the Treasury. It is the committee's view, however, that funds should be used for such purposes only when they are excess to the needs of the Inter-American Foundation, the IDB, or the Department of State.
CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

THE FOREIGN ASSISTANCE ACT OF 1961

AN ACT To promote the foreign policy security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as ["The Foreign Assistance Act of 1961"] the "Mutual Development and Cooperation Act".

PART 1

CHAPTER 1—POLICY; DEVELOPMENT ASSISTANCE AUTHORIZATIONS

SEC. 101. SHORT TITLE.—* * * [Repealed—1963]
SEC. 102. STATEMENT OF POLICY.—(a) * * *

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

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

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

(71)
(3) United States cooperation in development should be carried out to the maximum extent possible through the private sector, particularly those institutions which already have ties in the developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies.

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

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

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

(7) Under the policy guidance of the Secretary of State, the Mutual Development and Cooperation agency should have the responsibility for coordinating all United States development-related activities.

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

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

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

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

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

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

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

Chapter 2—Development Assistance

Title I—Development Loan Fund

Sec. 203. Fiscal Provisions.—Dollar receipts from loans made pursuant to this part and from loans made under the Mutual Security Act of 1954, as amended, predecessor foreign assistance legislation are authorized to be made available for the fiscal year 1970, for the fiscal year 1971, for the fiscal year 1972, and for the fiscal year 1973 for the purposes of this title, for loans under title VI, and for the purposes of section 232, for the fiscal years 1974 and 1975 for use for the purposes of chapter 1 of this part and part VI of this Act. Such receipts and other funds made available under this section shall remain available until expended.
SEC. 211. GENERAL AUTHORITY.—(a) If the President finds that assistance proposed to be furnished under this title would have a substantially adverse effect upon the United States economy, or a substantial segment thereof, the assistance shall not be furnished. The authority of this title shall not be used to furnish assistance directly to more than forty countries in any fiscal year, except that up to $600,000 may be used for self-help projects in additional countries during such fiscal year.

SEC. 214. AMERICAN SCHOOLS AND HOSPITALS ABROAD.—

(c) There is hereby authorized to be appropriated to the President for the purposes of this section, for the fiscal year 1972, $30,000,000 and for the fiscal year 1973, $30,000,000, which amounts are authorized to remain available until expended. Amounts appropriated under this subsection for the fiscal year 1970 shall be available for expenditures solely in accordance with the allocations set forth on pages 25 and 26 of House Report No. 91-611 and on page 23 of Senate Report No. 91-603.

(d) There is authorized to be appropriated to the President for the purposes of section 214(b), in addition to funds otherwise available for such purposes, for the fiscal year 1970, $3,000,000 in foreign currencies, which the Secretary of the Treasury determines to be excess to the normal requirements of the United States. Foreign currencies appropriated under this subsection shall be available for expenditure solely in accordance with the allocation set forth on page 23 of Senate Report No. 91-603.

To carry out the purposes of this section, there are authorized to be appropriated to the President for the fiscal year 1974, $20,000,000, and for the fiscal year 1975, $20,000,000, which amounts are authorized to remain available until expended.

There are authorized to be appropriated to the President to carry out the purposes of this section, in addition to funds otherwise available for such purposes, for the fiscal year 1974, $7,000,000, and for the fiscal year 1975, $7,000,000, in foreign currencies which the Secretary of the Treasury determines to be excess to the normal requirements of the United States.

Amounts appropriated under this section shall not be used to furnish assistance under this section in any fiscal year to more than four institutions in the same country, and not more than one such institution shall be a university and not more than one such institution shall be a hospital.

TITLE III—HOUSING GUARANTIES

SEC. 221. WORLDWIDE HOUSING GUARANTIES.—The total face amount of guaranties issued hereunder, outstanding at any one time,
shall not exceed $305,000,000. Such guaranties shall be issued under the conditions set forth in section 222(b) and section 223.

Sec. 223. General Provisions.—


Title IV—Overseas Private Investment Corporation

Sec. 233. Organization and Management.—(a) 

(b) Board of Directors.— The Administrator of the [Agency for International Development] Mutual Development and Cooperation Agency shall be the Chairman of the Board, ex officio. Six Directors (other than the President of the Corporation, appointed pursuant to subsection (c) who shall also serve as a Director) shall be appointed by the President of the United States, by and with the advice and consent of the Senate, and shall not be officials or employees of the Government of the United States.

Sec. 235. Issuing Authority, Direct Investment Fund and Reserves.—(a) 

Sec. 239. General Provisions and Powers.—(a) 

Sec. 240. Agricultural Credit and Self-Help Community Development Projects.—(a) 

Sec. 252. Authorization.—(a) 

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1969, $350,000 for grants to carry out pro-
grams and activities of the Partners of the Alliance in accordance with the purposes of this title.

(b) There are hereby authorized to be appropriated to the President for the fiscal year 1974, $968,000, and for the fiscal year 1975, $968,000, for grants to the National Association of the Partners of the Alliance, Inc. in accordance with the purposes of this title.

