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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 94-1178

PROVIDING FOR THE CONSIDERATION OF H.R. 13680

MAY 18, 1976.—Referred to the House Calendar and ordered to be printed

Mr. YOUNG of Georgia, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 1204]

The Committee on Rules, having had under consideration House Resolution 1204, by a nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

○



94th Congress }
2d Session }

HOUSE OF REPRESENTATIVES

{ REPORT
No. 94-1144

INTERNATIONAL SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT OF 1976

REPORT

OF THE

COMMITTEE ON INTERNATIONAL
RELATIONS

TOGETHER WITH

SUPPLEMENTAL VIEWS

ON

H.R. 13680

TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961 AND
THE FOREIGN MILITARY SALES ACT, AND FOR OTHER
PURPOSES



MAY 14, 1976.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

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WASHINGTON : 1976

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INTERNATIONAL SECURITY ASSISTANCE AND ARMS
EXPORT CONTROL ACT OF 1976

MAY 14, 1976.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

Mr. MORGAN, from the Committee on International Relations,
submitted the following

REPORT

together with

SUPPLEMENTAL VIEWS

The Committee on International Relations, to whom was referred the bill (H.R. 13680) to amend the Foreign Assistance Act of 1961 and the Foreign Military Sales Act, and for other purposes, having considered the same, report favorably thereon without amendment and recommended that the bill do pass.

BACKGROUND

On May 19, 1975, the President sent to the Congress a foreign aid message (H. Doc. 94-158) accompanied by a draft bill. The bill as submitted contained specific funding proposals for development assistance, international food aid and related programs but did not include specific amounts for grant military assistance, foreign military credit sales, security supporting assistance or the Middle East Special Requirements Fund.

In this message the President indicated his intention to return to the Congress with specific funding proposals for the security assistance programs as soon as possible.

In the meantime, the committee made the decision to consider separately the proposals which related to development assistance, food aid to poor nations, and disaster assistance. On July 30, 1975, it favorably reported H.R. 9005 which became Public Law 94-161 on December 20, 1975.

On October 30, 1975, the President transmitted a revised message to the Congress (H. Doc. 94-290) which contained specific funding proposals for international security assistance programs for fiscal year 1976 and for such sums as may be necessary for fiscal year 1977.

On November 6, 1975, Chairman Morgan and the ranking minority member, Mr. Broomfield, introduced the President's proposal by request. That bill, H.R. 10594, was referred to the Committee on International Relations.

When markup began on November 13, 1975, there were two proposals before the committee. First, there was H.R. 10594, containing the President's requests. Second, there was a copy of a draft bill which combined the provisions of the President's request together with a number of amendments which originated in the Subcommittee on Oversight as a result of studies which the staff, the General Accounting Office, and the Congressional Research Service had conducted for that subcommittee under the direction of Chairman Morgan.

The draft bill became the basic document for the 21 markup meetings which continued through February 18, 1976. Upon conclusion of the markup meetings, Chairman Morgan introduced the draft bill, as amended by the committee, as a clean bill on February 18, 1976.

The measure, designated H.R. 11963, was ordered favorably reported by the committee on February 19, 1976, by voice vote.

A report was filed in the House on February 24 (House Rept. 94-848) and a rule granted on the bill on March 2. On March 3, H.R. 11963 passed the House, amended, by a vote of 240 yeas to 169 nays. Subsequently this passage was vacated and S. 2662, a similar Senate-passed bill, was passed in lieu after being amended to contain the language of the House-passed bill.

The Senate disagreed to the House amendments and a committee of conference was convened. Conferees met on March 11, 16, and 25. On March 30 they met and agreed to file a conference report. It was filed on April 6, 1976 as House Report 94-1013. On April 28, the House, by a 215 to 185 vote, and the Senate, by a 51 to 35 vote, agreed to the conference report.

On May 7, 1976, the President vetoed S. 2662. No attempt was made to overturn the veto.

In the meantime, however, the committee had begun work on the President's request for fiscal year 1977 international security assistance authorizations. (The vetoed proposals had provided authorizations for fiscal year 1976 and the transition quarter.)

Beginning on March 23, 1976, the committee held 7 days of hearings on the fiscal year 1977 request. Witnesses included the Secretary of State and other administration officials, Members of Congress, and one private witness.

COMMITTEE ACTION

On April 13, during the committee's hearings, a formal executive branch request for fiscal year 1977 funding for international security assistance programs was received by the Speaker and transmitted to the committee.

Before formal action could be taken on the proposal, it became clear that the President was likely to veto the fiscal year 1976 authorization bill. At meetings on May 4 and May 5, the committee discussed possible courses of action and it was decided to delay markup of the fiscal year 1977 legislation until the fate of S. 2662 had been determined.

Following the May 7 veto of S. 2662, the committee met in morning and afternoon sessions on May 11 to mark up an international secu-

rity assistance authorization bill for fiscal year 1976, the transition quarter, and fiscal year 1977. Following markup, by a voice vote the legislation was approved and the chairman instructed to introduce a clean bill. Introduced as H.R. 13680, the measure was subsequently ordered reported favorably by the committee by a voice vote.

COMMITTEE RESPONSE TO PRESIDENT'S OBJECTION TO S. 2662

H.R. 13680 is a followup bill to S. 2662 which the President vetoed on May 7. S. 2662 was a historic initiative by Congress to phase out grant military assistance and to increase the exercise of its oversight powers with respect to the rapidly growing arms sales program.

H.R. 13680 does not retreat from those basic reform initiatives.

H.R. 13680 contains those provisions that the committee considers to be the most important and worthwhile reforms of S. 2662. Following careful consideration of the objections to S. 2662 raised in the President's veto message, the committee did delete some provisions and soften others in response to what were considered to be the most valid objections of the President.

Specifically, on the major issues raised in President Ford's veto message:

—H.R. 13680 retains the \$9 billion ceiling in S. 2662 on the annual volume of arms sales.

—H.R. 13680 deletes the provisions relating to a temporary lifting of the trade embargo on Vietnam.

—H.R. 13680 reaffirms the U.S. policy of opposing discrimination against U.S. citizens for reasons of race, religion, national origin, or sex by countries receiving U.S. arms aid. However, the requirement to terminate aid and sales to such countries has been deleted.

—H.R. 13680 retains the provisions terminating the grant military assistance programs and all military assistance advisory groups by the end of fiscal year 1977.

Of the seven provisions providing for a congressional veto of Executive actions by concurrent resolution, H.R. 13680 retains two and deletes five.

H.R. 13680 retains congressional authority, through the passage of a concurrent resolution, to disapprove the sale of major defense equipment sold through government-to-government channels, and congressional authority to terminate assistance to countries engaging in a consistent pattern of gross violation of internationally recognized human rights.

H.R. 13680 drops five concurrent resolution provisions relating to—

—Disapproval of third-country transfers of U.S.-origin arms;

—Termination of assistance to countries affording sanctuary to international terrorists;

—Veto of the issuance of licenses in connection with commercial sales of "major defense equipment" valued between \$7 and \$25 million; and

—Termination of assistance and sales to countries believed to have committed substantial violation of the conditions for the use of U.S.-origin arms (2 provisions).

PRINCIPAL PURPOSE OF THE BILL: AUTHORIZATIONS

The principal purpose of the bill is to authorize appropriations in the following amounts:

Fiscal year 1976: \$3,191,900,000. The fiscal 1976 new obligational authority will finance an overall program of \$4,555,100,000 for grant military assistance, military assistance administrative expenses, grant military training and education, foreign military sales credits and guaranties, security supporting assistance and disaster relief, Middle East Special Requirements Fund, contingency fund, and international narcotics control assistance.

Interim quarter (July 1, 1976 through September 30, 1976): such sums as may be necessary but not to exceed one-fourth of the amount authorized for fiscal year 1976.

Fiscal year 1977: \$3,054,700,000. This new obligational authority will finance an overall program of \$4,311,100,000.

The following table compares the amounts appropriated for these programs in fiscal year 1975, the amounts requested by the executive branch for fiscal years 1976 and 1977, and the amounts recommended by the committee:

SECURITY ASSISTANCE AUTHORIZATIONS RECOMMENDED BY THE COMMITTEE ON INTERNATIONAL RELATIONS

[In thousands of dollars]

Activity	Fiscal year 1975 appropriation	Fiscal year 1976 ¹			Fiscal year 1977				
		Request		Committee authorization		Request		Committee authorization	
		Budget authority	Program	Budget authority	Program	Budget authority	Program	Budget authority	Program
Military assistance:									
Grant military assistance program.....	475,000	\$ 394,500	422,800	428,700	257,000	279,000	305,700	305,700	305,700
Grant military education and training.....	300,000	30,000	30,000	27,000	27,000	30,200	30,200	30,200	30,200
Foreign military sales credits.....		1,065,000	2,374,700	1,039,000	2,374,700	840,000	2,059,600	840,000	2,059,600
Total military assistance.....	775,000	1,489,500	2,827,500	1,294,700	2,658,700	1,149,200	2,395,500	1,149,200	2,395,500
Economic assistance:									
Supplies assistance.....	650,000	1,873,300	1,882,550	1,766,200	1,775,400	1,801,500	1,905,600	1,801,500	1,805,600
Middle East Special Requirements Fund.....	100,000	50,000	50,000	50,000	50,000	35,000	35,000	35,000	35,000
Aid to Cypriot refugees.....				\$ 10,000					
Total economic assistance.....	750,000	1,923,300	1,932,550	1,826,200	1,825,400	1,836,500	1,841,600	1,836,500	1,841,600
Other assistance:									
Contingency fund.....	1,800	10,000	10,000	5,000	5,000	10,000	10,000	10,000	10,000
Disaster relief for Italy.....				25,000	25,000				
Disaster relief for Lebanon.....				40,000	40,000	34,000	34,000	34,000	34,000
Narcotics control.....	32,900	42,500	42,500	1,000	1,000				
International Atomic Energy Agency.....				1,000	1,000				
Total other assistance.....	34,700	52,500	92,500	71,000	71,000	44,000	44,000	44,000	44,000
Total all programs.....	1,559,700	3,465,300	4,812,550	3,191,900	4,555,100	3,029,700	4,281,100	3,054,700	4,306,100

¹ Bill also authorizes, for interim quarter (July 1-Sept. 30, 1976), such sums as may be necessary, but not to exceed ¼ of amounts authorized for each program and activity in the Bill for fiscal year 1976.

² Included in military assistance program funds in 1975.

³ Does not include \$323,900,000 for reimbursement to Department of Defense for use of the draw-down authority in fiscal years 1974 and 1975.

⁴ Includes \$2,000,000 for administrative expenses.

⁵ This authorization is in addition to the fiscal year 1976 \$30,000,000 authorization for aid to Cypriot refugees contained in H.R. 9005 (Public Law 94-161).

⁶ Includes \$70,000,000 for administrative expenses.

THE MIDDLE EAST

The committee continues to be concerned over the situation in the Middle East and strongly endorses continued efforts by the United States to find a peaceful solution to the Arab-Israeli dispute. In the case of Israel, the committee earmarked \$730 million for fiscal year 1976 and \$785 million for fiscal year 1977 for security supporting assistance and \$1.5 billion for military sales credits for fiscal year 1976 and \$1 billion for fiscal year 1977.

The following table shows the amounts authorized by this bill for the Middle East for both fiscal years 1976 and 1977:

FUNDING AUTHORIZATION FOR THE MIDDLE EAST, FISCAL YEARS 1976 AND 1977
(In millions of dollars)

	Disaster assistance		Special Requirements Fund		Grant military assistance		FMS credit		Supporting assistance		Total	
	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977
Israel.....							1,500.0	1,000.0	730.0	785.0	2,230.0	1,785.0
Egypt.....									705.0	750.0	705.0	750.0
Jordan.....									72.5	77.5	197.5	222.5
Syria.....					50.0	70.0	75.0	75.0	80.0	90.0	80.0	90.0
Lebanon ¹	20.0											25.0
Special Requirements Fund.....			50.0	35.0				5.0			50.0	35.0
Total.....	20.0		50.0	35.0	50.0	70.0	1,575.0	1,080.0	1,587.5	1,702.5	3,262.5	2,907.5

¹ Israel will be released from one-half its contractual liability to repay the U.S. Government.

² The bill authorizes the issuance of \$15,000,000 in housing guarantees for Lebanon. An appropriation of funds will not be necessary.

SUMMARY OF MAJOR POLICY PROVISIONS OF THE BILL

A. GRANT MILITARY ASSISTANCE

The bill makes substantial changes in U.S. policy with respect to the grant military assistance program (MAP). For the first time since the inception of such programs in the days immediately following the Second World War, the committee has taken positive action to phase out grant MAP. To accomplish this the bill—

(1) Terminates the authority to furnish grant military assistance effective September 30, 1977, unless specifically authorized by the Congress in specific amounts and for specified countries (*sec. 105*);

(2) Provides for the termination of military assistance advisory groups, military missions, or other organizations of U.S. military personnel performing similar duties under the Foreign Assistance Act effective October 1, 1977, unless specifically authorized by the Congress (*sec. 104*); and

(3) Establishes grant military education and training as a separate authority (*sec. 106*).

The bill also prohibits the furnishing of security assistance to any foreign government which engages in a consistent pattern of gross violations of internationally recognized human rights, except in exceptional circumstances justified to the Congress (*sec. 301*).

B. FOREIGN MILITARY SALES

Enactment of this bill will also restructure U.S. arms sales policies to provide for increased congressional supervision and review of all aspects of the foreign military sales program. Specifically, the bill—

(1) Places an annual ceiling of \$9 billion on the aggregate value of defense articles and defense services which may be sold by the U.S. Government or by commercial entities in the United States (*sec. 213*);

(2) Restricts the sale of major defense equipment to government-to-government transactions. To accomplish this the bill defines "major defense equipment" (*sec. 216*) and prohibits the issuance of a license to export major defense equipment to a foreign country under a sales contract in the amount of \$25 million or more except in connection with sales under the Foreign Military Sales Act (*sec. 212*);

(3) Requires an annual report estimating the level of arms to be sold to each country under the authority of the Foreign Military Sales Act with a full and complete justification of how sales to each country will strengthen the security of the United States and promote world peace (*sec. 209*);

(4) Requires reports to the Secretary of State on political contributions, gifts, commissions, and fees paid or offered or agreed

(8)

to be paid, by any person to secure arms sales whether through government-to-government or commercial channels (*sec. 604*); and

(5) Requires a comprehensive study of U.S. arms sales policies and practices, both government-to-government and commercial, and requires the President to report the findings of this study not later than 1 year after enactment of the act (*sec. 202*).

C. OTHER PROVISIONS

The bill, moreover, contains provisions on a number of other important international issues and problems. Among them are provisions which—

(1) Prohibit the furnishing of assistance to any nation or group for the purpose of promoting or augmenting the military capacity of the recipient to conduct military or paramilitary operations in Angola, unless such assistance is specifically authorized by subsequent legislation (*sec. 404*);

(2) Require the President, except in extraordinary circumstances, to terminate all assistance authorized under the Foreign Assistance Act to any government which grants sanctuary from prosecution to any individual or group that committed an act of international terrorism (*sec. 303*);

(3) Establish U.S. policy that no security assistance should be furnished to any foreign country if the laws, regulations, official policies, or governmental practices of such country discriminate against any U.S. citizen and prevent him or her from participating in the furnishing or sale of such defense articles and defense services because of the race, religion, national origin, or sex of such U.S. citizen (*sec. 302*);

(4) Set ceilings on assistance to Korea, including (a) a ceiling of \$290 million for all types of military assistance for fiscal year 1976, the transition period and fiscal year 1977, and (b) a ceiling of \$175 million on Public Law 480, Title I, food over the same period (*sec. 413*);

(5) Express the sense of the Congress that the President should enter into negotiations with the Soviet Union in an effort to limit the deployment of United States and Soviet naval, air, and land forces in the Indian Ocean region (*sec. 408*);

(6) Express the sense of the Congress that the joint resolution relating to U.S. technicians in the Sinai (Public Law 94-110) and the authorizations in this bill do not constitute congressional approval of any commitment, understanding, assurance, promise, or agreement which might have been made by any official of the U.S. Government to any government in the Middle East, other than the U.S. proposal for an early-warning system in the Sinai (*sec. 401*);

(7) Prohibit any military or security supporting assistance, or foreign military credit sales to Chile (*sec. 406*) and set a ceiling on the amount of economic assistance that can be furnished to Chile in fiscal years 1976 and 1977 (*sec. 407*);

(8) Provide relief and rehabilitation assistance to victims of war and natural disasters in Italy, Cyprus, and Lebanon (*secs. 402, 416, and 417*);

(9) Express the sense of Congress that the President immediately evaluate the food needs of Portugal and provide assistance as necessary under relevant provisions of law (*sec. 410*);

(10) Call upon the President to communicate to the Government of Mexico U.S. concern for American citizens arrested in Mexico (*sec. 409*);

(11) Provide additional funds to the International Atomic Energy Agency for strengthening its safeguards against the diversion of nuclear materials and possible nuclear proliferation (*sec. 505*); and

(12) Legislate safeguards against illegal payments to officials of countries receiving international security assistance from U.S. corporations, or attempts at extortion (*sec. 607*).

COMMITTEE COMMENT

Many of the policy provisions of H.R. 13680 resulted from the initiative of the Committee on International Relations. They reflect the committee's strong desire to provide for increased congressional participation in the formulation of U.S. military assistance and sales policies and programs.

H.R. 13680 is a reform measure. It makes substantial changes in existing laws. Its provisions are based upon extended studies and analyses of the arms transfer policies which this country has been pursuing since the end of the Second World War.

Since that date, the United States has furnished over \$67 billion in security assistance to friendly foreign countries and international organizations. The purpose of such assistance has been to enable the recipient countries to maintain their internal and external security, and to provide for collective security.

In the early stages, the military assistance programs were widely supported by the American people and by the Congress. In recent years, however, this support has been eroding. Our involvement in the Indochina war, serious economic problems at home, and frequent balance-of-payments deficits have combined to convince many Americans that the United States should curtail its involvement in the security arrangements of other countries.

