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THE WHITE HOUSE
WASHINGTON

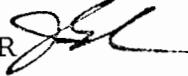
November 19, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

BRENT SCOWCROFT

FROM:

JAMES E. CONNOR 

SUBJECT:

Economic Assistance
Bill

The President reviewed your memorandum of November 14, attached, and made the following notation:

"PL 480 - Why not Senate version
with a cost of living escalator?"

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

P. L. 480

Why not Senate
version with a cost
living escalator?

THE PRESIDENT HAS SEEN.....

THE WHITE HOUSE

WASHINGTON

November 14, 1975

MEMORANDUM FOR: THE PRESIDENT
 FROM: BRENT SCOWCROFT *BS*
 SUBJECT: Economic Assistance Bill

Both the House and Senate have now passed H. R. 9005, the International Development and Food Assistance Act of 1975, which represents the economic and developmental assistance portion of this year's foreign assistance authorization legislation. A conference committee is expected to begin work on Tuesday, November 18. The military and security assistance portion of our foreign aid program will be considered in separate legislation. H. R. 9005 contains the FY 76 and FY 77 authorizations for our developmental aid programs (agriculture, health, education, etc.). It does not include the authorizations for U. S. contributions to international financial institutions.

In addition, while the legislation does not include the PL-480 program authorizations, it does contain certain amendments to the PL-480 program which have produced some controversy with the agriculture committees as well as some concern in the Executive Branch. In part these amendments reflect a congressional desire to "de-politicize" and increase the humanitarian impact of the PL-480 program.

Authorizations

As passed in both the House and Senate, the legislation provides a two-year authorization for the economic aid programs:

(in millions)

	<u>Request</u>	<u>House</u>	<u>Senate</u>
FY 76	\$1534.8	\$1347.2	\$1562.1
FY 77	1254.7	1516.8	1137.5

Major House and Senate Differences

PL-480 Amendments

The House version stipulates that at least 70 percent on a volume basis of PL-480 concessional sales (Title I) abroad must go to countries which have been designated "most severely affected" (MSA's) by the United Nations. The Senate, on the other hand, adopted an amendment offered by Senator Hatfield which would require that 80 percent of such sales on a fund basis go to countries which have a per capita GNP of \$250 or less as defined by the World Bank. Thus, while the Senate version increases the minimum to go to the poorest nations, it eliminates the requirement that the U.S. be guided by the UN list of MSA's.

The House passed provision regarding the 70-30 split is preferable as this offers greater flexibility to provide assistance to those nations which fall outside the restriction -- for example, Korea, which neither has a per capita GNP of \$250 or less or is considered an MSA.

Upon first analysis the Senate designation of countries with a \$250 or less per capita GNP as recipients appeared more desirable since such key PL-480 recipients as Indonesia and Zaire, which are not MSA's, would fall in this category. The fact is, however, that while the list of such countries would be updated from year to year, the \$250 figure would not be altered to adjust for inflation. If Congress so interprets the provision, the House version becomes preferable since a key nation such as Egypt would remain covered under the MSA list but according to the Senate version would soon become ineligible. Accordingly, the Executive Branch will urge conferees to accept the House-passed version in toto.

Case Amendment

The Senate-passed bill contains a provision which requires the cut-off of any assistance under the Foreign Assistance Act and the Foreign Military Sales Act to any country which discriminates against U.S. personnel on the basis of race, religion, sex or national origin. It is aimed at those Arab countries which maintain discriminatory visa policies, specifically Saudi Arabia. If enacted, this could threaten U.S. military cooperation with Saudi Arabia, seriously undermining our entire relationship with that country. The Administration will express strong opposition to enactment of this provision in an effort to have it deleted in conference.

Human Rights Amendment

The House version prohibits economic aid to the government of any country engaging in a consistent pattern of gross violations of internationally recognized human rights, unless (1) the President determines and reports to the Congress that the aid will directly benefit needy people and (2) neither House disapproves.

The Senate version prohibits economic aid to such a government unless the assistance will directly benefit needy people. In determining whether the standard is met, the Senate Foreign Relations Committee or the House International Relations Committee may require a written report from A. I. D. demonstrating either that (1) the government is not engaging in such practices, or (2) the aid will directly benefit the needy and will not be used to maintain in power the authorities responsible for such practices. If either committee or either House disagrees, it may initiate action to terminate aid under FAA section 617.

As complete deletion of such provisions is improbable, the Executive Branch will strongly urge adoption of the Senate version if references to the contents of a written report--other than perhaps the demonstration that U. S. assistance benefits needy people--are deleted.