TITLE X—PROGRAMS RELATING TO POPULATION GROWTH

Sec. 292. Authorization.—Of the funds provided to carry out the provisions of part I of this Act for each of the fiscal years [1972 and 1973] 1974 and 1975, $125,000,000 shall be available in each such fiscal year only to carry out the purposes of this title, and notwithstanding any other provisions of this Act, funds used for such purposes may be used on a loan or grant basis.

CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Sec. 301. General Authority.—(a) * * *

(c) (1) In the case of the United Nations and its affiliated organizations, including the International Atomic Energy Agency, the President shall, acting through the United States representative to such organizations, propose and actively seek the establishment by the governing authorities of such organizations of a single professionally qualified group of appropriate size for the purpose of providing an independent and continuous program of selective examination, review, and evaluation of the program and activities of such organizations. Such proposal shall provide that such group shall be established in accordance with such terms of reference as such governing authority may prescribe and that the reports of such group on each examination, review, and evaluation shall be submitted directly to such governing authority for transmittal to the representative of each individual member nation. Such proposal shall further include a statement of auditing and reporting standards, as prepared by the Comptroller General of the United States, for the consideration of the governing authority of the international organization concerned, to assist in formulating terms of reference for such review and evaluation group.

(2) In the case of the International Bank for Reconstruction and Development and the Asian Development Bank, the President shall, acting through the United States representative to such organizations, propose and actively seek the establishment by the governing authorities of such organizations professionally qualified groups of appropriate size for the purpose of providing independent and continuous program of selective examination, review, and evaluation of the program and activities of such organizations. Such proposal shall
provide that such groups shall be established in accordance with such
terms of reference as such governing authorities may prescribe and
that the reports of such groups on each examination, review, and
evaluation shall be submitted directly to such governing authority
for transmittal to the representative of each individual member
nation. Such proposal shall further include a statement of auditing
and reporting standards, as prepared by the Comptroller General of
the United States, for the consideration of the governing authority
of the international organization concerned to assist in formulating
terms of reference for such review and evaluation groups.

(3) Reports received by the United States representatives to these
international organizations under this subsection and related infor-
mation on actions taken as a result of recommendations made therein
shall be submitted promptly to the President for transmittal to the
Congress and to the Comptroller General. The Comptroller General
shall periodically review such reports and related information and
shall report simultaneously to the Congress and to the President any
suggestions the Comptroller General may deem appropriate con-
cerning auditing and reporting standards followed by such groups, the
recommendations made and actions taken as a result of such
recommendations.

SEC. 302. AUTHORIZATION.—(a) There is authorized to be appro-
priated to the President for grants to carry out the purposes of this
chapter, in addition to funds available under any other Act for such
purposes, for the fiscal year 1972, $138,000,000, and for the fiscal
year 1973, $138,000,000 and for the fiscal year 1974, $127,800,000 and
for the fiscal year 1975, such sums as may be necessary.

(b) (1) *

(2) There is authorized to be appropriated to the President for
grants for Indus Basin Development, in addition to any other funds
available for such purposes, for use in the fiscal year 1972, $15,-
000,000, and for use in the fiscal year 1973, $15,000,000, 1974, $15,-
000,000, and for use in the fiscal year 1975, $15,000,000, which amounts
shall remain available until expended. The President shall not exercise
any special authority granted to him under section 610(a) or 614(a) of
this Act to transfer any amount appropriated under this paragraph to,
and to consolidate such amount with, any funds made available under
any other provision of this Act.

*(d) There is authorized to be appropriated to the President, for
the fiscal year 1969, $1,000,000 for contributions to the United
Nations Children’s Fund during the calendar year 1969. Funds made
available under this subsection shall be in addition to funds available
under this or any other Act for such contributions and shall not be
taken into account in computing the aggregate amount of United
States contributions to such fund for the calendar year 1969.

(e) Of the funds provided to carry out the provisions of this chap-
ter for each of the fiscal years 1974 and 1975, $18,000,000 shall be avail-
able in each such fiscal year only for contributions to the United
Nations Children’s Fund.

(e) There is authorized to be appropriated for the fiscal
year 1972 and $1,000,000 for the fiscal year 1973, $2,000,000 for the
fiscal year 1974, and $2,000,000 for the fiscal year 1975, to provide added

CHAPTER 5—CONTINGENCY FUND

SEC. 431. CONTINGENCY FUND.—(a) There is hereby authorized to be appropriated to the President for the fiscal year [1972] 1974 not to exceed $30,000,000, and for the fiscal year [1973] 1975 not to exceed $80,000,000, for use by the President for assistance authorized by part I in accordance with the provisions applicable to the furnishing of such assistance, when he determines such use to be important to the national interest [.] Provided. That, in addition to any other sums available for such purpose; $15,000,000 of the amount authorized for the fiscal year 1971 may be used only for the purpose of rehabilitation, and reconstruction assistance for the benefit of cyclone, tidal wave, and flood victims in East Pakistan]. In addition to the amounts authorized to be appropriated by this subsection, there are authorized to be appropriated such additional amounts as may be required from time to time to provide relief, rehabilitation, and related assistance in the case of extraordinary disaster situations. Amounts appropriated under this subsection are authorized to remain available until expended.