Military assistance has also been criticized on the grounds that it has contributed to the seizure and maintenance of power by undemocratic regimes, and to the violation of internationally recognized human rights by certain of such regimes.

Questions have also been raised about the military effectiveness of these programs. Of particular concern has been the fact that in spite of extensive outlays in some countries—including South Vietnam—the U.S. military aid effort was not effective in achieving the desired results.

Moreover, during the past several years, it has become apparent that the recipients of grant military assistance are increasingly in a position to provide for their defense needs from their own resources through cash and credit purchases.

In view of the widespread differences of opinion over the need for and effectiveness of security assistance, the chairman of the Committee on International Relations initiated an in-depth study of the arms transfer policies of the United States.

The results of the study led to a number of conclusions which are reflected in the bill. Among the more important are:

(1) The military assistance programs of the United States are based upon policies and concepts which should be adjusted to conform to current realities. Grant aid, and its administrative structure abroad, should be phased out as a general concept and, after 1977, continued only on a case-by-case basis;

(11)



(2) The significant increase in government-to-government military sales, both cash and credit (from about \$1 billion in 1969 to over \$9.5 billion in 1975), reveals a need for increased congressional oversight of and participation in the sales policies of the United States;

(3) The sale of defense articles through commercial channels is increasing each year. If the United States is to develop a rational arms sales policy, it is essential that the totality of U.S. arms exports be considered;

(4) Military training is an effective and productive form of security assistance and should be continued under separate authority as the grant materiel program is phased out; and

(5) If grant military assistance programs are terminated, it is essential that former recipients of that assistance be afforded access to U.S. defense articles and defense services on a basis that will maintain a credible military capability while facilitating a smooth transition from grants to sales. The most equitable way to provide this access is through the foreign military sales credit program.

The provisions of this bill are intended to translate the above conclusions into effective legislation.

In taking this action to reorient the security assistance policies of the United States, the committee recognizes that there continue to be many valid security and foreign policy reasons for providing defense articles and defense services to friendly nations.

As long as the United States lives in an interdependent world and maintains global interests, it is in the national interest to insure that allies and other friendly countries have the military capability to meet internal subversion and external aggression.

Every nation, large or small, is concerned with its ability to defend itself. If weapons must be obtained from abroad, nations will take the necessary steps to get them. The United States cannot stand aside from this process. It should be willing to help, so long as its assistance is consistent with our own security and foreign policy interests.

At the same time, however, arms transfers cannot become an automatic, unregulated process. Each case must be carefully judged on its own merits. Approval should come only after the application of a set of criteria designed to insure that a grant or a sale of defense articles will be in the national interests of the United States.

It was pointed out to the committee by Secretary of State Kissinger that the executive branch does consider a number of factors before approving arms transfers. The Secretary told the committee on November 6, 1975, that—

There are many factors which must be considered in a foreign transfer of American defense services and equipment, whether by cash, credit, or grant. Each arms transfer case must be assessed on its own merits, but there are a number of basic questions which must be answered in all cases:

What is the nature and extent of the threat to the security of the recipient nation? Do we agree on the nature of the threat? Involved here is the role that country plays in its region and in the world; its capacity to maintain its stability, and its will to defend its own interests.

What is the U.S. interest in helping to preserve that security? What interests does the recipient have in common with us, and where do our interests diverge? What potential influence for restraint or positive conduct is involved?

What other nations are involved in military transfers to the recipient—now or potentially? What options has the recipient? Will a refusal lead it to turn to another source of supply, perhaps altering a presently desirable international relationship?

And what are the consequences for us if we fail to respond? What are the disadvantages of refusing to sell to a government with which we enjoy good relations? Will regional or even global military balances be affected? What will be the impact on our own readiness?

While these questions go to the point and need to be asked, they are no substitute for consultation with the Congress. Too often in the past decisions have been made with respect to security assistance without the knowledge or concurrence of the Congress. Because of the importance which arms transfers have for our own national security, such decisions should be understood by, and have the support of, the Congress and the American people. Consequently, this legislation is intended to establish procedures which will help insure congressional oversight of arms transfers, without unduly interfering with the day-to-day operations of those executive branch agencies involved.

SECTION-BY-SECTION ANALYSIS

Section 1

Section 1 cites the short title of this Act as the "International Security Assistance and Arms Export Control Act of 1976."

TITLE I—MILITARY ASSISTANCE PROGRAM

Section 101—Authorization of Appropriations

This section amends section 504 of the Foreign Assistance Act to provide as follows:

SECTION 504(a)(1)—ALLOCATION OF FUNDS

This new subsection authorizes the appropriation of \$196.7 million for fiscal year 1976 and \$209 million for fiscal year 1977 for grant military assistance programs. Not more than the following amounts of funds available for military assistance may be allocated or otherwise obligated for each of the following countries for fiscal years 1976 and 1977:

Country	Fiscal year—	
	1976 ¹	1977 ¹
Greece.....	\$31,000,000	\$33,000,000
Indonesia.....	13,000,000	19,400,000
Jordan.....	50,000,000	70,000,000
Republic of Korea.....	55,000,000	8,300,000
Philippines.....	17,000,000	19,600,000
Thailand.....	16,000,000	20,000,000
Turkey.....	31,000,000	50,000,000
Ethiopia.....	6,000,000	11,700,000

¹ Includes recoupments and reimbursements of \$28.3 million for fiscal year 1976 and \$26.7 million in fiscal year 1977.

This subsection also limits any increase in the amounts specified for the above countries in fiscal year 1976 and 1977 to not more than 10 percent if such an increase is deemed necessary by the President.

The fiscal year 1976 military assistance authorization of \$196.7 million, combined with the proposed authorization of \$32 million in section 504(a)(5) for administrative expenses relating to the furnishing of military assistance, represents a reduction in the executive branch request and in comparison with the amounts authorized and appropriated for fiscal year 1975. The total amount recommended by the committee is \$165.8 million below the executive branch request and \$246.3 million lower than the actual appropriation for fiscal year 1975.

(14)

The fiscal year 1977 authorization of \$209 million, combined with the authorization of \$70 million in section 504(a)(5) for administrative expenses related to the furnishing of military assistance is as requested by the President.

The country-by-country grant military assistance program proposed by the executive branch, based on new obligational authority, recoveries and reimbursements, was presented to the committee by the executive branch as follows:

MILITARY ASSISTANCE PROGRAM

(In thousands of dollars)

Country	Actual, fiscal year 1975	Proposed, fiscal year—	
		1976	1977
East Asia and Pacific:			
Cambodia.....	254,525		
China (Taiwan).....	2,712	900	400
Indonesia.....	15,850	19,400	19,400
Korea.....	82,600	74,000	8,300
Laos.....	19,743		
Malaysia.....	283		
Philippines.....	21,010	19,600	19,600
Thailand.....	30,126	28,300	20,000
Regional costs.....	364		
Regional total.....	427,213	142,200	67,700
Near East and South Asia:			
Afghanistan.....	212		
India.....	54		
Jordan.....	69,852	100,000	70,000
Lebanon.....	131		
Morocco.....	852		
Nepal.....	32		
Pakistan.....	277		
Saudi Arabia.....	38		
Tunisia.....	2,200	200	
Yemen.....		1,500	
Regional costs.....	52		
Regional total.....	73,700	101,700	70,000
Europe:			
Austria.....	9		
Finland.....	15		
Greece.....		50,000	33,000
Portugal.....	447	300	1,300
Spain.....	2,609	200	15,000
Turkey.....	16,253	75,000	50,000
Regional costs.....	23		
Regional total.....	19,356	125,500	98,300
Africa:			
Ethiopia.....	12,514	11,700	11,700
Ghana.....	70		
Kenya.....	32		
Liberia.....	69		
Senegal.....	35		
Zaire.....	299		
Regional costs.....	43		
Regional total.....	13,082	11,700	11,700

See footnote at end of table, p. 16.

MILITARY ASSISTANCE PROGRAM—Continued

[In thousands of dollars]

Country	Actual fiscal year 1975	Proposed, fiscal year—	
		1976	1977
American Republics:			
Argentina.....	100		
Bolivia.....	3,137	2,200	2,306
Brazil.....	901		
Chile.....	656		
Colombia.....	737		
Dominican Republic.....	1,067	200	25
Ecuador.....	400		
El Salvador.....	1,161	300	20
Guatemala.....	645	200	15
Haiti.....	28		
Honduras.....	1,210	300	15
Mexico.....	109		
Nicaragua.....	1,081	200	5
Panama.....	571	200	225
Paraguay.....	1,026	400	940
Peru.....	852		
Uruguay.....	1,486	600	50
Venezuela.....	731		
Regional costs.....	350		
Regional total.....	16,248	4,600	3,000
General costs and MAPAD.....	33,320	37,100	70,000
Worldwide total.....	582,919	422,800	320,700

¹The congressional presentation materials submitted by the Executive for fiscal year 1977 included \$15 million for Spain, but were not included in the President's budget request.

SECTION 504(a)(2)—LIMITATION ON FUNDS FOR OTHER MAP RECIPIENTS

This subsection stipulates that not to exceed \$6 million of the funds available for the MAP program for fiscal year 1976 and \$3.7 million for fiscal year 1977 may be used to furnish military assistance to international organizations and to countries not designated in that subsection.

SECTION 504(a)(3)—CEILING ON RECIPIENT COUNTRIES

This subsection limits the furnishing of grant military assistance to 20 countries in fiscal year 1976 and 12 countries in fiscal year 1977. The 8 countries designated in subsection 504(a)(1) are included in the respective ceilings. A 31-country ceiling was in effect in fiscal year 1975. The new ceilings do not apply to costs incurred under the authority of section 516(b) with respect to the use of MAP funds to wind up grant military assistance programs.

SECTION 504(a)(4)—LIMITATION ON USE OF CERTAIN WAIVER AUTHORITIES

This subsection prohibits the use of the transfer authorities contained in sections 610(a) and 614(a) of the act to increase the amounts specified in subsections 504(a)(1) and (2). The limitations contained in subsections 504(a)(1), (2), and (3), however, shall not apply to emergency assistance furnished under section 506(a) of the act relating to the drawdown of Department of Defense stocks and services.

SECTION 504(a)(5)—ADMINISTRATIVE EXPENSES

This subsection authorizes an appropriation of \$32 million for administrative expenses incurred in carrying out grant military assistance programs in fiscal year 1976. It also authorizes not to exceed \$70 million for fiscal year 1977. The significant increase of \$38 million for administrative expenses over the 1976 authorization results from the requirements of section 515 of the Foreign Assistance Act. Section 515 requires that beginning on July 1, 1976, all expenses with respect to military assistance advisory groups and missions, including personnel salaries and allowances, must be paid from the funds appropriated for military assistance. Heretofore such expenses were absorbed by the respective military services.

SECTION 504(a)(6)—PROHIBITION ON THE FURNISHING OF SOPHISTICATED WEAPONS SYSTEMS

This subsection prohibits the use of funds appropriated under the authority of section 504 to furnish sophisticated weapons systems to any less developed country not specified in subsection 504(a)(1) unless the President determines that the furnishing of such a weapons system is important to the national security of the United States and reports within 30 days each such determination to Congress.

SECTION 504(a)(7)—AVAILABILITY OF FUNDS

This subsection authorizes the amounts appropriated under section 504 to remain available until expended.

SECTION 504(a)(8)—ASSISTANCE FOR TURKEY

This subsection provides that section 620(x) of the Foreign Assistance Act, which prohibits certain military transfers to Turkey, applies to funds under this chapter. Thus, no grant military assistance may be provided to Turkey unless and until the President determines that Turkey is in compliance with the Foreign Assistance Act, the Foreign Military Sales Act, and any agreements entered into under such acts, and that substantial progress toward agreement has been made regarding military forces in Cyprus.

Section 102—Special Drawdown Authority

This section amends section 506(a) of the Foreign Assistance Act so as to continue the President's emergency authority to draw on Department of Defense stocks and services for military assistance purposes, subject to reimbursement from subsequent appropriations. As amended this authority would be applicable only in an unforeseen emergency requiring immediate action where vital U.S. security interests are at stake and the emergency requirement cannot be met under any other authority. The President's authority under this section would be reduced from \$150 million to \$67.5 million in any fiscal year. The section also requires current reporting to Congress on the use of such authority.

Section 103—Stockpiling of Defense Articles for Foreign Countries

This section amends section 514 of the Foreign Assistance Act which now prohibits the use of Department of Defense funds to create new, or to maintain and store existing stockpiles of defense articles or war reserve material if such articles and materiel are set aside or in any way intended for future use by any foreign country. Section 514 also currently prohibits the transfer of such stockpiles to a foreign country, additions to such stockpiles or creation of new stockpiles, unless the value of such transfer, addition or new stockpile, is charged against funds authorized in security assistance legislation for the year in question.

This section removes the prohibitions in section 514 relating to the use of DOD funds to store and maintain existing stockpiles and eliminates the requirement that the value of additions to existing stockpiles or new security stockpiles be charged against funds authorized in security assistance legislation. The requirement that the transfer of defense articles from such stockpiles to any foreign country be charged against funds authorized in security assistance legislation for the fiscal year in which the articles are transferred, or against limitations specified in such legislation, is retained.

This section also limits, in each fiscal year, the value of additions to such stockpiles located in foreign countries, other than for NATO purposes, to an amount specified in security assistance authorizing legislation for that fiscal year.

For fiscal year 1976, the value of such additions to stockpiles in foreign countries is limited to \$75 million, for the transition quarter to \$18.75 million, and for fiscal year 1977 to \$125 million. "Value" is defined as the acquisition cost plus crating, packing, handling, and transportation costs.

The section also contains several other limitations on the stockpiles: (1) No stockpile may be located outside a U.S. military base except those in NATO countries or those already in being. (2) No defense article from a stockpile which is made available to a foreign country may be considered an excess defense article in determining its value. (3) The President is required to report promptly to the Congress about each new stockpile, or any addition to an existing stockpile of defense articles valued in excess of \$10 million in any fiscal year.

Section 104—Termination of Military Assistance Advisory Groups and Missions

This section amends section 515 of the Foreign Assistance Act to require the termination by October 1, 1977, of all military assistance advisory groups, missions, and other U.S. military organizations abroad performing similar military advisory functions under the act unless specifically authorized by the Congress.

In addition, this section: (1) prohibits the performance of security assistance functions by defense attachés after September 30, 1977; (2) places a ceiling of 34 on military assistance advisory groups and missions effective September 30, 1976; (3) excludes regular U.S. Armed Forces units designed to bring about U.S.-allied procedural and operational standardization from the definition of MAAG's; and (4) permits the assignment of up to three U.S. military personnel to each Chief of a U.S. Mission to perform security assistance functions, regardless of the prior existence of a MAAG in that country. Further,

such military personnel may be assigned to replace MAAG's as they are phased out, in accordance with the requirements of this act. The sale of services previously performed by MAAG's is dealt with in subsequent sections of the bill.

The recommendation that military assistance advisory groups and missions be terminated is based on the committee's indepth review of the role of such organizations in security assistance programs. The committee's studies suggested that—

(1) These organizations, as presently constituted, no longer perform the functions for which they were originally intended under the act; and

(2) They can be abolished without causing an adverse impact on host countries receiving security assistance.

Section 105—Termination of Authority To Furnish Grant Military Assistance

This section adds a new section 516 to the Foreign Assistance Act which terminates the grant military assistance program on September 30, 1977. After that date, no new grant military aid may be provided unless specifically authorized by Congress on a country-by-country basis. (This section does not terminate the military education and training program as set forth in section 106 of this act.) The authorities contained in sections 506, 514, and 515(b)(2) of the act, relating to the drawdown authority, stockpiling of defense articles for future use of foreign countries, and military personnel authorized to perform security assistance functions, are exempted from the termination date. This section further provides that to the extent necessary to carry out obligations incurred prior to September 30, 1977, the authorities for the grant military assistance program shall remain available until September 30, 1980.

Section 105 also authorizes the use of funds available for grant military assistance for the phasing out of existing grant military assistance programs, including payment of the costs of packing, crating, handling, and transporting defense articles furnished under chapter 2, part II, of the act and of related administrative costs. Such funds may also be used to pay costs incurred under section 503(c) of the act with respect to defense articles on loan to countries no longer eligible for military assistance under section 504(a) of the act.

The committee recognizes that there may be a limited number of countries with respect to which, for reasons of their particular importance to the national security of the United States or U.S. treaty obligations, it may be necessary and desirable to maintain grant military assistance programs. Subsection (a) takes this into account by providing that subsequent grant military assistance may be authorized by Congress for specific countries and in specific amounts on a case-by-case basis.

Section 106—International Military Education and Training

This section adds a new chapter 5, providing specific authority for grant international military education and training, to part II of the act. The military education and training programs authorized in the new chapter are currently carried out under authorities governing grant military assistance program.



The committee's in-depth review of security assistance programs concluded that the record of the international military education and training program demonstrates that such programs are the most effective form of grant security assistance and should be retained. In addition to enabling recipient countries to utilize more efficiently defense articles and services provided by the United States, the program affords officers from the individual countries the opportunity to visit the United States and to gain an appreciation of our system of government. The program also provides such individuals an opportunity to meet U.S. military personnel and to form durable relationships with them. This aspect of the program is invaluable to U.S. security interests.

For fiscal year 1976, the United States plans training programs for 6,124 trainees from 45 countries. A total of 1,283 are to be trained during the transition period, and 5,175 in fiscal year 1977. The program as submitted to the Congress is as follows:

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

[In thousands of dollars]

Country	Proposed, fiscal year—		
	Actual, fiscal year 1975	1976	1977
East Asia and Pacific:			
Cambodia.....	3,220		
China (Taiwan).....	412	500	500
Indonesia.....	2,784	2,000	3,000
Korea.....	1,407	2,700	2,700
Laos.....	1,321		
Malaysia.....	283	300	300
Philippines.....	471	750	600
Thailand.....	1,801	1,750	1,500
Regional costs.....	364		
Regional total.....	12,063	8,000	8,600
Near East and South Asia:			
Afghanistan.....	212	200	200
India.....	54	200	200
Jordan.....	1,011	800	800
Lebanon.....	131	200	300
Morocco.....	852	800	900
Nepal.....	32	35	35
Pakistan.....	277	350	325
Saudi Arabia.....	38		
Sri Lanka.....		15	15
Tunisia.....	391	400	400
Yemen.....		500	
Regional costs.....	52		
Regional total.....	3,050	3,500	3,175
Europe:			
Austria.....	9	25	40
Finland.....	15	25	40
Greece.....		800	1,000
Portugal.....	337	1,025	1,000
Spain.....	1,599	725	2,000
Turkey.....	541	1,800	2,000
Regional costs.....	23		
Regional total.....	2,524	4,400	6,080
Africa:			
Ethiopia.....	776	900	900
Ghana.....	70	100	100
Kenya.....	32	965	200
Liberia.....	89	100	100
Senegal.....	35	35	45
Zaire.....	299	400	2,500
Regional costs.....	43		
Regional total.....	1,344	2,500	3,845

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

[In thousands of dollars]

Country	Actual, fiscal year 1975	Proposed, fiscal year—	
		1976	1977
American Republics:			
Argentina.....	100	920	900
Bolivia.....	667	720	600
Brazil.....	901	1,120	1,100
Chile.....	656		700
Colombia.....	737	750	500
Dominican Republic.....	516	670	500
Ecuador.....	400	970	900
El Salvador.....	505	840	600
Guatemala.....	414	430	500
Haiti.....	28	200	200
Honduras.....	849	840	600
Mexico.....	109	100	200
Nicaragua.....	661	840	600
Panama.....	330	380	400
Paraguay.....	313	410	400
Peru.....	852	940	900
Uruguay.....	401	520	500
Venezuela.....	731	750	700
Regional costs.....	350		
Regional total.....	9,520	11,400	10,300
General costs.....	204	200	200
Worldwide total.....	28,705	30,000	32,200

1 Training included in MAP total. Shown here for purposes of comparability.

Section 106 has four subsections. Section 106(a) establishes three new sections in chapter 5 of the Foreign Assistance Act:

SECTION 541—GENERAL AUTHORITY

The new section 541 authorizes the President to provide military education and training to military and related civilian personnel from foreign countries on such terms and conditions as he shall determine consistent with the requirements of the Foreign Assistance Act. This new section also provides that, whenever feasible, military education and training shall be on a reimbursable basis, that is, under the Foreign Military Sales Act, and describes the kind of activities authorized under this chapter. They are:

- (1) Attendance at military educational and training facilities in the United States—other than the service academies—and abroad;
- (2) Attendance in special courses of instruction at schools and institutions of learning or research in the United States and abroad; and
- (3) Observation and orientation visits to military facilities and related activities in the United States and abroad.

SECTION 542—AUTHORIZATION

The new section 542 authorizes the appropriation of \$27 million for fiscal year 1976 to carry out the military education and training program, and \$30.2 million for fiscal year 1977.

The figure for fiscal year 1976 represents a reduction of \$3 million from the executive branch request. The purpose of the reduction is to

delete proposed grant military education programs for Venezuela and Brazil.

In the case of Venezuela, the committee noted that Venezuela, a member of the Organization of Petroleum Exporting Countries, has \$8 billion in foreign exchange reserves and can, therefore, afford to pay for such programs rather than continue to receive them on a grant basis.

With respect to Brazil, the committee agreed that, like Venezuela, Brazil is now in a position to pay for such programs. The committee is also concerned that the continuation of the grant military education and training programs for Brazil would be incompatible with the increased emphasis on human rights mandated by section 301 of the bill.

It is the committee's intent that the termination of grant military education and training for Venezuela and Brazil apply only to new starts and not to individuals currently engaged in training. Moreover, it is not the committee's intent to preclude the use of training funds in connection with regional activities in which Brazil or Venezuela may take part.

The section also provides that military education and training programs conducted outside the United States must be justified to the Speaker of the House and the Senate Foreign Relations Committee. It is the intent of the committee that such justification will be included in the annual presentation to Congress.

SECTION 543—PURPOSES

New section 543 states that the purposes of the grant military education and training programs are to encourage effective and mutually beneficial relationships and increased understanding between the United States and foreign countries in furtherance of the goals of international peace and security; and to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the United States.

TECHNICAL AND CONFORMING PROVISIONS

Subsection 106(b) of the bill repeals section 510 of the act relating to restrictions on training foreign military students and makes a number of conforming amendments to the Foreign Assistance Act to reflect the addition of a separate chapter for military education and training programs. Section 510 of the act states that the number of foreign military students trained in the United States in any fiscal year may not exceed the number of foreign civilian students trained in the United States under the Mutual Educational and Cultural Exchange Act of 1961 in the preceding fiscal year. The committee's recommendation that this restriction be repealed is based on the value to the United States of the military education and training program. This subsection also makes a number of technical amendments to the administrative authorities in the act.

Subsection 106(c) provides for an orderly transition from the current authority for military education and training programs to the separate authority contained in this bill.

Subsection 106(d) permits funds appropriated for military education and training purposes to be available for obligation and expendi-

ture in accordance with provisions of law originally or currently applicable. The committee wishes to emphasize that it does not in this subsection, or in any other provision of the bill which authorizes funds to "be available" or to "remain available" for a specified purpose, intend to infringe on the appropriation process in any way.

TITLE II—ARMS EXPORT CONTROLS

Section 201—Change in Title

This section changes the title of the Foreign Military Sales Act to the "Arms Export Control Act," and provides that any reference to either act shall be deemed a reference to the other.

Section 202—Arms Sales Policy

Section 202 strikes out existing last paragraph (expressing a preference for commercial over government-to-government arms sales) and adds a new statement of policy to section 1 of the newly designated Arms Export Control Act.

The new provision states that it shall be the policy of the United States to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war and to lessen the danger of outbreak of regional conflict and the burdens of armaments, U.S. programs for or procedures governing the export, sale, and grant of arms and munitions to foreign countries and international organizations shall be administered in a manner which will carry out this policy.

It also states the sense of the Congress that the President should seek to initiate multilateral discussions for the purpose of reaching agreements among the principal arms suppliers and arms purchasers and other countries with respect to the control of the international trade in armaments. It also expresses the sense of Congress that the President should work actively with all nations to check and control the international sale and distribution of conventional weapons of death and destruction and to encourage regional arms control arrangements. In furtherance of this policy, the President is to undertake a concerted effort to convene an international conference of major arms-supplying and arms-purchasing nations which shall consider measures to limit conventional arms transfers in the interest of international peace and stability.

Section 202 also requires the President to conduct a comprehensive study of U.S. arms sales policies to determine whether such policies should be changed, and to report the results of such study to Congress along with an account of steps taken to encourage arms limitations not later than the end of the 1-year period beginning on the date of enactment of the act.

Section 203—Transfer of Defense Services

This section amends section 3(a)(2) of the Foreign Military Sales Act, effective July 1, 1976, to require that a country which purchases defense articles and defense services from the United States, on a government-to-government basis, must have agreed in advance, among other conditions, not to permit the use of any related defense service or training for purposes other than those for which the service or training was provided without United States consent. Under existing

law the restrictions on prior consent for transfers by a purchasing country to third countries, or for uses other than those originally stipulated, applies only to defense articles. This change will make the requirement for prior consent applicable to related defense services, including training, as well.

Section 204—Approval for Transfers of Defense Articles

This section amends section 3 of the Foreign Military Sales Act by adding a new subsection (e).

The new subsection prohibits the President from giving his consent to the transfer of defense articles sold under the Foreign Military Sales Act or furnished on a grant basis under the authority of section 505(a) (1) and (4) of the Foreign Assistance Act from one country to another unless the President submits to the Congress 30 days in advance, a written certification giving the name of the country or international organization proposing to make the transfer, a description of the defense article to be transferred including the original acquisition cost of such defense articles, the name of the proposed recipient, the reasons for the proposed transfer and the date on which the transfer is proposed to be made.

Such certification shall be unclassified, except that information regarding the dollar value and number of defense articles, or related training or other defense services, proposed to be transferred may be classified if public disclosure thereof would be clearly detrimental to the security of the United States.

If the President receives information that any defense article has been transferred without his consent in violation of sales or assistance agreements under section 3 of the Foreign Military Sales Act or section 505 of the Foreign Assistance Act, respectively, he shall report such information immediately to the Congress.

This section also amends the second sentence of section 3 of the Foreign Military Sales Act and the first sentence of section 505(e) of the Foreign Military Sales Act to make conforming changes.

Section 205—Sales From Stocks

This section amends section 21 of the Foreign Military Sales Act, which authorizes the sale to foreign countries of the services of the Department of Defense and U.S. military stocks. It adds seven new subsections to that provision:

SECTION 21(a)—CONDITIONS OF SALES

The new subsection 21(a) requires payment for articles or services sold from Defense stocks on the following basis:

(A) In the case of a defense article not intended to be replaced at the time the agreement is entered into with the purchasing country, not less than the actual value;

(B) In the case of a defense article intended to be replaced at the time the agreement is entered into, the estimated cost of replacement of the article, including the contract or production costs less any depreciation in the value of the article; or

(C) In the case of the sale of a defense service, the full cost to the U.S. Government of furnishing the service.

SECTION 21(b)—PAYMENT

This new subsection requires that payment must be made in advance or, if the President determines it to be in the national interest, upon delivery of the defense article or rendering of the defense service, except in exceptional circumstances as authorized by the new subsection (d) an additional period for payment is permitted.

SECTION 21(c)—PERSONNEL

This new subsection prohibits personnel performing defense services from performing combat duties.

SECTION 21(d)—INTEREST RATES

This new subsection specifies that the interest to be charged on military sales is not to be less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the billing and shall be computed from the date of billing. It also provides for a "national interest" exception to the payment requirements of subsection 21(b).

SECTION 21(e)—CHARGES

This new subsection requires that letters of offer include charges for administrative services, plant and production equipment, and for major defense equipment, a proportionate amount of nonrecurring research and development costs, with certain exceptions for standardization and coproduction arrangements with members of the North Atlantic Treaty Organization (NATO).

SECTION 21(f)—PUBLIC INSPECTION

This new subsection requires contracts made pursuant to sections 21 and 22 of the act be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

SECTION 21(g)—NATO STANDARDIZATION AGREEMENTS

This new subsection authorizes the President to enter into NATO standardization agreements for the cooperative furnishing of training on a bilateral or multilateral basis. This does not include training of U.S. military personnel. Furthermore, all costs related to such training shall be paid from the funds authorized in this act from military education and training.

Section 206—Sales From Stocks Affecting U.S. Combat Readiness

Section 206 amends section 21 of the act concerning the sale of defense articles and allowable services that would have an adverse effect on the combat readiness of the U.S. Armed Forces.

The section requires that the sale of defense articles and services which could have a significant effect on the combat readiness of

the Armed Forces of the United States be kept to an absolute minimum. In the event such a sale is contemplated, the President shall transmit to the Speaker of the House of Representatives and the Committee on Armed Services and Foreign Relations of the Senate a written statement giving a complete explanation about any proposal to sell any defense articles or services if the sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States. Each statement shall be unclassified except to the extent that public disclosure of any item of required information would be clearly detrimental to the security of the United States. Any necessarily classified information shall be confined to a supplemental report.

Each statement shall set forth (A) the country or international organization to which the sale is proposed to be made; (B) the amount of the proposed sale; (C) a description of the defense article or services proposed to be provided; (D) a full description of the impact which the proposed sale will have on the Armed Forces of the United States; and (E) a justification for the proposed sale, including a certification that the sale is important to the security of the United States.

No delivery may be made unless the certification required to be transmitted is in effect.

Section 207—Procurement for Cash Sales

Section 207 amends section 22 of the Foreign Military Sales Act, which authorizes the U.S. Government to procure defense articles and defense services from private industry on behalf of foreign governments or international organizations.

Subsection (a) adds a provision at the end of section 22(a) of the act which requires that interest be charged on any net amount by which any purchasing country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings to finance its procurements, considered collectively. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

Subsection (b) amends section 22(b) of the act to specify that the President may, if he determines it to be in the national interest, issue letters of offer under this section which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within 120 days after the date of billing. This authority may be exercised, however, only if the President also determines that the emergency requirements of the country for acquisition of the defense articles and services exceed the ready availability to the country of funds sufficient to make payments on a dependable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the act. The purpose of this provision is to insure that the granting of 120 days for payment after billing is used only in genuine emergency cases.

Section 208—Extension of Payment Period for Credit Sales

This section amends paragraph 1 of section 23 of the Foreign Military Sales Act and extends the repayment period for military credits

from 10 years to 12 years effective on the date of enactment. The provisions of this section are not retroactive and do not apply to agreements concluded prior to the date of enactment of this section.

The increase from 10 to 12 years is to enable former recipients of grant military assistance to make the transition from grant programs to a sales program as rapidly and as easily as possible.

There have been proposals in the past that during such a transition, the executive branch be authorized to make sales at concessionary rates of interest. This is not considered advisable since the military sales program should be conducted insofar as possible at no cost to the U.S. Government. Lengthening the repayment period an additional 2 years will ease the repayment burden, lessening the need to resort to concessionary rates of interest.

Section 209—Annual Estimate and Justification for Sales Program

Under this section, which creates a new section 25 in the act, the President is required to transmit to the Congress, as a part of the presentation materials for foreign assistance programs proposed for each fiscal year, an unclassified report which sets forth—

(1) An estimate of the amount of sales proposed to be made to each country under sections 21 and 22 of the act, including a detailed explanation of the foreign policy and national security considerations involved in sales to each country;

(2) An estimate of the amount of credits and guaranties expected to be extended to each country;

(3) A list of all findings which are in effect on the date of such transmission made by the President pursuant to section 3(a)(1) of this act, together with a full and complete justification for each such finding, explaining how sales to each country with respect to which that finding has been made will strengthen the security of the United States and promote world peace; and

(4) An arms control impact statement for each country including (A) an analysis of the relationship between expected sales to each country and arms control efforts relating to that country; and (B) the impact of the expected sales on the stability of the region that includes the purchasing country.

The section also requires that requests by either the House International Relations Committee or the Senate Foreign Relations Committee for additional information on such estimates must be met within 30 days. It stipulates that the President should make every effort to keep the estimates in unclassified form.

Subsection 209(b) amends section 634(d) of the Foreign Assistance Act to reflect the new requirement for a separate justification for military sales.

Section 210—Military Sales Authorizations

Section 210(a)—Authorization for Foreign Military Credits and Guaranties

Subsection (a) of section 210 amends section 31(a) of the Foreign Military Sales Act by authorizing the appropriation of \$1,039 million for financing an overall foreign military sales credit and guaranty program of \$2,374.7 million for fiscal 1976. For fiscal year 1977, the authorization is \$840 million, to finance a program of \$2,059.6 million.



These authorizations compare with an appropriation of \$300 million which financed aggregate sales of \$850.3 million in fiscal year 1975.

The following table provides a summary of the program request and committee action:

FOREIGN MILITARY CREDIT SALES SUMMARY

[In millions of dollars]

	Request		Authorization	
	1975	1976	1977	1976
East Asia and Pacific.....	170.7	298.2	419.1	298.2
Near East and South Asia.....	349.0	1,625.0	1,125.0	1,625.0
Europe.....	161.0	240.0	277.0	240.0
Africa.....	35.3	31.5	43.5	31.5
Latin America.....	134.3	180.0	195.0	180.0
Total obligational authority.....	850.3	2,374.7	2,059.6	2,374.7
Private financing.....	-616.2	-1,455.2	-1,355.1	-1,455.2
DOB-financed.....	(134.2)	(169.5)	(204.3)	(169.5)
Guarantee of private financing.....	61.5	145.5	135.5	145.5
Unobligated.....	4.3			
Total new budget authority.....	300.0	1,065.0	840.0	1,039.0

¹ 1976 figures are proposed allocations as presented by the executive branch in congressional presentation documents based on a request for new budget authority of \$1,065,000,000. Figures in this column add to the Executive request of \$1,065,000,000. The committee authorized \$1,039,000,000 but did not make allocations by region or country. The executive branch will make new allocations based on funds as authorized.

² Includes \$300,000,000 in sales to Israel for which the contractual liability to repay \$100,000,000 was forgiven.

³ Includes \$1,500,000,000 in sales to Israel for which $\frac{1}{2}$ of the contractual liability to repay will be forgiven.

⁴ Includes \$1,000,000,000 in sales to Israel for which $\frac{1}{2}$ of the contractual liability to repay will be forgiven.

Section 505(c) of the Foreign Assistance Act calls on the President to terminate grant military assistance for any country having sufficient wealth to enable it to maintain and equip its own military forces without undue burden to its economy.

Consistent with this provision of law, the size of the grant program has been gradually reduced over the past several years in both funding levels and in the number of countries benefiting from such assistance.

At the same time, the volume of military sales has increased as former beneficiaries have acquired the capability to pay for defense articles and services needed to equip and maintain their armed forces.

This trend should continue into the foreseeable future. The armed forces of friendly foreign countries have been equipped with, and trained in the use of, U.S. military equipment. They want and need access to those defense articles and defense services which can only be obtained from the United States. If some countries were forced to seek other sources of defense articles for their armed forces, the cost would be more than they could reasonably afford.

For these reasons, it is the judgment of this committee that an increase in the aggregate ceiling for foreign military credit sales is justified.

The purpose of the ceiling on the credit and guaranty program is to place a limitation on the total amount of sales of defense articles and defense services that can be financed during the fiscal year by the U.S. Government either directly through credits or indirectly through loan repayment guaranties, as well as to insure congressional oversight over the level of those sales.

The provisions of this subsection accomplishes both of those objectives while insuring that eligible countries will have access to the quantities of defense articles they need.