CHAPTER 8—INTERNATIONAL NARCOTICS CONTROL

SEC. 481. INTERNATIONAL NARCOTICS CONTROL.—(a) • • •

(b)(1) No later than forty-five days after the date on which each calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a report on the programming and obligation, per calendar quarter, of funds under this chapter prior to such date.

(2) Not later than forty-five days after the date on which the second calendar quarter of each year ends, and not later than forty-five days after the date on which the fourth calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a complete and detailed semiannual report on the activities and operations carried out under this chapter prior to such date. Such semiannual report shall include, but shall not be limited to—

(A), the status of each agreement concluded prior to such date with other countries to carry out the purposes of this chapter; and

(B), the aggregate of obligations and expenditures made and the types and quantity of equipment provided, per calendar quarter, prior to such date—

(1) to carry out the purposes of this chapter with respect to each country and each international organization receiving assistance under this chapter, including the cost of United States personnel engaged in carrying out such purposes in such country; and

(2) in respect of any international organization of which the United States is a member.
each such country and with each such international organization;

(ii) to carry out each program conducted under this chapter in each country and by each international organization, including the cost of United States personnel engaged in carrying out each such program; and

(iii) for administrative support services within the United States to carry out the purposes of this chapter, including the cost of United States personnel engaged in carrying out such purposes in the United States.

SEC. 482. AUTHORIZATION.—To carry out the purposes of section 481, there are authorized to be appropriated to the President $42,500,000 for the fiscal year 1973, which amount is authorized to remain available until expended $50,000,000 for each of the fiscal years 1974 and 1975. Amounts appropriated under this section are authorized to remain available until expended.

* * * * *

CHAPTER 10—COOPERATIVE ECONOMIC EXPANSION

SEC. 495. COOPERATIVE ECONOMIC EXPANSION.—The President is authorized to use up to $2,000,000 of the funds made available for the purposes of this part in each of the fiscal years 1974 and 1975 to assist friendly countries, especially those in which United States development programs have been concluded or those not receiving assistance under section 211, in the procurement of technical assistance from United States public or private agencies or individuals. Assistance under this chapter shall be for the purpose of (1) encouraging development of natural resources of interest to the United States, (2) encouragement of a climate favorable to mutually profitable trade and development, and (3) stimulation of markets for United States exports. Any funds used for purposes of this section may be provided on a loan or grant basis and may be used notwithstanding any other provision of this Act.

PART II

* * * * *

CHAPTER 2—MILITARY ASSISTANCE

SEC. 509. GENERAL AUTHORITY.—The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

(a) * * *

(b) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a noncombatant nature, including those related to training or advice.
SEC. 504. AUTHORIZATION.—(a) There is authorized to be appropriated to the President to carry out the purposes of this part not to exceed $500,000,000 for the fiscal year 1972-1974: Provided, That funds made available for assistance under this chapter (other than training in the United States) shall not be used to furnish assistance to more than forty countries in any fiscal year: Provided further, That none of the funds appropriated pursuant to this subsection shall be used to furnish sophisticated weapons systems, such as missile systems and jet aircraft for military purposes to any underdeveloped country, unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress. Amounts appropriated under this subsection are authorized to remain available until expended. Amounts appropriated under this subsection shall be available for cost-sharing expenses of United States participation in the military headquarters and related agencies program.

SEC. 506. SPECIAL AUTHORITY.—(a) During the fiscal year 1972-1974, the President may, if he determines it to be vital to the security of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part II, subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year 1972-1974 shall not exceed $300,000,000.

SEC. 510. RESTRICTIONS ON TRAINING FOREIGN MILITARY STUDENTS.—The number of foreign military students to be trained in the United States in any fiscal year, out of funds appropriated pursuant to this part, may not exceed a number equal to the number of foreign civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961, in the immediately preceding fiscal year.

SEC. 513. MILITARY ASSISTANCE AUTHORIZATIONS FOR THAILAND, LAOS, AND VIETNAM.—(a) After June 30, 1972, no military assistance shall be furnished by the United States to Thailand directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.

(b) After June 30, 1974, no military assistance shall be furnished by the United States to Laos or Vietnam directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.

SEC. 514. SPECIAL FOREIGN COUNTRY ACCOUNTS.—(a) Except as otherwise provided in this section, no defense article may be given, and no grant of military assistance may be made, under this Act to a foreign country unless the country agrees—
(1) to deposit in a special account established by the United States Government the following amounts of currency of that country:

(A) in the case of any excess defense article to be given to that country, an amount equal to 10 per centum of the fair value of the article, as determined by the Secretary of State, at the time the agreement to give the article to the country is made; and

(B) in the case of a grant of military assistance to be made to that country, an amount equal to 10 per centum of each such grant; and

(2) to allow the United States Government to use such amounts from that special account as may be determined, from time to time, by the President to be necessary to pay all official costs of the United States Government payable in the currency of that country, including all costs relating to the financing of international educational and cultural exchange activities in which that country participates under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

(b) The President may waive any amount of currency of a foreign country required to be deposited under subsection (a) (1) of this section if he determines that the United States Government will be able to pay all of its official costs payable in the currency of that country enumerated under subsection (a) (2) of this section without the deposit of such amount and without having to expend United States dollars to purchase currency of that country to pay such costs.

(c) The provisions of this section shall not apply in any case in which an excess defense article is given, or a grant of military assistance is made—

(1) to a foreign country under an agreement with that country which allows the United States Government to operate a military or other similar base in that country in exchange for that article or grant; and

(2) to South Vietnam, Cambodia, or Laos.

(d) In no event shall any foreign country be required, under this section, to make deposits in a special account aggregating more than $20,000,000 in any one year.

Chapter 4—Security Supporting Assistance

SEC. 532. Authorization.—There is authorized to be appropriated to the President to carry out the purposes of this chapter [for the fiscal year 1972 not to exceed $618,000,000, of which not less than $30,000,000 shall be available solely for Israel] for the fiscal year 1974 not to exceed $135,000,000, of which not less than $50,000,000 shall be available solely for Israel: Provided, That where commodities are furnished on a grant basis under this chapter under arrangements which will result in the accrual of proceeds to the Government of Vietnam from the sale thereof, arrangements should be made to assure that such proceeds will not be budgeted by the Government of Vietnam for economic assistance projects or programs unless the President or his representative has given prior written approval. Amounts appropriated under this section are authorized to remain available until expended. None
of the funds authorized by this section shall be made available to the
Government of Vietnam unless, beginning in January 1971, and
quarterly thereafter, the President of the United States shall de-
termine that the accommodation rate of exchange, and the rate of
exchange for United States Government purchases of piasters for
goods and services, between said Government and the United States is
fair to both countries.

* * * * *

CHAPTER 5—INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 541. STATEMENT OF PURPOSE.—The purpose of this chapter
is to establish an international military education and training pro-
gram which will—

(1) improve the ability of friendly foreign countries, through
effective military education and training programs relating par-
ticularly to United States military methods, procedures, and tech-
niques, to utilize their own resources and equipment and systems
of United States origin with maximum effectiveness for the main-
tenance of their defensive strength and internal security, thereby
contributing to enhanced professional military capability and to
greater self-reliance by the armed forces of such countries;

(2) encourage effective and mutually beneficial relationships
and enhance understanding between the United States and
friendly foreign countries in order to maintain and foster the
environment of international peace and security essential to social,
economic, and political progress; and

(3) promote increased understanding by friendly foreign coun-
tries of the policies and objectives of the United States in pursuit
of the goals of world peace and security.

SEC. 542. GENERAL AUTHORITY.—The President is authorized in
furtherance of the purposes of this chapter, to provide military edu-
cation and training by grant, contract, or otherwise, including—

(1) attendance by military and related civilian personnel of
friendly foreign countries at military educational and training
facilities in the United States (other than the Service Academies)
and abroad;

(2) attendance by military and related civilian personnel of
friendly foreign countries in special courses of instruction at
schools and institutions of learning or research in the United
States and abroad;

(3) observation and orientation visits by foreign, military and
related civilian personnel to military facilities and related activi-
ties in the United States and abroad; and

(4) activities that will otherwise assist and encourage the
development and improvement of the military education and
training of members of the armed forces and related civilian
personnel of friendly foreign countries so as to further the pur-
poses of this chapter, including but not limited to the assignment
of noncombatant military training instructors, and the furnishing
of training aids, technical, educational and informational publi-
cations and media of all kinds.
SEC. 643. AUTHORIZATION.—To carry out the purposes of this chapter, there are authorized to be appropriated to the President $50,000,000 for the fiscal year 1974. Amounts appropriated under this section are authorized to remain available until expended.

SEC. 644. ANNUAL REPORTS.—The President shall submit no later than December 31 each year a report to the Congress of activities carried on and obligations incurred during the immediately preceding fiscal year in furtherance of the purposes of this chapter. Each such report shall contain a full description of the program and the funds obligated with respect to each country concerning which activities have been carried on in furtherance of the purposes of this chapter.

PART III

CHAPTER 1—GENERAL PROVISIONS

SEC. 601. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION:—(a) **

(c) (1) There is hereby established an International Private Investment Advisory Council on Foreign Aid to be composed of such number of leading American business specialists as may be selected, from time to time, by the Administrator of the [Agency for International Development] Mutual Development and Cooperative Agency for the purpose of carrying out the provisions of this subsection. The members of the Council shall serve at the pleasure of the Administrator, who shall designate one member to serve as Chairman.

SEC. 620. PROHIBITIONS AGAINST FURNISHING ASSISTANCE.—(a) **

(e) (1) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

(4) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens; or

(4)(B) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens; or

(4)(C) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,
and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange, equivalent to the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and no other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection.