Details of the proposed fiscal years 1976 and 1977 credit and guaranty programs as contained in the materials presented to the Congress are as follows:

FOREIGN MILITARY SALES CREDIT PROGRAM

[Dollars in thousands]

Country	Actual	Proposed	
	fiscal year 1975	Fiscal year 1976	Fiscal year 1977
East Asia and Pacific:			
China (Taiwan).....	80,000	80,000	35,000
Indonesia.....	5,000	23,100	23,100
Korea.....	59,000	126,000	275,000
Malaysia.....	4,700	15,000	36,000
Philippines.....	14,000	17,400	20,000
Thailand.....	8,000	36,700	30,000
Regional total.....	170,700	298,200	419,100
Near East and South Asia:			
Israel.....	300,000	1,500,000	1,000,000
Jordan.....	30,000	75,000	75,000
Lebanon.....		5,000	5,000
Morocco.....	14,000	30,000	30,000
Tunisia.....	5,000	15,000	15,000
Regional total.....	349,000	1,625,000	1,125,000
Europe:			
Greece.....	86,000	110,000	127,000
Spain.....			120,000
Turkey.....	75,000	130,000	150,000
Regional total.....	161,000	240,000	397,000
Africa:			
Ethiopia.....	25,000	10,000	10,000
Kenya.....	5,000	2,000	5,000
Liberia.....	1,800	500	500
Zaire.....	3,500	19,000	28,000
Regional total.....	35,300	31,500	43,500
American republics:			
Argentina.....	30,000	34,000	48,400
Bolivia.....	4,000	6,000	12,000
Brazil.....	60,000	60,000	60,000
Colombia.....		16,000	26,000
Dominican Republic.....	500	1,000	1,000
Ecuador.....		10,000	10,000
El Salvador.....	3,000	2,500	2,500
Guatemala.....	2,300	1,500	600
Haiti.....		500	500
Honduras.....	3,000	2,500	2,500
Mexico.....		5,000	5,000
Nicaragua.....	3,000	2,500	2,500
Panama.....		1,000	1,000
Paraguay.....	500	500	500
Peru.....	20,500	20,000	20,000
Uruguay.....	7,500	2,500	2,500
Venezuela.....		16,000	
Regional total.....	134,300	180,000	195,000
Worldwide total.....	850,300	2,374,700	2,179,600

¹ Includes \$100,000,000 payment waived.

² Includes \$750,000,000 payment waived.

³ Includes \$500,000,000 payment waived.

⁴ The congressional presentation materials submitted by the Executive for fiscal year 1977 included \$120 million for Spain, but were not included in the President's request.

Section 210(b)—Aggregate Ceiling on Military Credit Sales

This subsection amends section 31(b) of the Foreign Military Sales Act by setting new ceilings on the aggregate total of foreign military

sales credits or participation in credits extended under section 23 of the act, and of the principal amounts of loans guaranteed under section 24, for both fiscal years 1976 and 1977. For fiscal year 1976, the ceiling is \$2,374.7 million, and for fiscal 1977, \$2,059.6 million.

This represents a substantial increase over the fiscal year 1975 aggregate ceiling of \$872.5 million. The increase is due primarily to two factors:

(1) The credit sales program for Israel is being increased from \$300 million in fiscal year 1975 to \$1,500 million in fiscal year 1976 and \$1 billion for fiscal year 1977.

The committee endorses this increase in the Israel program in order to insure that Israel has the ability to finance the procurement of the defense articles and defense services necessary for its defense. It has specifically earmarked not less than \$1,500 million of the total ceiling for that country for this purpose in fiscal year 1976 and \$1 billion for fiscal year 1977.

(2) The credit and guaranty program for the rest of the world is being increased as the grant military assistance program is being reduced. In 1975, the credit and guaranty programs for countries other than Israel was \$572.5 million. For fiscal year 1976 the amount of such sales to countries other than Israel are expected to total \$874.7 million an increase of \$302.2 million over the 1975 total and \$1,059.6 million in 1977, an increase of \$487.1 million over the 1975 figure and \$184.9 million over the projected 1976 level.

Section 210(c)(1)—Assistance and Sales to Israel

Subsection 210(c)(1) adds a new subsection (c) to section 31 of the Foreign Military Sales Act to authorize favorable terms and conditions with respect to credits and guaranties for Israel. The new subsection (c) exempts fiscal year 1976 and fiscal year 1977 credits for Israel from the limitations on minimum interest rates and maximum repayment period contained in section 23 of the act, and directs the President to relieve Israel from the contractual liability to repay the U.S. Government one-half of the amount financed on a long-term basis for each such fiscal year with the forgiveness to be provided with respect to financing provided in the form of credits.

This subsection also specifies that, with respect to the long-term repayments mandated for FMS financing for Israel, repayment shall be in not less than 20 years following a grace period of 10 years on repayment of principal for each of the fiscal years 1976 and 1977.

Section 23 now requires repayment for defense articles and defense services purchased on credit from the United States within 10 years and prohibits sales from being made at concessionary rates of interest unless the President certifies to the Congress that the national interest requires a lesser rate of interest.

The new subsection also provides the authority for long-term financing for Israel as a way to finance the \$1,250 million which is not authorized to be forgiven, i.e. \$750 million in fiscal year 1976 and \$500 million in fiscal year 1977.

Prior to the 1973 Middle East War, Israel was able to provide almost all of its defense needs from its own resources. Losses suffered by Israel during that war, domestic and worldwide inflation, increases

in petroleum prices, continued need for partial mobilization and defense preparedness, and the increased dependence upon imported oil as a result of the recently concluded Sinai agreements, have combined to help create serious economic problems for Israel which emphasizes the need for outside assistance.

Forgiveness of the contractual liability to repay half the earmarked sales will help Israel maintain an effective military force capable of protecting its territorial integrity.

Forty percent of Israel's national budget goes for defense and 20 percent for debt servicing. To meet its economic problems and to insure an adequate defense establishment, Israel is making substantial sacrifices and has had an austerity budget for some time. This program calls for reduced imports and increased taxes. Any increase in taxation will be particularly difficult since the Israeli people are already among the most heavily taxed in the world.

In the judgment of the committee, peace and stability in the Middle East are in the best interest of the United States and world peace. The United States continues to express strong support for Israel's right to exist as an independent nation. An economically and militarily strong Israel is necessary to meet that requirement and to provide an environment in which progress toward a negotiated settlement of the Arab-Israeli conflict will become possible.

Israel is using its human and financial resources effectively and efficiently. It is determined and able to carry the main burden of its own defense, but is facing states with increasing quantities of sophisticated arms financed by large oil revenues flowing to the Arab world. Our continued commitment to Israel's security and survival gives reason for our assisting Israel as best we can to preserve its defense position and meet its defense requirements.

This subsection also adds a new subsection (d) to section 31 of the Foreign Military Sales Act. The new subsection establishes a ceiling of \$100 million on the aggregate acquisition cost of excess defense articles that can be ordered by the President for grants under the Foreign Assistance Act or sales under the Foreign Military Sales Act in any fiscal year beginning in fiscal year 1977. This ceiling does not apply to ships transferred in accordance with law.

Excess defense articles can and should be used in lieu of new procurement of defense articles whenever possible, as provided by section 502A of the Foreign Assistance Act.

Their use should not be unrestricted, however, and this ceiling insures an opportunity for continued congressional oversight.

Excess defense articles originally were valued for purposes of the grant military assistance program by charging only the costs of repairing, rehabilitating, and transporting the article. Under this system it was possible to furnish large quantities of excess defense articles to military assistance recipient countries to augment the grant military assistance program far in excess of what the Congress had intended.

To improve control over the use of excess items, the Congress enacted section 8 of the Foreign Military Sales Act Amendments of 1971 (Public Law 91-672) requiring that any excess defense article ordered for military assistance purposes be valued at no less than one-third of the acquisition costs and that if the total amount granted exceeded a specified ceiling, that it be charged to the military assistance account.

Section 8 has been amended from time to time, with the result that the provisions of that section have come to discourage the use of excess defense articles in the military assistance program. The requirement that excess defense articles, regardless of utility and condition, be valued at not less than one-third of the acquisition cost and, if found within the United States, deducted from the military assistance account, has resulted in frequent rejection of excess items which might have been useful to foreign countries.

Enactment of the proposed section should eliminate this problem. It will enable the President to order excess defense articles for grant or sale to a foreign country without charge to the military assistance account while assuring congressional control over this aspect of the overall military assistance and sales program by the establishment of an annual ceiling. Congress will be able to review the annual ceiling in its consideration of security assistance presentation materials each year.

Section 210(c) (2)—Repealer

Subsection 210(c) (2) repeals subsections (a), (b), (c), and (e) of section 8 of the Foreign Military Sales Act Amendments 1971 to conform to section 210 with respect to excess defense articles.

Section 211—Reports on Commercial and Governmental Military Exports; Congressional Action

This section revises and expands section 36 of the Foreign Military Sales Act with respect to—

(1) The submission to Congress of quarterly reports on government-to-government military sales activities and on the issuance of licenses for the export of major defense equipment;

(2) Congressional review of proposed government-to-government sales; and

(3) Data required on reports submitted to the Congress in connection with proposed sales of major defense equipment and of other defense articles and services.

SECTION 36 (a)—QUARTERLY REPORTS

This subsection is amended to make the quarterly reports on sales of defense articles or defense services more comprehensive, whether through government or commercial channels.

Under the new provision the President must transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate not more than 30 days after the end of each quarter an unclassified report (except that any material which was submitted in classified form with respect to each letter of offer to sell any defense articles or defense service under section (b) (1) or with respect to a letter of offer which is still outstanding may be contained in a classified addendum) containing:

(1) A listing of all Government offers to sell any major defense equipment valued at \$1 million or more if the offer has not been accepted or canceled;

(2) A listing of all Government offers to sell major defense equipment that have been accepted, together with the total value of all defense articles and defense services sold to each foreign country;

(3) The cumulative dollar amounts, by country, of credits and guaranties of credit extended during the fiscal year in which the report is submitted;

(4) Information concerning all licenses for export to each foreign country of commercially sold major defense equipment, by category, sold for \$1 million or more, together with the total value of all defense articles and defense services licensed for each foreign country;

(5) Projections of the dollar amounts, by country, of cash sales expected to be made on a government basis, and credits and guaranties to be provided, in the next quarter;

(6) A projection of Government cash sales expected to be made and credits expected to be extended to each country for the remainder of the fiscal year;

(7) An estimate of the number of officers and employees of the Government and U.S. civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of Government sales and commercial exports; and

(8) An analysis and description of the services being performed by officers and employees of the United States through Government sales, including the number of personnel so employed.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify the foreign country or international organization to which the defense articles or service is offered or was sold, the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold; a description of the defense article or service offered or sold, and the U.S. Armed Force or other agency of the United States which is making the offer to sell or the sale.

SUBSECTION 36 (b) (1)—CONGRESSIONAL REVIEW OF PROPOSED GOVERNMENT-TO-GOVERNMENT SALES

A. REVIEW PROCEDURES

Under existing law, subsection 36 (b) now requires that all proposed offers to sell defense articles or defense services of \$25 million or more to a foreign country or international organization be submitted to Congress by the President, with Congress allowed 20 calendar days within which to reject the proposed sale by passage of a concurrent resolution, unless the President, in an emergency situation, waives the waiting requirement.

Subsection 36 (b) as revised requires that before issuing any letter of offer to sell any defense article or defense service under the Foreign Military Sales Act for \$25 million or more, or any major defense equipment for \$7 million or more the President shall submit to the Congress a numbered certification with respect to each offer to sell.

Any such proposed sale can be rejected by concurrent resolution within 30 calendar days (instead of 20 as in now the case) after the required data is submitted to the Congress, unless the President in an emergency situation waives the 30-day waiting requirement.

Any resolution to disapprove a proposed sale shall be treated as highly privileged in the House of Representatives after it has been reported by the appropriate committee in order to expedite consideration of such resolution.

The certification submitted with respect to any letter of offer to sell defense articles, defense services or major defense equipment shall specify the foreign country or international organization to which the defense article or service is offered; the dollar amount of the offer to sell or the sale and the number of defense articles offered; a description of the defense article or service offered; and the U.S. Armed Force or other agency of the United States which is making the offer to sell.

B. ADDITIONAL DATA TO BE SUPPLIED ON REQUEST

The revised subsection 36(b) also requires the President to submit additional information with respect to any letter of offer to sell defense articles, defense services or major defense equipment if requested by either the Committee on International Relations or the Committee on Foreign Relations. The statement shall set forth, to the extent specified in the request:

(A) A detailed description of the defense articles or services to be offered, including a brief description of the capabilities of any defense article to be offered;

(B) An estimate of the number of officers and employees of the U.S. Government and of U.S. civilian contract personnel expected to be needed in such country to carry out the proposed sale;

(C) The name of each contractor expected to provide the defense article or defense service proposed to be sold (if known on the date of transmittal of such report);

(D) An analysis of the arms control impact pertinent to such offer to sell, prepared in consultation with the Secretary of Defense;

(E) The reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles or services which are the subject of such sale and a description of how such country or organization intends to use such defense articles or services;

(F) An analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

(G) The reasons why the proposed sale is in the national interest of the United States;

(H) An analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

(I) An analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles or services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles or services;

(J) An estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles or services proposed to be sold;

(K) An analysis of the extent to which comparable kinds and amounts of defense articles or services are available from other countries; and

(L) An analysis of the impact of the proposed sale on U.S. relations with the countries in the region to which the defense articles or services which are the subject of such sale would be delivered.

C. CLASSIFICATION OF SUBMISSIONS TO CONGRESS OF PROPOSED SALES

The revised subsection requires that the certification to the Congress by the President which accompanies proposals for sale by the Government of defense articles or defense services must be unclassified. The President may, however, classify the details of the description of the defense article proposed to be sold if public release of the detailed description, including the dollar amount and the number of defense articles to be sold, would be clearly detrimental to the security of the United States.

D. DEFINITION OF MAJOR DEFENSE EQUIPMENT

For purposes of this subsection "major defense equipment" is as defined in section 216 of this act and means: "Any item of significant combat equipment on the United States Munitions List having a non-recurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000."

Section 212—Control of Licenses With Respect to Arms Exports and Imports

This provision legislates major reforms in the sales of weapons abroad through the control of licenses with respect to arms exports and imports.

Section 212 (a) (1)—Control of Arms Exports and Imports

This subsection adds a new section 38 to the Foreign Military Sales Act and authorizes and sets forth requirements for the control of exports and imports of all defense articles and defense services. It replaces section 414 of the Mutual Security Act of 1954, which is now the basic authority for control of military related exports and imports.

SECTION 38 (a) (1)—AUTHORIZATION

This new subsection authorizes the President to control the import and the export of defense articles and defense services (including technical data related thereto); to provide policy guidance to persons of the United States involved in the import and export of such articles and services; to designate those items which shall be considered as defense articles and defense services and to promulgate regulations for the import and export of such articles and services.

SECTION 38 (a) (2)—COORDINATION WITH THE DIRECTOR OF THE ARMS CONTROL AND DISARMAMENT AGENCY

This new subsection requires that decisions on issuing export licenses shall be made in coordination with the Director of the U.S. Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multi-lateral arms control arrangements.

SECTION 38(b)(1)—CONTROL OF ARMS EXPORTS: REGISTRATION

This new subsection requires that every person, other than an officer or employee of the U.S. Government acting in an official capacity, who engages in the business of manufacturing, exporting, or importing any defense articles or defense services, including technical data relating thereto, designated by the President under subsection 38(a) shall register with the U.S. Government agency charged with administration of this section, and shall pay a fee for each application for a license to export defense articles or services.

This new subsection also prohibits the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of U.S. manufacture furnished to foreign governments by the United States under the act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. The prohibition does not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

SECTION 38(b)(2)—EXPORT LICENSES

This new subsection provides that, except as otherwise specifically provided in regulations issued under the new subsection 38(a)(1), no defense articles or defense services, may be exported or imported without a license for such export or import, issued in accordance with the act and regulations issued under the act, except that no license shall be required for exports or imports made by or for an agency of the U.S. Government for official use by a department or agency of the U.S. Government or for carrying out any foreign assistance or sales program authorized by law and subject to the control of the Secretary of State by other means.

SECTION 38(b)(3)—LIMITATIONS ON COMMERCIAL ARMS SALES

This new subsection prohibits the issuance of licenses for the export of any major defense equipment sold under a contract in the amount of \$25 million or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under the Foreign Military Sales Act. In other words, all such sales of major defense equipment must be made through government-to-government channels.

"Major defense equipment" means any item of significant combat equipment on the United States Munitions Control List having a non-recurring research and development cost of \$50 million or a total production cost of more than \$200 million.

The purpose of this provision is to assure that the sale of significant amounts of major combat equipment will be subjected to the more rigorous direct U.S. Government supervision and control outlined in the Foreign Military Sales Act rather than to the commercial licensing system.

The committee notes that government-to-government sales of defense articles or defense services sold for \$25 million or more to a

country which is a member of the North Atlantic Treaty Organization will be subject to the congressional review and possible disapproval by concurrent resolution provisions of section 36(b) of the Foreign Military Sales Act.

SECTION 38(c)—ENFORCEMENT

This new subsection makes a willful violation of requirements of this section or of the export regulations promulgated thereto punishable by a fine of up to \$100,000 and/or 2 years imprisonment.

SECTION 38(d)—CANAL ZONE

This new subsection makes clear that the provisions of section 38 apply to the Panama Canal Zone.

SECTION 38(e)—PRESIDENTIAL POWERS

This new subsection authorizes the President to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by certain sections of the Export Administration Act of 1969.

Section 212(a)(2)—Conforming Changes

This section of the bill makes certain technical and conforming corrections to section 2(b) of the Foreign Military Sales Act.

Section 212(b)—Repealer; Authorities

Subsection 212(b)(1) repeals section 414 of the Mutual Security Act of 1954 and states that any reference to such section shall be deemed to be a reference to section 38 of the Arms Export Control Act. Any reference to licenses issued under section 38 of the Arms Export Control Act also shall be deemed to include a reference to licenses issued under section 414 of the Mutual Security Act of 1954.

Subsection (b)(2) provides that all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under section 414 of the Mutual Security Act of 1954 shall continue in full force and effect until modified, revoked, or superseded by appropriate authority.