[Upon request of the President (within seventy days after such action referred to in subparagraphs (A), (B), or (C) of paragraph (1) of this subsection), the Foreign Claims Settlement Commission of the United States (established pursuant to Reorganization Plan No. 1 of 1954, 68 Stat. 1279) is hereby authorized to evaluate expropriated property, determining the full value of any property nationalized, expropriated, or seized, or subject to discriminatory or other actions as aforesaid, for purposes of this subsection and to render an advisory report to the President within ninety days after such request. Unless authorized by the President, the Commission shall not publish its advisory report except to the citizen or entity owning such property. There is hereby authorized to be appropriated such amount, to remain available until expended, as may be necessary from time to time to enable the Commission to carry out expeditiously its functions under this subsection.]

[(2)] Notwithstanding any other provision of law, no court in the United States shall decline on the ground of the federal act of state doctrine to make a determination on the merits giving effect to the principles of international law in a case in which a claim of title or other right to property is asserted by any party including a foreign state (or a party claiming through such state) based upon (or traced through) a confiscation or other taking after January 1, 1959, by an act of that state in violation of the principles of international law, including the principles of compensation and the other standards set out in this [subsection: Provided, That this subparagraph] subsection (as in effect before the date of the enactment of the Mutual Development and Cooperation Act of 1975): Provided, That this subsection shall not be applicable (1) in any case in which an act of a foreign state is not contrary to international law or with respect to a claim of title or other right to property acquired pursuant to an irrevocable letter of credit of not more than one hundred eighty days duration issued in good faith prior to the time of the confiscation or other taking, or (2) in any case with respect to which the President determines that application of the act of state doctrine is required in that particular case by the foreign policy interests of the United States and a suggestion to this effect is filed on his behalf in that case with the court.
(n) No loans, credits, guaranties, or grants or other assistance shall
be furnished under this or any other Act, and no sales shall be made
under the Agricultural Trade Development and Assistance Act of
1954, to any country which sells or furnishes to North Vietnam, or
which permits ships or aircraft under its registry to transport to or
from North Vietnam, any equipment, materials, or commodities, so
long as the regime in North Vietnam gives support to hostilities in
South Vietnam, unless the President finds and reports, within thirty
days of such finding, to the Committee on Foreign Relations of the
Senate and the Committee on Foreign Affairs of the House that such
assistance is in the national interest of the United States.

(o) In determining whether or not to furnish assistance under this
Act, consideration shall be given to excluding from such assistance
any country which hereafter seizes, or imposes any penalty or sanction
against, any United States fishing vessel on account of its fishing activi-
ties in international waters. The provisions of this subsection shall
not be applicable in any case governed by international agreement to
which the United States is a party.

* * * *

CHAPTER 2—ADMINISTRATIVE PROVISIONS

SEC. 622. COORDINATION WITH FOREIGN POLICY.—(a) * * *
(b) The President shall prescribe appropriate procedures to assure
coordination among representatives of the United States Government
in each country, under the leadership of the Chief of the United States
Diplomatic Mission. The Chief of the diplomatic mission shall make
sure that recommendations of such representatives pertaining to mili-
tary assistance (including civic action), and military education and train-
ing programs are coordinated with political and economic considera-
tions, and his comments shall accompany such recommendations if he
so desires.

(c) Under the direction of the President, the Secretary of State shall
be responsible for the continuous supervision and general direction of
economic [assistance and] assistance, military assistance and military
education and training programs, including but not limited to determin-
ing whether there shall be a military assistance (including civic action)
or a military education and training program for a country and the value
thereof, to the end that such programs are effectively integrated both
at home and abroad and the foreign policy of the United States is best
served thereby.

SEC. 623. THE SECRETARY OF DEFENSE.—(a) In the case of assis-
tance under part II of this Act, the Secretary of Defense shall have
primary responsibility for—
(1) the determination of military end-item requirements;
(2) the procurement of military equipment in a manner which
permits its integration with service programs;
(3) the supervision of end-item use by the recipient countries;
(4) the supervision of the training of foreign military and
related civilian personnel;
(5) the movement and delivery of military end-items; and
(6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance, education and training.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense.

SEC. 624. STATUTORY OFFICERS.—(a) ** *

(d)(1) ** *

(5) For the purpose of aiding in carrying out his duties under this Act, the Inspector General, Foreign Assistance, shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material of the agencies of the United States Government administering part I or II of this Act and the Latin American Development Act, as amended, the Peace Corps or the Agricultural Trade Development and Assistance Act of 1954, as amended, the United States Export Development Credit Fund under part VI of this Act, and part IV of the Foreign Assistance Act of 1969. ** *

* * * * *

SEC. 625. EMPLOYMENT OF PERSONNEL.—(a) ** *

* * * * *

(b) (1) In accordance with such regulations as the President may prescribe, the following categories of personnel who serve in the Agency for International Development shall become participants in the Foreign Service Retirement and Disability System:

(A) Persons serving under unlimited appointments in employment subject to section 625(d)(2) of this Act as Foreign Service Reserve officers and as Foreign Service staff officers and employees; and

(B) A person serving in a position to which he was appointed by the President, whether with or without the advice and consent of the Senate, provided that (1) such person shall have served previously under an unlimited appointment pursuant to said section 625(d)(2) or a comparable provision of predecessor legislation to this Act, and (2) following service specified in proviso (1) such person shall have served continuously with the Agency for International Development or its predecessor agencies only in positions established under the authority of sections 624(a) and 631(b) or comparable provisions of predecessor legislation to this Act.