Section 213—Annual Ceiling on Arms Sales

This section adds a new section 39 to the Foreign Military Sales Act:

SECTION 39(a)—SCOPE AND TERMS OF CEILING

Subsection 39(a) provides that the aggregate value of defense articles and defense services which are sold under the Foreign Military Sales Act or which are licensed or approved for export in connection with commercial sales for the use or for the benefit of the armed forces, police, intelligence, or other internal security forces of a foreign country or international organization in connection with commercial sales contracts, shall not exceed \$9 billion in any fiscal year.

The term "defense article" as used in this section with respect to commercial sales is not intended to include items which are not on the

United States Munitions List. Neither is it intended to include sporting arms and ammunition.

The provision permits the President to waive the limitations on annual aggregate arms sales if he determines that the national security interests so require. Such determinations are to be made on a case-by-case basis.

This subsection also defines the term "value" with respect to defense articles or defense services sold under the Foreign Military Sales Act as it is defined in section 644(m) of the Foreign Assistance Act; and with respect to defense articles or defense services sold commercially, as the contract price for such defense articles or defense services.

SECTION 39(b)—REGIONAL AND COUNTRY QUOTAS

Within the \$9 billion aggregate ceiling the President may, subject to such requirements as the Congress may by law prescribe, establish such arms sales quotas for countries and regions, and for sales under the Foreign Military Sales Act and commercial sales, as he deems appropriate.

SECTION 39(c)—EXEMPTIONS

This subsection exempts from the ceiling any items not actually delivered or which are in substitution for items previously included under the ceiling.

SECTION 39(d)—PENALTIES

This subsection provides criminal penalties for any person who, with intent to avoid the application of the arms sales ceiling, exports or attempts to export any defense article or defense service without a license or approval as required.

Section 213 of the bill also provides that the provision will take effect beginning with fiscal year 1977 and each fiscal year thereafter.

Section 214—Cancellation and Suspension of License and Contracts

Section 214 adds a new subsection (e) to section 42 of the act which requires that all sales contracts and all export licenses be subject to cancellation or suspension in the national interest.

Under paragraph (1) of the new subsection 42(e) each contract for sale entered into under sections 21 and 22 of the act must provide that the contract may be canceled in whole or in part, or its execution suspended, by the United States at any time under unusual or compelling circumstances if that national interest so requires.

Paragraph (2) provides that each export license issued under section 38 of the act shall provide that the license may be revoked, suspended or amended by the Department of State without prior notice whenever the Department deems that action to be advisable.

Nothing in this section is to be construed as limiting the regulatory authority of the President under the act.

Paragraph (3) authorizes the appropriation of such sums as may be necessary to refund moneys received from purchasers under contracts of sale entered into under sections 21 and 22 of the act that are canceled or suspended under this subsection to the extent such moneys have previously been disbursed to private contractors and U.S. Government agencies for work in progress, and to pay damages and costs

that accrue from the corresponding cancellation or suspension of the existing procurement contracts or U.S. Government agency work orders involved.

Section 215—Administrative Expenses

Section 215 amends section 43 of the act by adding a new subsection (b) which states the policy concerning payment of administrative costs for the arms sales and export control program.

Under the new provision, administrative expenses incurred by any department or agency of the U.S. Government (including any mission or group) in carrying out functions under this act which are primarily for the benefit of any foreign country or licensee shall be fully reimbursed from amounts received for sales under sections 21 and 22. The purpose of the provision is to make sales and export control operations self-supporting to the maximum extent possible.

Section 216—Definitions

This section amends section 47 of the Foreign Military Sales Act to define "defense article," "defense service," "training," "major defense equipment," and "defense articles and defense services."

Three of the definitions, "defense article," "defense service" and "training," are similar to the definitions of those terms which are contained in section 644 of the Foreign Assistance Act of 1961. The purpose of adding these definitions to the Foreign Military Sales Act is to make clear as a matter of law that the same definitions apply to sales under the Foreign Military Sales Act as to grant assistance. Heretofore, the definitions in the Foreign Assistance Act have been followed as a matter of administrative practice in the implementation of the Foreign Military Sales Act.

The definition of "major defense equipment" is included in this bill in order to clarify the type of information that would be included in the new reports which are required under the provisions of this bill.

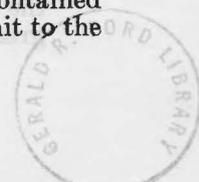
The definition of "defense articles and defense services" is included in this section to differentiate this term for purposes of commercial export control from the same words as used for purposes of government-to-government sales. For purposes of commercial export control under this act, it is the nature of the item which determines whether it is included in the term "defense articles and services," and not its intended use as is the case for purposes of government-to-government sales.

Section 217—Annual Foreign Sales Report

This section amends section 657 of the Foreign Assistance Act of 1961 which requires the President to submit to the Congress an Annual Foreign Assistance Report by—

- (1) Changing the title of the report to read "Annual Foreign Assistance and Military Exports Report";
- (2) Requiring more detailed information with respect to foreign military sales, credits, and guaranties; and
- (3) Requiring that the report specify whether exported military equipment was sold by the U.S. Government or was sold commercially.

The committee notes that in order to classify information contained in the annual report, the President is required by law to submit to the



Congress a written justification for classifying such information. It is the committee's intent that this requirement be adhered to by the President.

Section 218—Report of Sales of Excess Defense Articles

Section 218 requires that not later than February 28, 1977, the President shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate a report regarding all sales made under the new Arms Export Control Act during the period July 1, 1976, through December 31, 1976, of excess defense articles to foreign governments and international organizations (except articles sold solely for scrap).

This report will help to formulate statutory guidelines for sale of materials which are excess to the needs of the U.S. Armed Forces.

TITLE III—GENERAL LIMITATIONS

Section 301—Human Rights

This section amends section 502B of the Foreign Assistance Act to provide as follows:

SECTION 502B(a)—PROHIBITION ON SECURITY ASSISTANCE

This subsection prohibits the furnishing of security assistance to any foreign government which engages in a consistent pattern of gross violations of internationally recognized human rights. This prohibition may be waived only as provided in subsection 502B(c)(3).

SECTION 502B(b)—ANNUAL HUMAN RIGHTS STATEMENTS ON SECURITY ASSISTANCE RECIPIENTS

This subsection requires the President to include in the presentation materials for security assistance for each fiscal year, a statement on the status of internationally recognized human rights in each country proposed to receive security assistance.

SECTION 502B(c)—ADDITIONAL HUMAN RIGHTS REPORTS ON INDIVIDUAL COUNTRIES

This subsection requires the President, upon the request of the House International Relations Committee or the Senate Foreign Relations Committee, to transmit to such committee, within 30 days after each such request is made, a further report on the designated country which contains all available information about observance of and respect for human rights and fundamental freedom in such country.

Each requested report must also contain a statement that such information either—

(1) Does not clearly raise a serious question that there is a consistent pattern of gross violations of internationally recognized human rights in such country;

(2) Does raise such a question, in which case no new obligation for security assistance shall be made to such government during the then current fiscal year except under such conditions as Congress may impose under subsection 502B(d)(2); or

(3) Does raise such a question but states that (a) extraordinary circumstances exist which necessitate a continuation of security assistance; (b) it is in the national interest of the United States to provide the proposed security assistance; (c) all appropriate steps are being taken to disassociate the United States and the proposed security assistance from the actions and circumstances giving rise to the serious question; and that (d) substantial steps are being taken by the United States to promote respect for and observance of human rights in that country.

SECTION 502B(d)—STANDARDS FOR PROHIBITING SECURITY ASSISTANCE

This subsection provides that—

(1) If a report is requested by an appropriate committee pursuant to subsection 502B(c) but not transmitted by the executive branch, after 30 days from the date of such request, no security assistance shall be furnished for the remainder of the then current fiscal year to the country designated in the request; and

(2) If a report is transmitted under subsection 502B(c), Congress may, within the first 90 calendar days of continuous session after receiving the report, adopt a concurrent resolution which states in effect that the Congress has determined that the violations of internationally recognized human rights in such country, when considered in relation to the foreign policy interests of the United States, require a termination of security assistance to such country.

For the purposes of this subsection, the continuity of a session is broken only by a sine die adjournment of Congress, and the adjournment of either House of more than 3 days to a day certain is excluded in the computation of the 90-day period.

SECTION 502B(e)—STANDARDS FOR PROHIBITING SECURITY ASSISTANCE

This subsection states that, in determining whether security assistance for a government should be denied or restricted, consideration shall be given to—

(1) The relevant findings of appropriate international organizations including nongovernmental organizations such as the International Committee of the Red Cross, and

(2) The extent of cooperation by such government in permitting an unimpeded investigation by any such organization of alleged violations of internationally recognized human rights.

Section 302—Prohibition Against Discrimination

This section adds a new subsection (g) to section 505 of the Foreign Assistance Act relating to conditions of eligibility for military assistance, and a new section 5 to chapter 1 of the Foreign Military Sales Act. These new provisions provide, with respect to military assistance under the Foreign Assistance Act, sales under the Foreign Military Sales Act, and commercial sales, that:

(1) It is the policy of the United States that no grant military assistance, or foreign military sales, credits, or guaranties, should be made available to any foreign country whose laws, regulations,

official policies, or governmental practices prevent any U.S. national from participating in the furnishing of defense articles or defense services under chapter 2 of the Foreign Assistance Act or under the Foreign Military Sales Act on the basis of race, religion, national origin or sex;

(2) No agency performing functions under either chapter 2 of the Foreign Assistance Act or under the Foreign Military Sales Act shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex;

(3) Each contract entered into by any such agency shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to carry out any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex; and

(4) The President shall promptly transmit reports to the Speaker of the House and to the Chairman of the Senate Foreign Relations Committee concerning any transaction in which any U.S. person is prevented by a foreign government, on the basis of race, religion, national origin, or sex, from participating in the furnishing of assistance under chapters 2 and 5 of the Foreign Assistance Act or from participating in any sale under the Foreign Military Sales Act or any transaction with respect to which an export license is required under the new section 38 of the Foreign Military Sales Act. These reports shall include, inter alia, a description of steps taken in response to such discrimination and the results, if any, of those measures.

The committee hopes that these provisions will reinforce the Presidential directive, dated November 20, 1975, prohibiting any exclusion of anyone from employment or assignment by an agency of the U.S. Government on the basis of any foreign government policies or practices with respect to race, religion, national origin, or sex.

Section 303—Prohibition of Assistance to Countries Granting Sanctuary to International Terrorists

Section 303 adds a new section 620 to the Foreign Assistance Act of 1961. The new section prohibits assistance of any kind under the Foreign Assistance Act for a period of 1 year to any country which aids or abets, by granting sanctuary from prosecution to, an individual or group that has committed an act of international terrorism. The prohibition can be waived if the President determines that the security of the United States requires it.

Such assistance may not be resumed until 1 year has elapsed. If during that year such country gives sanctuary to any other individual or group that has committed an act of international terrorism, the period of ineligibility shall be extended for an additional year for each such individual or group.

TITLE IV—PROVISIONS RELATING TO SPECIFIC REGIONS OR COUNTRIES

Section 401—Middle East Policy Statement

This section amends section 901 of the Foreign Assistance Act by adding to the existing statement of policy a new paragraph which expresses the sense of Congress with respect to congressional approval of executive branch undertakings to governments in the Middle East.

Specifically, this section states that the United States will continue to determine its Middle East policy as circumstances may require. In order to maintain flexibility, section 401 stipulates that neither the authority contained in the joint resolution to implement the U.S. proposal for the early warning system in the Sinai—Public Law 94-110—nor the authorizations contained in this bill, constitute congressional approval, acceptance, or endorsement of any undertaking by any U.S. official to any government in the Middle East, other than the U.S. proposal for such an early warning system.

Section 402—Aid for Cypriot Refugees

This section amends section 495 of the Foreign Assistance Act, relating to aid for Cypriot refugees, by increasing the existing authorization (Public Law 94-161) for such aid from \$30 million to \$40 million.

The committee believes this modest increase is justified in view of the fact that approximately 200,000 Cypriots remain dependent on relief funds for their subsistence.

For fiscal year 1977, an additional \$10 million has been programmed for Cypriot refugees from security supporting assistance funds.

Section 403—Assistance to Turkey

This section modifies for fiscal year 1976, the interim quarter, and fiscal year 1977, existing restrictions on assistance to Turkey. These restrictions began in legislation enacted in October 1974 in response to the Turkish occupation of part of Cyprus using U.S.-supplied arms.

In the foreign assistance authorization bill for fiscal year 1975 those restrictions were made part of the Foreign Assistance Act as section 620(x) under which all forms of military assistance and sales to Turkey were suspended until the President was able to certify to the Congress that Turkey was in compliance with U.S. laws regarding the use of military assistance and that substantial progress had been made regarding an agreement on military forces on Cyprus.

In October 1975, in Public Law 94-104, Congress modified that total prohibition on assistance and sales to Turkey in the hope that this modification would encourage progress in the negotiations on Cyprus. The October legislation: (1) Released military goods and services Turkey had contracted for before the ban went into effect; (2) authorized the issuance of licenses for the export of military goods purchased through commercial channels; and (3) authorized sales, credits and guaranties under the Foreign Military Sales Act effective upon the enactment of the security assistance authorization legislation for fiscal year 1976.

Three important considerations emerge from the committee's review of these past developments regarding Turkey. First, the committee regrets that substantial progress has not occurred in negotiations on the Cyprus issues; second, Turkey remains an important member of NATO whose relations with the United States, Greece, and Cyprus have to be resolved satisfactorily if the alliance's southeastern flank is to be restored; and, third, an important principle of law was involved in the original decision to suspend aid to Turkey and, in the view of the committee, that principle must be upheld.

This section amends the proviso clause of section 620(x)(1) of the Foreign Assistance Act of 1961, as amended, in order to allow certain foreign military sales to Turkey for fiscal year 1976, the interim quarter, and fiscal year 1977. Under this bill, the President will be authorized to suspend, during fiscal year 1976 and the interim quarter, the prohibition of section 620(x) of the Foreign Assistance Act, and section 3(c) of the Foreign Military Sales Act, to the extent of permitting the procurement of \$125 million in defense articles and defense services by Turkey, provided the President determines that such articles and services are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization. The same ceiling applies to fiscal year 1977.

This ceiling applies whether such defense articles or defense services are sold for cash or are financed through credits or guaranties.

The sale, credits and guaranties authorized through September 30, 1977, are subject to the following further conditions:

- (a) Turkey must observe the cease-fire on Cyprus;
- (b) Turkey may not increase either its civilian population or its military forces on Cyprus; and
- (c) Turkey may not transfer to Cyprus any U.S.-supplied arms, ammunition or implements of war.

Any determination to suspend the provisions of section 620(x) with respect to such sales shall be made on a case-by-case basis and shall be reported to the Congress accompanied by a full and complete statement of the reasons supporting the President's determination and a statement containing a brief description of the defense articles or defense services to be sold, the dollar amount of the proposed sale, the U.S. Armed Force which is making the sale and the date on which the letter of offer is to be issued.

The President may not issue a letter of offer to sell significant combat equipment on the United States Munitions Control List or approve the use of a credit or guaranty until the end of the 30-day period beginning on the date on which the report with respect to such letter of offer, credit or guaranty is submitted to the Congress. This requirement is not intended to compel double reporting when a single transaction is the subject of a sale under the Foreign Military Sales Act which is also financed by a credit or guaranteed loan under that act.

Elsewhere in the bill the committee has authorized \$81 million in grant military assistance for Turkey subject to the restrictions of section 620(x) of the Foreign Assistance Act.

The committee hopes that this authorization of sales, credits and guaranties to Turkey, which specifies and limits the scope of last October's legislation, will encourage that country to seek a prompt and just settlement on Cyprus. The committee is aware that such a settle-

ment depends equally upon the cooperation of Greece, and of the Greek and Turkish factions on Cyprus. Without the good will of all the parties to this tragic dispute, little progress is likely to occur—to the detriment of the suffering refugees on Cyprus, of United States-Turkish and United States-Greek relations, and our military cooperation in NATO. For this reason, having taken the first step to help break the deadlock, the United States should be able to hope that those parties will move promptly toward a resolution of their differences within a framework of a just and peaceful settlement.

Section 404—Limitation on Certain Assistance to and Activities in Angola

This section sets forth U.S. policy toward the conflict in Angola and establishes a prohibition on U.S. assistance with respect to Angola.

Section 404(a)—Prohibition on U.S. Assistance With Respect to Angola

Subsection (a) of section 404 prohibits U.S. assistance of any kind which would have the effect of promoting or augmenting, directly or indirectly, the capacity of any nation, group, organization, movement, or individual to conduct military or paramilitary operations in Angola unless such assistance is authorized by law enacted subsequent to the enactment of this bill. It is not the committee's intent that this prohibition preclude any assistance program with any country where such program does not serve as a conduit for support of military or paramilitary activities in Angola.

Section 404(b)—Report to Congress

Subsection 404(b) stipulates that if the President determines that assistance prohibited in subsection (a) should be furnished, he must, in requesting such authority, submit a report to the Congress which contains:

- (1) A description of the amounts and categories of assistance to be furnished and the recipients; and
- (2) A certification that he has determined that such assistance is important to the national security interests of the United States along with a detailed, unclassified explanation of such determination.

Section 404(c)—Humanitarian Assistance

Subsection (c) exempts the furnishing of humanitarian assistance to recipients in Angola from the prohibition contained in subsection (b)(1).

Section 404(d)—Waiver Authorities Barred

Subsection (d) states that the provisions of section 404 may not be waived under any other provision of law.

Section 405—Soviet Intervention in Angola

This section expresses the concern of Congress with the large-scale and continuing Soviet intervention in Angola, including Soviet sponsorship and support for Cuban Armed Forces there. It states that such intervention is inconsistent with détente, Articles 1 and 2 of the U.N. Charter, the principle of noninterference in the affairs of other countries, and the spirit of recent bilateral United States-Soviet agree-

ments. Accordingly, it concludes that such intervention should be taken explicitly into account in U.S. foreign policy planning and negotiations.