(2) Upon becoming a participant in the Foreign Service Retirement and Disability System, any such officer or employee shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of section 852 of the Foreign Service Act of 1946, as amended. Thereafter, compulsory contributions will be made with respect to each such participating officer or employee in accordance with the provisions of section 811 of the Foreign Service Act of 1946, as amended.

(3) The provisions of section 626 and title VIII of the Foreign Service Act of 1946, as amended, shall apply to participation in the Foreign Service Retirement and Disability System by any such officer or employee.

(4) If an officer who became a participant in the Foreign Service Retirement and Disability System under paragraph (2) of this subsection is appointed by the President, by and with the advice and
consent of the Senate, or by the President alone, to a position in any
Government agency, any United States delegation or mission to any
international organization, in any international commission, or in
any international body, such officer shall not, by virtue of the accept-
ance of such an appointment, lose his status as a participant in the
system.

(5) Any such officer or employee who becomes a participant in the
Foreign Service Retirement and Disability System under paragraph
(1) of this subsection shall be mandatorily retired (a) at the end of
the month in which he reaches age seventy or (b) earlier if, during the
third year after the effective date of this subsection, he attains age
sixty-four or if he is over age sixty-four; during the fourth year at
age sixty-three; during the fifth year at age sixty-two; during the sixth
year at age sixty-one; and thereafter at the end of the month in which
he reaches age sixty. Provided, That no participant shall be mandato-
arily retired under this paragraph while serving in a position to which
appointed by the President, by and with the advice and consent of the
Senate. Any participant who completes a period of authorized service
after reaching the mandatory retirement age specified in this para-
graph shall be retired at the end of the month in which such service
is completed.

(6) Whenever the President deems it to be in the public interest,
he may extend any participant’s service for a period not to exceed five
years after the mandatory retirement date of such officer or employee.

(7) This subsection shall become effective on the first day of the
first month which begins more than one year after the date of its en-
vatement; except that any officer or employee who, before such effective
date, meets the requirements for participation in the Foreign Service
Retirement and Disability System under paragraph (1) of this subsec-
tion may elect to become a participant before the effective date of this
subsection. Such officer or employee shall become a participant on the
first day of the second month following the date of his application for
earlier participation. Any officer or employee who becomes a partic-
ipant in the system under the provisions of paragraph (1) of this sub-
section, who is age fifty-seven or over on the effective date of this sub-
section, may retire voluntarily at any time before mandatory retire-
ment under paragraph (5) of this subsection and receive retirement
benefits under section 821 of the Foreign Service Act of 1946, as
amended.

(8) Any officer or employee who is separated for cause while a par-
ticipant in the Foreign Service Retirement and Disability System pur-
suant to this subsection, shall be entitled to benefits in accordance with
subsections 637 (b) and (d) of the Foreign Service Act of 1946, as
amended. The provisions of section 625 (e) of this Act shall apply to
participants in lieu of the provisions of sections 633 and 634 of the
Foreign Service Act of 1946, as amended.

Sec. 632. Allocation and Reimbursement Among Agencies—
(a) The President may allocate or transfer to any agency of the
United States Government any part of any funds available for carry-
ing out the purposes of this Act, including any advance to the United
States Government by any country or international organization for
the procurement of commodities; defense articles; military education and
training, or services (including defense services). Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

(b) Any officer of the United States Government carrying out functions under this Act may utilize the services (including defense services) and facilities of, or procure commodities and defense articles, military education and training from, any agency of the United States Government as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury.

(e) Provided. That such expenditures for commodities, defense articles, military education and training, services (including defense services), or facilities procured outside the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

Sec. 634. Reports and Information.

(f) The Secretary of the Treasury shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate semiannual reports showing as of June 30 and December 31 of each year, the repayment status of each loan theretofore made under authority of this Act any part of the principal or interest of which remains unpaid on the date of the report.

(f) The President shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, a comprehensive report showing, as of June 30 and December 31 of each year, the status of each loan, and each contract of guarantee or insurance, theretofore made under this Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of defense articles or defense services on credit terms, and each contract of guarantee in connection with any such sale, theretofore made under the Foreign Military Sales Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of agricultural commodities on credit terms theretofore made under the Agricultural Trade-Development and Assistance Act of 1954, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of defense articles or defense services on credit terms, and each contract of guarantee in connection with any such sale, theretofore made under the Foreign Military Sales Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each transaction in which a loan, contract of guarantee or insurance, or extension of credit (or participation therein) was theretofore made under the Export-Import Bank Act of 1945, with respect to which there remains outstanding any unpaid obligation or potential liability; provided, however, That this report shall report individually only those loans, contracts, sales, extensions of credit, or other transactions listed above in excess of $1,000,000.

(g) The President shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, not later than January 31 of each year, a comprehensive report, based upon the latest data available, showing—

(1) a summary of the worldwide dimensions of debt-servicing
problems among such countries, together with a detailed statement of the debt-servicing problems of each such country;

(2) a summary of all forms of debt relief granted by the United States with respect to such countries, together with a detailed statement of the specific debt relief granted with respect to each such country and the purpose for which it was granted;

(3) a summary of the worldwide effect of the debt relief granted by the United States on the availability of funds, authority, or other resources of the United States to make any such loan, sale, contract of guarantee or insurance, or extension of credit, together with a detailed statement of the effect of such debt relief with respect to each such country; and

(4) a summary of the net aid flow from the United States to such countries, taking into consideration the debt relief granted by the United States, together with a detailed analysis of such net aid flow with respect to each such country.

Sec. 635. General Authorities.—(a) **

Sec. 636. Provisions on Uses of Funds.—(b) **

(g) Funds made available for the purposes of part II shall be available for—

(1) administrative, extraordinary (not to exceed $300,000 in any fiscal year), and operating expenses incurred in furnishing defense articles, military education and training and defense services on a grant or sales basis by the agency primarily responsible for administering part II;

(2) reimbursement of actual expenses of military officers detailed or assigned as tour directors in connection with orientation visits of foreign military and related civilian personnel, in accordance with the provisions of section 5702(c) of title 5 of the United States Code, applicable to civilian officers and employees; and

(3) maintenance, repair, alteration, and furnishing of United States-owned facilities in the District of Columbia or elsewhere for the training of foreign military personnel, without regard to the provisions of section 3733 of the Revised Statutes (41 U.S.C. 12) or other provision of law requiring a specific authorization or specific appropriation for such public contracts.

Sec. 637. Administrative Expenses.—(a) There is hereby authorized to be appropriated to the President [for the fiscal year 1972, $50,000,000 and] for the fiscal year 1973, $50,000,000, for the fiscal year 1974, $55,700,000, and for the fiscal year 1975, $55,700,000 for necessary administrative expenses of the agency primarily responsible for administering part I. The agency administering part I shall reduce the number of personnel, particularly administrative personnel, employed by it in order to conduct operations with the reduced amount of funds authorized for fiscal year 1969, except that such agency shall not take any action to limit or reduce auditing or training activities of such agency.

(b) There is hereby authorized to be appropriated such amounts as may be necessary from time to time for administrative expenses.
which are incurred for functions of the Department of State under this Act and unrepealed provisions of the Mutual Security Act of 1954, as amended, or for normal functions of the Department of State which relate to such functions.

SEC. 638. PEACE CORPS ASSISTANCE.—No provision of this Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961, as amended, or the Export-Import Bank Act of 1945, as amended; or under part VI of this Act.

SEC. 639. FAMINE AND DISASTER RELIEF.—No provision of this Act shall be construed to prohibit assistance to any country for famine or disaster relief.

SEC. 639A. FAMINE AND DISASTER RELIEF TO THE AFRICAN SAHEL.—(a) The Congress affirms the response of the United States Government in providing famine and disaster relief and related assistance in connection with the drought in the Sahelian nations of Africa.

(b) Notwithstanding any prohibitions or restrictions contained in this or any other Act, there is authorized to be appropriated to the President, in addition to funds otherwise available for such purposes, $30,000,000 to remain available until expended, for use by the President, under such terms and conditions as he may determine, for emergency and recovery needs, including drought, famine, and disaster relief, and rehabilitation and related assistance, for the drought-stricken Sahelian nations of Africa.

SEC. 639B. AFRICAN SAHEL DEVELOPMENT PROGRAM.—The Congress supports the initiative of the United States Government in undertaking consultations and planning with the countries concerned, with other nations providing assistance, with the United Nations, and with other concerned international and regional organizations, toward the development and support of a comprehensive long-term African Sahel development program.

SEC. 640B. COORDINATION.—(a) The President shall establish a system for coordination of United States policies and programs which affect United States interests in the development of low-income countries. To that end, the President shall establish a Development Coordination Committee which shall advise him with respect to coordination of United States policies and programs affecting the development of the developing countries, including programs of bilateral and multilateral development assistance. The Committee shall include the Administrator; Mutual Development and Cooperation Agency, Chairman; and representatives of the Departments of State, Treasury, Commerce, Agriculture, and Labor, the Executive Office of the President, and other executive departments and agencies, as the President shall designate.

(b) The President shall prescribe appropriate procedures to assure coordination among the various departments and agencies of the
United States Government having representatives in diplomatic missions abroad.

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

(d) The President shall report to the Congress during the first quarter of each calendar year on United States actions affecting the development of the low-income countries and on the impact of those undertakings upon the national income, employment, wages and working conditions in the United States.

Sec. 6400. SHIPPE DIFFERENTIAL.—For the purpose of facilitating implementation of section 301(b) of the Merchant Marine Act, 1936 (49 Stat. 1985; 46 U.S.C. 1241(b)), funds made available for the purposes of chapter 1 of part I and part VI may be used to make grants to recipients under this part to pay all or any portion of such differential as is determined by the Secretary of Commerce to exist between United States and foreign-flag vessel charter or freight rates. Grants made under this section shall be paid with United States-owned foreign currencies wherever feasible.

Chapter 3—Miscellaneous Provisions.