Section 406—Prohibition Against Military Assistance and Sales Credits to Chile

Section 406(a)—Scope of Prohibition

Subsection (a) of section 406 prohibits the furnishing of any grant military assistance or security supporting assistance under the Foreign Assistance Act, and the extension of any credit or the guaranty of any loan under the Foreign Military Sales Act, with respect to the purchase of defense articles and services by Chile. This provision includes the delivery of any military or security supporting assistance currently in the pipeline, and would preclude the conclusion of any new credit agreement or the issuance of any new loan guaranty under the Foreign Military Sales Act. The prohibition does not extend to cash sales under the Foreign Military Sales Act or to commercial sales of military equipment to Chile. This section thus terminates all U.S. financial support for the Chilean military, but does not jeopardize regional stability by depriving Chile of access to defense articles and defense services needed for its defense and paid for with its own resources. Any cash sales to Chile will, of course, be subject to congressional review under section 36(b) of the Foreign Military Sales Act and under the new section 502B of the Foreign Assistance Act contained in section 301 of this bill relating to human rights.

The committee understands that military assistance in the form of military education or training under the newly created chapter 5 of part II of the Foreign Assistance Act is included in the ban and consequently cannot be provided to any Chilean citizen.

Section 406(b)—Effective Date of Prohibition

Subsection (b) of section 406 provides that no deliveries of any assistance described in subsection (a) may be made to Chile on and after the date of enactment of this bill. This would prohibit deliveries of military and security supporting assistance. Since foreign military sales credits and guaranties are not in a strict sense "delivered", this subsection would preclude entry into any new credit agreement or the issuance of any new guaranty. This provision, which will make the above prohibitions permanent law, replaces a similar provision in the Foreign Assistance Act of 1974 which applied to fiscal year 1975 only.

Section 407—Limitation on Economic Assistance for Chile

Section 407 amends section 320 of the International Development and Food Assistance Act of 1975 by adding a limitation of \$25 million on economic assistance to Chile during the period July 1, 1976 through September 30, 1977.

Section 407 also amends section 320 to make clear that the limitations apply to all forms of assistance of any kind, direct or indirect, including, without limitation, grants, loans, housing and other guaranties, insurance by the Overseas Private Investment Corporation (OPIC) or other agencies and programs under title I of Public Law 480 (food for peace), with the sole exception of humanitarian aid provided through private voluntary agencies under title II of Public Law 480.

The limitation applies to assistance furnished by all departments, agencies, or instrumentalities of the United States, including, without limitation, the Export-Import Bank, OPIC and the Commodity Credit Corporation.

The committee imposed the limitation because of the gross violations of human rights which continue in Chile. The Subcommittee on International Organizations has held an extensive series of hearings which substantiates the record of gross violations of human rights occurring in Chile.

The limitation in aid would bring aid levels more nearly in line with the assistance levels provided to other Latin American countries.

Section 408—Control of Military Forces in the Indian Ocean

Section 408(a)—Negotiations on Indian Ocean Force Deployment

Subsection (a) of section 408 expresses the sense of Congress that the President should undertake to enter into negotiations with the Soviet Union, to achieve an agreement limiting the deployment of naval, air, and land forces of the Soviet Union and the United States in the Indian Ocean and littoral countries. This subsection further states that negotiations should be convened as soon as possible and should consider, among other things, limitations with respect to—

- (1) The establishment or use of facilities for naval, air, or land forces in the Indian Ocean and littoral countries;
- (2) The number of naval vessels which may be deployed in the Indian Ocean, or the number of "shipdays" allowed therein; and
- (3) The type and number of military forces and facilities allowed therein.

Section 408(b)—Report on Negotiations Efforts

Subsection (b) of section 408 requires the President, not later than December 1, 1976, to transmit a report to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate detailing the steps he has taken to carry out the provisions of subsection (a).

Section 409—U.S. Citizens Imprisoned in Mexico

This section evolved from a series of hearings by the Subcommittee on International Political and Military Affairs, following referral to the committee of a Resolution of Inquiry on this subject, House Resolution 313. The purpose of the hearings was to investigate the validity of allegations by numerous American prisoners confined in Mexican jails of various violations of their legal and human rights, including forced confessions, torture, denial of consular access, and extortion. This section represents congressional action to alleviate the plight of the prisoners, following an investigation which substantiated a significant number of the allegations.

Subsection (a) declares the intent of the Congress that efforts to secure stringent international law enforcement measures with respect to dangerous drugs should be combined with efforts to protect the fundamental legal and human rights of all persons.

Subsection (b) (1) attempts to impress upon the Mexico Government the seriousness of U.S. concern over the treatment of our citizens by requesting the President to communicate the concern directly to the Mexican President and Government.

Subsection (b) (2) requires the President to report periodically to the Congress on progress toward full respect for the human and legal rights of all U.S. citizens detained in Mexico.

The provision makes it clear that Mexico is a nation with which the United States has a continuing friendly and cooperative relationship.

While the provisions of this section apply only to U.S. citizens arrested in Mexico, there is widespread concern in Congress that U.S. citizens who have been imprisoned in other countries are not afforded fair and humane treatment while incarcerated. The committee therefore expects the President to communicate the same concerns and desires as embodied in this provision to the governments of other countries, particularly those in which U.S. citizens are known to be under arrest.

Section 410—Emergency Food Needs of Portugal

This section expresses the sense of Congress that the President should undertake immediately an evaluation of the emergency food needs of Portugal. To meet such an emergency the President is requested to provide Portugal with food commodities under relevant provisions of law.

Section 411—Strife in Lebanon

This provision expresses the sense of the Congress statement concerning the current situation in Lebanon.

It states the sense of the Congress that the situation in Lebanon poses a serious danger to peace in the Middle East. The Congress deplores the armed civil strife there which threatens to destroy the political and economic fabric of Lebanon, a nation traditionally friendly to the United States, with such tragic impact on all its people. The Congress views with grave concern outside efforts to exploit the current strife for the purpose of transforming Lebanon into a radical state in confrontation with Israel. The Congress requests the President to use his good offices to bring about an end to the strife in Lebanon and to preserve the traditional friendly attitude of Lebanon toward the United States.

Section 412—Report on Korea

This section adds a new section 668 to the Foreign Assistance Act. The new section requires the President to transmit to the Speaker of the House and to the Senate Committees on Foreign Relations and Armed Services a report with respect to the Republic of Korea which:

(1) Reviews the progress of the Republic of Korea's Armed Forces modernization program;

(2) Reports on the U.S. role in mutual security efforts in Korea; and

(3) Reports on prospects for or implementation of a phased reduction of U.S. Armed Forces in the Republic of Korea, in coordination with that Government's timetable for military self-sufficiency.

Such report must be submitted within 90 days after enactment of this section, and at least once during each of the next 5 years.

It is the committee's intention that such reports should also address such matters as: (1) an evaluation of the military forces of both the Republic of Korea and the Democratic People's Republic of Korea at present and as projected upon completion of the modernization pro-

gram in the Republic of Korea; (2) an evaluation of the deployment of U.S. forces in relation to their mission in Korea; (3) an examination of the prospects for a nuclear weapon free zone in the context of more durable arrangements for peace and security on the Korean Peninsula; and (4) such other issues as the President may deem relevant. The President may transmit amendments to such report when in his judgment action by the Democratic People's Republic of Korea significantly alters the military balance in a manner which impairs the defense capability of the Republic of Korea.

Section 413—Limitation on Assistance for the Republic of Korea

The amendment imposes a ceiling of \$290 million on all forms of security assistance for South Korea for the period beginning July 1, 1975, and ending September 30, 1977. It also imposes a ceiling of \$175 million on Public Law 480 title I for the same period.

The ceilings provided herein carry forward the 1975 levels of military assistance as well as the level of Public Law 480, title I aid provided in 1975. Thus the effect of the amendment is to cut back the increases proposed by the administration.

The committee imposed the limitation because of the gross violations of human rights which continue in South Korea. The Subcommittee on International Organizations has held an extensive series of hearings which substantiates the record of gross violations of human rights occurring in South Korea.

During the debate on the amendment mention was made of the recent arrest of Kim Dae Jung, the political opposition leader, and other political and religious leaders. These leaders had been arrested for their public declaration appealing for a return to democracy in South Korea. In the face of continuing gross violations of human rights, it is increasingly difficult for the United States to justify large amounts of security assistance to South Korea.

Such assistance in response to the threat from North Korea was extended originally on the premise of a credible commitment to democracy by the Republic of Korea. With the Executive Branch taking the position that human rights and security assistance should be treated as unrelated issues, the committee's action aims at conformity with the original intentions of U.S. security assistance to South Korea.

Section 414—Repeal of Indochina Assistance

Section 414(a)—Repeal of Existing Authorities

Subsection (a) of section 414 repeals part V of the Foreign Assistance Act of 1961 and sections 34 through 40 of the Foreign Assistance Act of 1974 relating to assistance to Indochina. Events in Cambodia, Laos and South Vietnam over the past several months have made these provisions of law unnecessary.

Section 414(b)—Assumption of Contract Obligations

Subsection (b) authorizes, but does not require, the President to adopt and assume the liabilities of the South Vietnamese, Cambodian or Laotian Governments under any contract of such government which was financed or approved for financing by the Agency for International Development before the end of fiscal year 1975 or equitable claims based upon letters of intent issued prior to April 30, 1975. This

will permit the Agency for International Development to provide compensation to contractors who have rendered performance or incurred costs in carrying out AID projects under the act or the Foreign Assistance Act of 1974, but have not been paid because of the termination of assistance programs in Indochina.

Section 414(c)—Availability of Funds

Subsection (c) authorizes funds appropriated for economic assistance in Indochina to be made available for the purpose of subsection (b) and for meeting other costs arising from the termination of the programs for which the funds were appropriated. This subsection does not authorize the appropriation of any additional funds for these purposes.

Section 415—Lebanon Housing Reconstruction

This section amends section 223 (j) of the Foreign Assistance Act to authorize the issuance of housing guaranties in Lebanon in the amount of \$15 million, for the period ending on September 30, 1977.

The administration had requested authority to issue housing guaranties in Lebanon despite the fact that housing projects in Lebanon would not comply with general guidelines for the housing guaranty program which are set forth in section 223 (j). The administration proposal contained no limitation of time or amount.

The \$15 million level set by the committee is consistent with the administration's views on the potential need for U.S. housing guaranties in Lebanon. Similarly, the time period in the bill, which extends through fiscal year 1977, is ample to cover an emergency response and the initial phase of rehabilitation.

The provision, as limited by the committee, was adopted because the fighting in Lebanon has destroyed a substantial amount of housing, mainly in Beirut and its suburbs, and in Damour, Jiye, Akkar, and the Bekaa Valley. As of mid-February, an estimated 180,000 people had been displaced by the fighting, mainly as a result of damage to or destruction of their dwelling, and more recent fighting has increased their number.

The committee therefore provided this one-time exception to the general housing guaranty guidelines to enable the United States to respond quickly to the relief and rehabilitation needs of the Lebanese people in the housing field, once the fighting stops and a lasting political settlement is in prospect.

The provision adopted by the committee requires any housing guaranties for Lebanon to be charged against the overall ceiling for worldwide housing guaranty authority and to comply with the general requirement that no less than 90 percent of guaranties must be issued for housing suitable for families below the median income.

Section 416—Italy Relief and Rehabilitation

This provision adds a new section 495B to chapter 9 of part I of the Foreign Assistance Act to authorize to be appropriated \$25 million for fiscal year 1976 to furnish relief and rehabilitation assistance to the people of Italy who have been victimized by the recent earthquake in that country.

On May 6, an earthquake of great destructiveness hit the north-eastern portion of Italy. The Italian Government currently estimates

that this disaster has left over 800 persons dead, more than 2,300 injured, and from 40,000 to 60,000 people homeless.

In a message of May 11, the President requested that the Congress provide \$25 million in disaster relief aid for Italy to enable the United States to translate its concern into action to help alleviate the suffering of the afflicted people.

Initial U.S. aid has been speedy and has included:

Emergency shelters, medical supplies and foodstuffs provided through the Agency for International Development and the Department of Defense.

Transportation and medical facilities, including medical evacuation helicopters from the Department of Defense.

Reconstruction and heavy earthmoving equipment from three of our bases in Italy.

Disaster relief specialists to assist Italian Government authorities in planning and implementing relief programs.

While this initial assistance has been helpful, more aid is needed to help the survivors to rebuild their lives and to help the Italian nation recover from this tragedy.

Funds expended from regular disaster relief accounts prior to the enactment of the section may be charged to the appropriations authorized under the section. Amounts appropriated are authorized to remain available until expended.

Section 417—Lebanon Relief and Rehabilitation

Section 417 would add a new section 495B to chapter 9 of part I of the Foreign Assistance Act.

The major purpose of this section is to provide authorization for appropriations of \$20 million for disaster relief and rehabilitation activities necessitated by the civil strife in Lebanon.

Subsection (a) contains a finding by the Congress that U.S. assistance is necessary to alleviate human suffering arising from the civil strife in Lebanon and to restore the confidence of its people and to that end authorizes the President to furnish assistance for the relief and rehabilitation of refugees and other needy people in that country.

Subsection (b) authorizes the appropriation of \$20 million to carry out the purposes of the section. Amounts made available would be authorized to remain available until expended.

Subsection (c) provides that assistance under the section must be provided in accordance with the policies and the general authority contained in section 491. That section requires that to the greatest extent possible assistance reach those most in need. The authority also permits the furnishing of assistance without regard to other requirements of law; such as procurement and U.S. shipping requirements, which might impair the relief and rehabilitation efforts.

Subsection (d) provides that obligations previously incurred for the purposes of providing relief and rehabilitation assistance to the people of Lebanon as a result of the recent civil strife are authorized to be transferred to the appropriation account established by the section.

Subsection (e) requires that the President report to the Committee on Foreign Relations of the Senate and to the Speaker of the House of Representatives regarding the programing and obligation of funds authorized by the section. The first report would fall due 60 days after

enactment of appropriations to carry out the section and subsequent reports would be required on a quarterly basis thereafter until the program has been completed.

TITLE V—MISCELLANEOUS AUTHORIZATIONS

Section 501—Security Supporting Assistance

This section amends section 532 of the Foreign Assistance Act by authorizing the appropriation of \$1,766,200,000 for security supporting assistance for fiscal year 1976, of which not less than \$65 million is earmarked for Greece, \$730 million for Israel, and \$705 million for Egypt.

This section further authorizes an appropriation of \$1,801,500,000 for security supporting assistance for fiscal year 1977 and earmarks \$785 million for Israel. The actual fiscal year 1975 security assistance program and the executive branch requests for fiscal year 1976 and fiscal year 1977 are shown in the following table:

(In millions of dollars)

Country	Fiscal year 1975 actual	Administration request	
		1976	1977
Israel.....	324.5	755.0	785.0
Egypt.....	251.2	750.0	750.0
Jordan.....	77.5	77.5	77.5
Syria.....	(1)	90.0	90.0
Portugal.....	(2)	55.0	55.0
Greece.....		65.0	
Cyprus.....	(3)	25.0	10.0
UNFICYP.....	9.6	9.6	9.6
Zaire.....	(4)	22.8	
Malta.....	9.5	9.5	9.5
Bahrain.....		.6	.4
Spain.....	3.0		
Operating expenses.....	2.2	22.6	19.6
Total program.....	677.7	1,882.6	1,806.6
Less financing.....	-17.7	-9.3	-5.1
Budget authority.....	660.0	1,873.3	1,801.5

¹ \$83,000,000 financed from Middle East Special Requirements Fund.

² \$15,000,000 financed from special assistance accounts for Portugal and its colonies.

³ \$25,000,000 financed from famine and disaster relief funds.

⁴ Funded in International Development and Food Assistance Act in 1976.

⁵ \$1,500,000 financed from development assistance.

⁶ Prior to 1976, operating expenses for supporting assistance were funded in other accounts.

Section 502—Middle East Special Requirements Fund

This section amends section 903 of the Foreign Assistance Act by authorizing the appropriation of \$50 million for the Middle East Special Requirements Fund for fiscal year 1976 and \$35 million for fiscal year 1977.

Paragraph (2) of this section further amends section 903 of the act by authorizing the executive branch to use the fund to assist Egypt and Israel to carry out the Sinai agreement of October 10, 1975, and to pay the costs of the early warning system in the Sinai. Moreover, such funds may be obligated without regard to subsection (b) of section 903 insofar as the obligation has been justified to the Congress prior to the enactment of this bill.

Paragraph (2) also amends section 903 of the act by allocating \$12 million of the amount authorized for the fund for each of the fiscal

years 1976 and 1977 for a contribution by the United States to the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East (UNRWA), provided that other nations contribute a fair share toward the settlement. This amendment represents a continuation of a similar provision in the Foreign Assistance Act of 1974 which earmarked \$6 million of the Middle East Special Requirements Fund for the same purpose.

The original justification of the earmarking for UNRWA still pertains; the committee believes that, because of UNRWA's contribution to prospects for peace and stability in the Middle East, it is advisable to help diminish that organization's deficit, provided a fair contribution is made by other interested countries. In that light, it should be noted that the U.S. contribution to UNRWA in fiscal year 1976, including the amount earmarked here, will represent less than 30 percent of the UNRWA budget as compared to a U.S. contribution of 35.5 percent in fiscal year 1975. This reduction is due to a doubling of the contributions of the Common Market countries and increased contributions from the Arab oil states.

The current distressed situation in Lebanon virtually assures the continued need for increased international funding for UNRWA. For that reason the committee earmarked an additional \$12 million for fiscal year 1977. Because of the response of other nations to UNRWA's appeals, the U.S. contribution for fiscal year 1977 is also likely to be less than one-third of the total budget.

Section 503—Contingency Fund

This section amends chapter 5 of part I of the Foreign Assistance Act by changing the existing title from "Disaster Relief" to "Contingency Fund."

This section also amends section 451 of the Foreign Assistance Act to authorize \$5 million for fiscal year 1976 and \$10 million for fiscal year 1977 for such contingency fund which may be used by the President for any emergency purpose in accordance with applicable provisions of part I of the act.

Section 504—International Narcotics Control

Section 504(a)—Appropriations Authorization

This subsection amends section 482 of the Foreign Assistance Act by authorizing the appropriation of \$40 million for fiscal year 1976, and \$34 million for fiscal year 1977, for assistance to foreign countries in an effort to stop the illegal production of and trafficking in narcotics and other dangerous drugs.

This subsection stipulates that no part of these funds authorized for fiscal year 1976 may be obligated for or on behalf of any country where illegal traffic in opiates has been a significant problem unless and until the President determines and certifies to the Congress that assistance furnished to any such country for narcotics control purposes is significantly reducing the amount of illegal opiates entering the international market.

Details of the International Narcotics Control Program for fiscal years 1976 and 1977 are compared with the fiscal year 1975 program in the following table:



INTERNATIONAL NARCOTICS CONTROL PROGRAM

[In thousands of dollars]

	Actual, fiscal year 1975	Planned, fiscal year 1976	Requested fiscal year 1977 1 ^a
I. COUNTRY PROGRAMS			
Latin America.....	18,680	13,849	16,040
Andean regional.....			
Argentina.....		3,502	2,470
Bolivia.....	81	19	
Brazil.....	500	427	435
Chile.....	199	229	603
Colombia.....	41	45	125
Costa Rica.....	552	1,272	800
Ecuador.....	57	62	38
Jamaica.....	432	486	330
Mexico.....	734	25	25
Paraguay.....	15,829	7,362	10,942
Peru.....	10	15	12
Uruguay.....	150	405	260
Venezuela.....	23		
.....	72		
East Asia.....	2,821	15,930	3,910
Burma.....			
Indonesia.....	639	13,950	2,500
Laos.....	56	67	75
Philippines.....	924		
Thailand.....	324	110	
.....	878	1,803	1,335
Near East and South Asia.....	175	57	1,800
Jordan.....			
Lebanon.....	162		
Pakistan.....	5		
.....	8	57	1,800
Total country programs.....	21,676	29,836	21,750
II. INTERNATIONAL ORGANIZATIONS			
CENTO.....	8		
Colombo plan.....	159	100	100
U.N. Fund for Drug Abuse Control.....	5,000	5,000	4,000
INTERPOL.....	135		
Total international organizations.....	5,302	5,100	4,100
III. INTERREGIONAL PROGRAMS			
Treatment and rehabilitation.....		450	500
Training.....	4,927	6,299	6,750
Total interregional.....	4,927	6,749	7,250
IV. PROGRAM SUPPORT AND DEVELOPMENT			
Program support and development.....	816	815	900
Program total.....	32,721	42,500	34,000

¹ Excludes \$923,034 of prior year funds available for programing in fiscal year 1976.

Section 504(b)—Police Actions Involving U.S. Personnel

This subsection amends section 481 of the Foreign Assistance Act by adding a new subsection which prohibits U.S. personnel from engaging or participating in direct police arrest actions in any foreign country in connection with narcotics control efforts. In adopting this provision the committee seeks to insure that U.S. narcotics control efforts abroad are conducted in such a manner as to avoid involvement by U.S. personnel in foreign police operations where violence or the use of force could reasonably be anticipated. By "arrest actions" the committee means any police action which, under normal circumstances, would involve the arrest of individuals whether or not arrests, in fact,

are actually made. The committee intends that the U.S. Ambassador in any country where U.S. narcotics control activities are being carried out shall exercise close supervision over such activities to insure that U.S. personnel do not become involved in sensitive, internal law enforcement operations which could adversely affect U.S. relations with that country.

The committee emphasizes that this provision is not intended to prohibit U.S. Government agencies from assisting foreign governments to enforce their own laws on narcotics trafficking by providing such assistance as training, technical equipment, and intelligence.

This subsection, in paragraph (2), also requires the President to study methods of placing U.S. narcotics control efforts in foreign countries under the auspices of international or regional organizations and requires a report on the study to be submitted to Congress by June 30, 1977.

Section 505—Authorization for International Atomic Energy Agency (IAEA)

This section amends section 302 of the act to provide for an additional authorization of appropriations of \$1 million for fiscal year 1976 and \$5 million for fiscal year 1977, for the International Atomic Energy Agency (IAEA).

The proliferation of nuclear weapons is one of the most ominous dangers threatening the peace of the world and the security of the United States. Our principal multilateral instruments for avoiding proliferation remain the Non-Proliferation Treaty and the safeguards of the IAEA. These safeguards entail techniques to account for nuclear materials reinforced by containment and surveillance measures, including periodic and sometimes continual inspections. They are designed to prevent the diversion of nuclear material by the risk of early detection.

The task of the IAEA in implementing its safeguards is becoming increasingly more formidable as it is called upon to assume responsibility for more complex facilities and increasing volumes of nuclear material. It is essential that during this growth process the IAEA be capable of maintaining the vigilance necessary to detect any diversion of nuclear material from peaceful purposes.

Accordingly, given the central importance of the IAEA's system to U.S. nonproliferation objectives, it is in the U.S. national interest to supplement the regular sums expended on safeguards by the Agency in sufficient amounts to strengthen the safeguards program during its period of expansion. The President therefore announced, in his Energy Message to Congress of February 26, 1976, his decision that the United States should make a special contribution of up to \$5 million in the next 5 years to strengthen the safeguards program of the IAEA.

Although the President's request was for a \$5 million program of 5 years duration beginning in fiscal year 1977, the committee believes that the mission of the IAEA is so essential to the national safety that it authorized an additional \$1 million for fiscal year 1976, to permit the work to begin immediately.

This initiative, designed to enhance the IAEA's capability to perform its rapidly expanding safeguards task with increased effectiveness, emphasizes promising technical areas of safeguards development

in which the United States would help support defined incremental activities. These include training, safeguards information system modifications and improvements (automated data processing), instrument development and operational testing, safeguards criteria and related studies, and such other activities as experience and consultations with IAEA representatives would indicate to be appropriate.

Section 506—Interim Quarter Authorizations

Section 506(a)—Interim Quarter Authorizations

This subsection authorizes additional appropriations for the period July 1, 1976, to September 30, 1976, in amounts equal to one-fourth of any amount authorized for fiscal year 1976 in this act, or in any amendment to any other law made by this act, unless appropriations for the same purpose are specifically authorized in a law hereinafter enacted. Assistance provided during this period shall be provided in accordance with the authorities applicable to such programs in fiscal year 1976.

The committee expects the executive branch, in carrying out operations during the transition quarter, to apply and observe limitations of authority which are applicable during fiscal year 1976 in a manner consistent with the brief duration of the interim quarter and the clear intent of Congress in enacting those limitations.

Section 506(b)—Interim Quarter Limitation

This subsection provides that the aggregate total of foreign military sales credits extended during the period beginning July 1, 1976, and ending September 30, 1976, may not exceed an amount equal to one-fourth of the amount authorized for such purpose for fiscal year 1976.

Section 507—Base Agreements With Spain, Greece, and Turkey

Section 507(a)—Authorization of Funds To Carry Out Base Agreements

Subsection (a) of section 507 authorizes to be appropriated such sums as may be necessary for fiscal year 1977 to carry out international agreements or other arrangements for the use by U.S. Armed Forces of military facilities in Spain, Greece, or Turkey, which have been negotiated or will be negotiated soon by the executive branch. Such authorization is in addition to any amounts authorized to be appropriated by this bill which may be available for such purpose.

Section 507(b)—Conditions Precedent On Obligation and Expenditure of Funds

Subsection (b) of section 507 stipulates that funds appropriated under such section may not be obligated or expended until legislation has been enacted approving the international agreements or other arrangements alluded to in subsection (a).

It is the intent of the committee that this section shall constitute a 1-year authorization for the appropriation of funds to implement pending agreements or other arrangements for the use by U.S. Armed Forces of military facilities in Spain, Greece, or Turkey, with the use of any amounts appropriated under the authority of that authorization conditioned on the enactment of legislation approving the bases

agreement. Moreover, such authorization shall not preclude the inclusion of limitations on the use of such funds or a reduction of the level of such funds in subsequent legislation approving such international agreements or arrangements. Furthermore, if any authorization contained elsewhere in this act is used to carry out any base agreement, any such authorization together with the authorization contained in this section shall not exceed an amount necessary to fulfill the amounts contained in the agreement. Thus, the Congress will maintain its flexibility with regard to pending base agreements with Spain, Greece, or Turkey while meeting the requirement of section 402(a) of the Congressional Budget Act of 1974 that these authorizations for fiscal year 1977 be reported before May 15.

The provisions of 620(m) and 620(x) of the Foreign Assistance Act are not waived by this section. The extent to which they may be modified in order to allow funds appropriated under this section of the bill to be used to implement the bases agreements will be determined in considering the legislation approving such agreements.

TITLE VI—MISCELLANEOUS PROVISIONS

Section 601—Expedited Procedure in the Senate

Section 601 establishes a procedure for expediting consideration by the Senate of concurrent resolutions of disapproval of certain Presidential certifications under the Foreign Assistance Act, the Foreign Military Sales Act.

Subsection (b)(1) defines continuity of a session of Congress for purpose of resolutions under the act which must be acted upon within a certain number of days of "continuous session." For purposes of this provision the continuity of a session is broken only by an adjournment of the Congress sine die; and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of the period indicated.

Section 602—Procurements From Small Business

This section requires the Administrator of the Agency for International Development to report to the Congress every 6 months on the participation of small businesses in security supporting assistance procurements and on AID efforts to foster such procurements. The Small Business Administration is directed to provide all available assistance to AID in carrying out this section.

Section 603—Payment of Consultants

This section amends section 626(a) of the Foreign Assistance Act to authorize payment of per diem compensation to consultants hired by the Agency for International Development at the same rate which may be paid to consultants hired by other departments and agencies.

Section 604—Fees of Military Sales Agents and Other Payments

This section amends section 36 of the Foreign Military Sales Act, as amended by section 211 of this act. It requires that the Presidential quarterly report to Congress required under section 211 of this act, shall include a description of each payment, contribution, gift, commission, or fee reported to the Secretary of State. Under this section, the name of each person who made such payments, gifts, contributions,

etc., to military sales agents, the name of any sales agent or other person to whom such payment, contribution, gift, commission, or fee was paid, the date and amount of such payment, etc., the description of the sale in connection with which such payment, etc., was made, and the identification of any business information considered confidential by the person submitting such information. This report shall include payments to agents to solicit or promote letters of offer.

The Secretary of State shall prescribe regulations requiring the reporting of political contributions, gifts, commissions, and fees paid or offered or agreed to be paid, by any person in connection with the sale of defense articles or services under section 22 of the act or commercial sales of defense articles or defense services licensed or approved under section 38 of the act to, or for the Armed Forces of a foreign country or international organization, for the purpose of soliciting, promoting, or securing such sales. The regulations shall specify the amounts and the kinds of payments, offers, and agreements to be reported, and the form and timing of the reports which shall include the names of sales agents and other persons receiving payments.

The President is empowered to prohibit, limit, or prescribe conditions concerning contributions, fees, gifts, and commissions, as he determines will further the purposes of the act. No fee may be included in whole or in part, in the amount paid under any procurement contract entered into under the act, unless the amount is reasonable, allocable to the contract, and not made to a person who has solicited a sale through improper influence. Improper influence would include inducing action by an employee of a foreign government or international organization on any basis other than the merits of the transaction.

The information reported to the Secretary of State and all records maintained by responsible officials shall be made available, upon request, to any standing committee or subcommittee of the Congress and to any agency of the U.S. Government already having access to the records of the reporting individual. Access to such records by a U.S. Government agency shall be on the same basis which otherwise governs agency access to those records.

This section shall take effect 60 days after enactment.

Section 605—Use of Personnel

Section 605(a) states that nothing in this act is intended to authorize any additional military or civilian personnel for the purpose of the act and that both military and civilian personnel assigned to the Defense Department and carrying out functions under the act (even if funded by other than DOD appropriations) fall under military and civilian manpower ceilings imposed by the DOD authorizing legislation.

Section 605(b) adds to the Foreign Military Sales Act the injunction to maximize the use of civilian contractor personnel to perform defense services overseas, if consistent with the purposes of the act.

Section 606—Assistance for Productive Enterprises

This section amends section 620(k) of the Foreign Assistance Act, the first sentence of which prohibits assistance under the act to any country for construction of any productive enterprise for which aggregate U.S. assistance would exceed \$100 million, unless Congress expressly approves. The amendment exempts from the section 620(k)

prohibition the assistance for construction of any productive enterprise in Egypt which is described in the fiscal year 1977 presentation materials to Congress.

Section 607—Extortion and Illegal Payments

This section requires the President to submit to Congress, within 60 days of determining that officials of a foreign country receiving international security assistance have received illegal or otherwise improper payments from a U.S. corporation in return for a defense contract to that corporation, or have extorted or attempted to extort money or other valuable things in return for permission for a U.S. citizen or corporation to do business in that country, a report giving the circumstances of the payment or extortion. It also requires the President to include in the report a recommendation as to whether the United States should continue security assistance to that country.



October 1, 1976, and fiscal year 1977. The section of this report entitled "Principal Purpose of the Bill: Authorizations" shows the actual amounts authorized to be appropriated.

C. CONGRESSIONAL BUDGET OFFICE ESTIMATE AND COMPARISON

No estimates and comparisons from the Office of the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974 have been received by the committee.

D. COMMITTEE ON GOVERNMENT OPERATIONS SUMMARY

No oversight findings and recommendations have been received which relate to this bill from the Committee on Government Operations under clause 2(b)(2) of Rule X.

INFLATIONARY IMPACT STATEMENT

It is difficult, if not impossible, to measure the inflationary impact of this measure upon the economy of the United States. The bill authorizes the appropriation of \$3,191,900,000 for fiscal year 1976, up to one-fourth of that amount for the interim quarter, and \$3,054,700,000 for fiscal year 1977. On an annual basis, that is less than one-third of one percent of the gross national product.

Furthermore, not all of the funds will be expended in fiscal years 1976 and 1977. The bill authorizes the appropriation of funds for security assistance programs. A large part of the funds appropriated will be used for the procurement of defense articles which have a long lead time in production. Thus the expenditure of a significant part of the money authorized under this bill will be spread over a period of years further diminishing whatever inflationary impact the infusion of such funds might have on the economy.

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):

FOREIGN ASSISTANCE ACT OF 1961

* * * * *

PART I

* * * * *

CHAPTER 2—DEVELOPMENT ASSISTANCE

* * * * *

SEC. 223. GENERAL PROVISIONS.—(a) ***

* * * * *

(j) Guaranties shall be issued under sections 221 and 222 only for housing projects which (1) except for regional projects, are in coun-

REQUIRED REPORTS SECTION

COST ESTIMATES

Pursuant to clause 7, rule XIII of the Rules of the House of Representatives, the committee has examined the requests submitted by the President to carry out the various programs authorized by this bill. It has made adjustments in the requests and recommends \$3,191,900,000 for fiscal year 1976, as shown in the table in the section on "Major Purpose of the Bill". For the interim quarter (July 1, 1976, through September 30, 1976) the committee approved such sums as may be necessary but not more than one-fourth of the amounts authorized for each program and activity in the bill for fiscal year 1976. For fiscal year 1977, the committee recommends \$3,054,700,000 as shown in the table in the section on "Major Purposes of the Bill".

Any projection for the next 5 years is difficult to make. The program has been restructured by this bill and a period of experience will be necessary to determine if the new emphasis meets congressional expectations. Changing foreign policy interests of the United States and defense requirements of its friends and allies add uncertainties.

Consequently, a straight-line projection of the costs described above with respect to fiscal year 1976 can provide, at best, a tentative and uncertain estimate.

STATEMENTS REQUIRED BY RULE XI(1)(3) OF HOUSE RULES

A. OVERSIGHT FINDINGS AND RECOMMENDATIONS

The major reforms of the grant military assistance and foreign military sales programs made under this bill are a direct result of the continuous oversight of those programs by the Committee on International Relations in general and the Subcommittee on Oversight in particular. Principal sources of oversight have been:

- (1) Review of all foreign assistance programs by members of the committee, collectively and individually, by the subcommittees, and by the full and subcommittee staffs.
- (2) Studies and reports by the General Accounting Office, and the Congressional Research Service.
- (3) Reports on several study missions undertaken by members as well as staff around the world, particularly in Europe, the Far East and the Middle East.
- (4) Almost daily contact with the executive branch agencies responsible for the implementation of the assistance programs.

B. BUDGET AUTHORITY

The bill does not create a new budget authority. Rather, it authorizes the creation of such budget authority by authorizing appropriations for fiscal year 1976, the interim quarter between July 1, 1976 and

tries which are receiving, or which in the previous two fiscal years have received, development assistance under chapter 1 of part I of this Act, (2) are coordinated with and complementary to such assistance, and (3) are specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements. Of the aggregate face value of housing guaranties hereafter issued under this title, not less than 90 per centum shall be issued for housing suitable for families with income below the median income (below the median urban income for housing in urban areas) in the country in which the housing is located. The face value of guaranties issued with respect to housing in any country shall not exceed \$25,000,000 in any fiscal year, and the average face value of guaranties issued in any fiscal year shall not exceed \$15,000,000. Notwithstanding the provisions of the first sentence of this subsection, the President is authorized to issue housing guaranties until September 30, 1977, as follows: In Israel, not exceeding a face amount of \$50,000,000, [and] in Portugal, not exceeding a face amount of \$20,000,000, and in Lebanon, not exceeding a face amount of \$15,000,000.