Sec. 644. Definitions.—As used in this Act—

(a)

(f) "Defense service" includes any service, test, inspection, repair, training, publication, or technical or other assistance or defense information used for the purposes of furnishing military assistance. "Training" includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation, training exercise, and military advice to foreign military units and forces. Assistance, but shall not include military educational and training activities under chapter 5 of part II.

Sec. 650. NORTH ATLANTIC TREATY MILITARY ORGANIZATION REPORT.—(a) The Secretary of Defense and the Secretary of
State shall submit to the Speaker of the House of Representatives and to the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate, on or before January 15 of each year a report of—

(1) the direct, indirect, and unallocated costs to the United States of participation in the North Atlantic Treaty Organization (hereinafter in this section referred to as the "Organization") for the last fiscal year preceding the fiscal year in which the report is submitted;

(2) the estimated direct, indirect, and unallocated costs to the United States of participation in the Organization for the fiscal year in which the report is submitted;

(3) the amounts requested from Congress (or estimated to be requested) for the direct, indirect, and unallocated costs to the United States of participation in the Organization for the first fiscal year following the fiscal year in which the report is submitted;

(4) the estimated impact of expenditures related to United States participation in the Organization on the United States balance of payments including a detailed description of the offsets to such United States expenditures.

For each such direct, indirect, and unallocated costs, the Acts of Congress authorizing such cost and appropriating funds for such cost shall be listed next to such cost in the report.

(b) For the purposes of this section—

(1) the term "direct costs" includes funds the United States contributes directly to any budget of the Organization (including the infrastructure program);

(2) the term "indirect costs" includes funds the United States spends to assign and maintain United States civilian employees for the Organization, funds spent for Government research and development attributable to the Organization; contributions to the Organization sponsored organizations, and military assistance furnished under part II of this Act; and sales of defense articles or defense services under the Foreign Military Sales Act, to member nations of the Organization; and

(3) the term "unallocated costs" includes (i) funds the United States spends to maintain United States Armed Forces committed exclusively or primarily for the Organization in Europe, the United States, or on the open seas, or to remove such Armed Forces from such commitment, and (ii) funds the United States spends on facilities constructed and maintained for such forces.

(c) All information contained in any report transmitted under this section shall be public information, except information that the Secretary of Defense or the Secretary of State designates in such report as information required to be kept secret in the interest of the national defense or foreign policy.

PART V

CHAPTER 1.—POLICY

SEC. 801. STATEMENT OF POLICY.—It is the purpose of this part to

(1) authorize immediate high-priority humanitarian relief assistance
to the people of South Vietnam, Cambodia, and Laos, particularly to refugees, orphans, widows, disabled persons, and other war victims, and (2) to assist the people of those countries to return to a normal peacetime existence in conformity with the Agreement on Ending the War and Restoring the Peace in Vietnam, the cease-fire agreement for Laos, and any cease-fire agreement that may be reached in Cambodia. In this effort, United States bilateral assistance should focus on critical problems in those sectors which affect the lives of the majority of the people in Indochina: food, nutrition, health, population planning, education, and human resource development. United States assistance should be carried out to the maximum extent possible through the private sector, particularly those voluntary organizations which already have ties in that region.

CHAPTER 2.—GENERAL AUTHORITY AND AUTHORIZATION

SEC. 821. GENERAL AUTHORITY.—The President is authorized to furnish, on such terms and conditions as he may determine, assistance for relief and reconstruction of South Vietnam, Cambodia, and Laos, including especially humanitarian assistance to refugees, civilian war casualties, and other persons disadvantaged by hostilities or conditions related to those hostilities in South Vietnam, Cambodia, and Laos. No assistance shall be furnished under this section to South Vietnam unless the President receives assurances satisfactory to him that no assistance furnished under this part, and no local currencies generated as a result of assistance furnished under this part, will be used for support to the police or prison construction and administration within South Vietnam.

SEC. 822. AUTHORIZATION.—There are authorized to be appropriated to the President to carry out the purposes of this chapter, in addition to funds otherwise available for such purposes, for the fiscal year 1974 not to exceed $328,000,000, which amount is authorized to remain available until expended.

SEC. 823. CENTER FOR PLASTIC AND RECONSTRUCTIVE SURGERY IN SIAGON.—Of the funds appropriated pursuant to section 822 for the fiscal year 1974, not less than $712,000 shall be available solely for furnishing assistance to the Center for Plastic and Reconstructive Surgery in Siagon.

SEC. 824. ASSISTANCE TO SOUTH VIETNAMESE CHILDREN.—(a) It is the sense of the Congress that inadequate provision has been made (1) for the establishment, expansion, and improvement of day care centers, nurseries, hostels, school feeding programs, health and welfare programs, and training related to these programs which are designed for the benefit of South Vietnamese children, disadvantaged by hostilities in Vietnam, or conditions related to those hostilities, and (2) for the adoption by United States citizens of South Vietnamese children who have been abandoned, or whose parents or sole surviving parent, if any, has been honorably relinquished all parental rights, particularly children fathered by United States citizens.

(b) The President is therefore authorized, on terms and conditions he considers appropriate, for the purposes