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CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

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SEC. 302. AUTHORIZATION.—(a) (1) ***

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(i) *In addition to amounts otherwise available under this section, there are authorized to be appropriated for fiscal year 1976 \$1,000,000 and for fiscal year 1977 \$5,000,000 to be available only for the International Atomic Energy Agency to be used for the purpose of strengthening safeguards and inspections relating to nuclear fissile facilities and materials. Amounts appropriated under this subsection are authorized to remain available until expended.*

* * * * *

CHAPTER 5—[DISASTER RELIEF] CONTINGENCY FUND

SEC. 451. CONTINGENCY FUND.—(a) There is authorized to be appropriated to the President for the fiscal year [1975] 1976 not to exceed \$5,000,000 [.] and for the fiscal year 1977 not to exceed \$10,000,000 to provide assistance authorized by this part [or by section 639] for any emergency purpose only in accordance with the provisions applicable to the furnishing of such assistance. *Amounts appropriated under this section are authorized to remain available until expended.*

(b) The President shall submit quarterly reports to the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives on the programming and obligation of funds under this section.

(c) No part of this fund shall be used to pay for any gifts to any officials of any foreign government made heretofore or hereafter.

CHAPTER 8—INTERNATIONAL NARCOTICS CONTROL

SEC. 481. INTERNATIONAL NARCOTICS CONTROL. (a) * * *

* * * * *

(c) (1) *Notwithstanding any other provision of law, no officer or employee of the United States may engage or participate in any direct police arrest action in any foreign country with respect to narcotics control efforts.*

(2) *The President shall carry out a study with respect to methods through which United States narcotics control programs in foreign countries might be placed under the auspices of international or regional organizations. The results of such study shall be transmitted to the Speaker of the House of Representatives and the President of the Senate not later than June 30, 1977.*

SEC. 482. AUTHORIZATION.—To carry out the purposes of section 481, there are authorized to be appropriated to the President \$42,500,000 for each of the fiscal years 1974 and 1975, \$40,000,000 for the fiscal year 1976, no part of which may be obligated for or on behalf of any country where illegal traffic in opiates has been a significant problem unless and until the President determines and certifies in writing to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate that assistance furnished to such country pursuant to the authority in this chapter is significantly reducing the amount of illegal opiates entering the international market, and not to exceed \$34,000,000 for the fiscal year 1977. Amounts appropriated under this section are authorized to remain available until expended.

* * * * *

CHAPTER 9—INTERNATIONAL DISASTER ASSISTANCE

* * * * *

SEC. 495. CYPRUS RELIEF AND REHABILITATION.—The President is authorized to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other needy people in Cyprus. There is authorized to be appropriated for the purposes of this section, in addition to amounts otherwise available for such purposes, [[\$30,000,000.] \$40,000,000. Such amount is authorized to remain available until expended. Assistance under this section shall be provided in accordance with the policy and general authority contained in section 491.

* * * * *

SEC. 495B. ITALY RELIEF AND REHABILITATION.—

(a) *In addition to amounts otherwise available for such purpose, there is authorized to be appropriated \$25,000,000 for the fiscal year 1976 to furnish assistance under this chapter for the relief and rehabilitation of the people who have been victimized by the recent earthquake in Italy. Amounts appropriated under this section are authorized to remain available until expended.*

(b) *Obligations incurred prior to the date of enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Italy may be charged to the appropriations authorized under this section.*

SEC. 495C. LEBANON RELIEF AND REHABILITATION.—(a) *The Congress, recognizing that prompt United States assistance is necessary to alleviate the human suffering arising from civil strife in Lebanon and to restore the confidence of the people of Lebanon, authorizes the President to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other needy people in Lebanon.*

(b) *There is authorized to be appropriated to the President for the purposes of this section, in addition to amounts otherwise available for such purposes, \$20,000,000 which amount is authorized to remain available until expended.*

(c) *Assistance under this section shall be provided in accordance with the policies and general authority contained in section 491.*

(d) *Obligations incurred prior to the date of enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Lebanon may be charged to the appropriations authorized under this section.*

(e) *Not later than 60 days after the date of enactment of appropriations to carry out this section, and on a quarterly basis thereafter, the President shall transmit reports to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives regarding the programming and obligation of funds under this section.*

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PART II

CHAPTER 1—POLICY

* * * * *

[SEC. 502B. HUMAN RIGHTS.—(a) *It is the sense of Congress that, except in extraordinary circumstances, the President shall substantially reduce or terminate security assistance to any government which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhuman or degrading treatment or punishment; prolonged detention without charges; or other flagrant denials of the right to life, liberty, and the security of the person.*

(b) *Whenever proposing or furnishing security assistance to any government falling within the provisions of paragraph (a), the President shall advise the Congress of the extraordinary circumstances necessitating the assistance.*

(c) *In determining whether or not a government falls within the provisions of subsection (a), consideration shall be given to the extent of cooperation by such government in permitting an unimpeded investigation of alleged violations of internationally recognized human rights by appropriate international organizations, including the International Committee of the Red Cross and anybody acting under the authority of the United Nations or of the Organization of American States.*

(d) *For purposes of this section, "security assistance" means assistance under chapter 2 (military assistance) or chapter 4 (security supporting assistance) of this part, assistance under part V (Indochina Postwar Reconstruction) or part VI (Middle East Peace) of this*

Act, sales under the Foreign Military Sales Act, or assistance for public safety under this or any other Act.]

SEC. 502B. HUMAN RIGHTS.—(a) *Except as provided in subsection (c) (3), no security assistance may be provided to any government which engages in a consistent pattern of gross violations of internationally recognized human rights.*

(b) *The President shall transmit to Congress, as a part of the presentation materials for security assistance for each fiscal year, a statement for each country proposed to be included in such program on the status of internationally recognized human rights in such country.*

(c) *The President, upon the request of the Committee on International Relations of the House of Representatives or the Committee on Foreign Relations of the Senate, shall transmit to such committee, within thirty days after such request is made, a report with respect to the country designated in such request, setting forth all the available information about observance of and respect for human rights and fundamental freedom in that country, and a statement that such information—*

(1) *does not clearly raise a serious question that there is a consistent pattern of gross violations of internationally recognized human rights in such country;*

(2) *does raise such a question, in which case no new obligation for security assistance shall be entered into with respect to such government during the then current fiscal year; or*

(3) *does raise such a question but that—*

(A) *extraordinary circumstances exist which necessitate a continuation of security assistance,*

(B) *on all the facts it is in the national interest of the United States to provide the security assistance proposed,*

(C) *all appropriate steps are being taken to disassociate the United States and the security assistance in question from the actions and circumstances giving rise to the serious question, and*

(D) *substantial steps are being taken by the United States to promote respect for and observance of human rights in that country.*

(d) (1) *In the event a report is requested pursuant to subsection (c) but is not transmitted in accordance therewith, after thirty days from the date on which such report was requested, no security assistance shall be furnished for the remainder of the then current fiscal year to the country with respect to which such request was made.*

(2) *In the event a report with respect to a country is transmitted under subsection (c), Congress may, within the first period of ninety calendar days of continuous session after such report is transmitted, adopt a concurrent resolution which states in effect that the Congress has determined that the violations of internationally recognized human rights in such country, when considered in relation to the foreign policy interests of the United States, require a termination of security assistance to such country. After adoption of such a resolution with respect to a country, no security assistance may be furnished to such country unless thereafter specifically authorized by law.*

(3) *For the purposes of this subsection, the continuity of a session is broken only by an adjournment of the Congress sine die, and the days*

on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the period indicated.

(e) In determining whether or not a government falls within the provisions of subsection (a), consideration shall be given to—

(1) the relevant findings of appropriate international organizations, including nongovernmental organizations such as the International Committee of the Red Cross; and

(2) the extent of cooperation by such government in permitting an unimpeded investigation by any such organization of alleged violations of internationally recognized human rights.

(f) For the purposes of this section—

(1) "gross violations of internationally recognized human rights" includes torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges and trial, and other flagrant denial of the right to life, liberty, and the security of person; and

(2) "security assistance" means—

(A) assistance under chapter 2 (military assistance) or chapter 4 (security supporting assistance) of this part or under part VI (assistance to the Middle East) of this Act;

(B) sales of defense articles or services, extensions of credits (including participation in credits), and guarantees of loans under the Arms Export Control Act;

(C) any license with respect to the export of defense articles or services under section 38 of the Arms Export Control Act; and

(D) military education and training furnished under chapter 5 of this part.

* * * * *

SEC. 504. AUTHORIZATION.—(a) (1) There is authorized to be appropriated to the President to carry out the purposes of this [part not to exceed \$600,000,000 for the fiscal year 1975; *Provided*, That funds made available for assistance under this chapter (other than (1) training in the United States, or (2) for Western Hemisphere countries, training in the United States or in the Canal Zone) shall not be used to furnish assistance to more than thirty-one 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 a 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.] Chapter \$196,700,000 for the fiscal year 1976. Not more than the following amounts of funds available for carrying out this chapter (other than funds appropriated under section 507 of the International Security Assistance and Arms Export Control Act of 1976) may be allocated and made available to each of the following countries for such fiscal years:

Country	Fiscal year 1976 amount	Fiscal year 1977 amount
Greece.....	\$31,000,000	\$33,000,000
Indonesia.....	13,000,000	19,400,000
Jordan.....	50,000,000	70,000,000
Republic of Korea.....	55,000,000	8,300,000
Philippines.....	17,000,000	19,600,000
Thailand.....	16,000,000	20,000,000
Turkey.....	31,000,000	50,000,000
Ethiopia.....	6,000,000	11,700,000

The amount specified in this paragraph for military assistance to any such country for fiscal year 1976 or for fiscal year 1977 may be increased by not more than 10 per centum of such amount if the President deems such increase necessary for the purposes of this chapter.

(2) Not to exceed \$6,000,000 of the funds available for fiscal year 1976 to carry out the purposes of this chapter, and not to exceed \$3,700,000 of the funds available for fiscal year 1977 to carry out the purposes of this chapter (other than funds appropriated under section 507 of the International Security Assistance and Arms Export Control Act of 1976), may be used to provide assistance to international organizations and, subject to the limitations contained in paragraph (3), to countries which are not designated in paragraph (1).

(3) Funds made available for assistance under this chapter may not be used to furnish assistance to more than 20 countries (including those countries designated in paragraph (1)) in fiscal year 1976. Funds available for assistance under this chapter (other than funds appropriated under section 507 of the International Security Assistance and Arms Export Control Act of 1976) may not be used to furnish assistance to more than 12 countries (including those countries designated in paragraph (1)) in fiscal year 1977.

(4) The authority of section 610(a) and of section 614(a) may not be used to increase any amount specified in paragraph (1) or (2). The limitations contained in paragraphs (1), (2), and (3) shall not apply to emergency assistance furnished under section 506(a).

(5) There is authorized to be appropriated to the President, for administrative and other related expenses incurred in carrying out the purposes of this chapter, \$32,000,000 for the fiscal year 1976 and not to exceed \$70,000,000 for the fiscal year 1977.

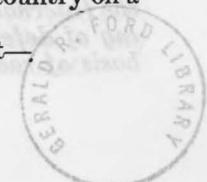
(6) None of the funds appropriated under this subsection shall be used to furnish sophisticated weapons systems, such as missile systems or jet aircraft for military purposes, to any less developed country not specified in paragraph (1) unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress.

(7) Amounts appropriated under this subsection are authorized to remain available until expended.

(8) Assistance for Turkey under this chapter shall be subject to the requirements of section 620(x) of this Act.

SEC. 505. CONDITIONS OF ELIGIBILITY.—(a) In addition to such other provisions as the President may require, no defense articles or related training or other defense service shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—



(A) permit any use of such articles or related training or other defense service by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles or related training or other defense service by gift, sale, or otherwise, or

(C) use or permit the use of such articles or related training or other defense service for purposes other than those for which furnished;

(2) it will maintain the security of such articles or related training or other defense service, and will provide substantially the same degree of security protection afforded to such articles or related training or other defense service by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles or related training or other defense service; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles or related training or other defense service which are no longer needed for the purposes for which furnished.

* * * * *

(e) In considering a request for approval of any transfer of any weapon, weapons system, munitions, aircraft, military boat, military vessel, or other implement of war to another country, the President shall not give his consent under subsection (a) (1) or (a) (4) to the transfer unless the United States itself would transfer the defense article under consideration to that country, and prior to the date he intends to give his consent to the transfer, the President notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended consent, the justification for giving such consent, the defense article for which he intends to give his consent to be so transferred, and the foreign country to which that defense article is to be transferred. In addition, the President shall not give his consent under subsection (a) (1) or (a) (4) to the transfer of any significant defense articles on the United States Munitions List unless the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles if not demilitarized, to any other foreign country or person without first obtaining the consent of the President.

* * * * *

(g) (1) It is the policy of the United States that no assistance under this chapter should be furnished to any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States person (as defined in section 7701(a) (30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this chapter on the basis of race, religion, national origin, or sex.

(2) (A) No agency performing functions under this chapter shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(B) Each contract entered into by any such agency for the performance of any function under this chapter shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(3) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any transaction in which any United States person (as defined in section 7701(a) (30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the furnishing of assistance under this chapter, or education and training under chapter 5, to any foreign country. Such reports shall include (A) a description of the facts and circumstances of any such discrimination, (B) the response thereto on the part of the United States or any agency or employee thereof, and (C) the result of such response, if any.

SEC. 506. SPECIAL AUTHORITY.—

(a) [During the fiscal year 1975 the President may, if he determines it to be in the security interests of the United States, ordered 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 1975 shall not exceed \$150,000,000.] (1) If the President first determines and reports to Congress in accordance with section 5 of this Act—

(A) that an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization;

(B) that a failure to respond immediately to that emergency will result in serious harm to vital United States security interests; and

(C) that the emergency requirement cannot be met under authority of the Arms Export Control Act or any other law except this section;

he may order defense articles from the stocks of the Department of Defense and defense services for the purposes of this part, subject to reimbursement from subsequent appropriations made specifically therefor under subsection (b).

(2) The total value of defense articles and defense services ordered under this subsection in any fiscal year may not exceed \$67,500,000. The authority contained in this subsection shall be effective in any fiscal year only to the extent provided in an appropriation Act.

(3) *The President shall keep the Congress fully and currently informed of all defense articles and defense services ordered under this subsection.*

* * * * *

[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. 514. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES.—(a) Notwithstanding any other provision of law, no funds, other than funds made available under this chapter or section 401 (a) of Public Law 89-367 (80 Stat. 37), or any subsequent corresponding legislation, may be obligated for the purpose of stockpiling any defense article or war reserve material, including the acquisition, storage, or maintenance of any war reserve equipment, secondary items, or munitions, if such article or material is set aside, reserved, or in any way earmarked or intended for future use by any foreign country under this Act or such section.

[(b) The cost of any such article or material set aside, reserved, or in any way earmarked or intended by the Department of Defense for future use by, for or on behalf of the country referred to in section 401 (a) (1) of Public Law 89-367 (80 Stat. 37) shall be charged against the limitation specified in such section or any subsequent corresponding legislation, for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked or intended; and the cost of any such article or material set aside, reserved or in any way earmarked or intended for future use by, for, or on behalf of any other foreign country shall be charged against funds authorized under this chapter for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked. No such article or material may be made available to or for use by any foreign country unless such article or material has been charged against the limitation specified in such section, or any subsequent corresponding legislation, or against funds authorized under this chapter, as appropriate.]

SEC. 514. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES.—(a) *No defense article in the inventory of the Department of Defense which is set aside, reserved, or in any way earmarked or intended for future use by any foreign country may be made available to or for use by any foreign country unless such transfer is authorized under this Act or the Arms Export Control Act, or any subsequent corresponding legislation, and the value of such transfer is charged against funds authorized under such legislation or against the limitations specified in such legislation, as appropriate, for the fiscal period in which such defense article is transferred. For purposes of this subsection, "value" means the acquisition cost plus crating, packing, handling, and transportation costs incurred in carrying out this section.*

(b) (1) The value of defense articles to be set aside, earmarked, reserved, or intended for use as war reserve stocks for allied or other

foreign countries (other than for purposes of the North Atlantic Treaty Organization) in stockpiles located in foreign countries may not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for that fiscal year.

(2) The value of such additions to stockpiles in foreign countries shall not exceed \$75,000,000 for the fiscal year 1976, \$18,750,000 for the period beginning July 1976, and ending September 30, 1976, and \$125,000,000 for the fiscal year 1977.

(c) Except for stockpiles in existence on the date of enactment of the International Security Assistance and Arms Export Control Act of 1976 and for stockpiles located in countries which are members of the North Atlantic Treaty Organization, no stockpile may be located outside the boundaries of a United States military base or a military base used primarily by the United States.

(d) No defense article transferred from any stockpile which is made available to or for use by any foreign country may be considered an excess defense article for the purpose of determining the value thereof.

(e) The President shall promptly report to the Congress each new stockpile, or addition to an existing stockpile, described in this section of defense articles valued in excess of \$10,000,000 in any fiscal year.

SEC. 515. MILITARY ASSISTANCE ADVISORY GROUPS AND MISSIONS.—**[Effective July 1, 1976.]** (a) *During the period beginning July 1, 1976, and ending September 30, 1977, an amount equal to each sum expended under any provision of law, other than section 504 of this Act, with respect to any military assistance advisory group, military mission, or other organization of the United States performing activities similar to such group or mission, shall be deducted from the funds made available under such section 504, and (1) if reimbursement of such amount is requested by the agency of the United States Government making the expenditure, reimbursed to that agency, or (2) if no such reimbursement is requested, deposited in the Treasury as miscellaneous receipts.*

(b) (1) After September 30, 1977, no military assistance advisory group, military mission, or other organization of United States military personnel performing similar military advisory functions under this Act may operate in any foreign country unless specifically authorized by the Congress.

(2) The President may assign not more than three members of the Armed Forces of the United States to the Chief of each United States Diplomatic Mission to perform such functions as such Chief of Mission determines necessary with respect to international military education and training provided under chapter 5 of this part, to sales of defense articles and services under the Arms Export Control Act, or to such other international security assistance programs as the President may designate. After September 30, 1977, no such functions or related activities may be performed by any defense attachés assigned, detailed, or attached to the United States Diplomatic Mission in any foreign country.

(c) After September 30, 1976, the number of military missions, groups, and similar organizations may not exceed 34.

(d) As used in this section, the term "military assistance advisory group, military mission, or other organization of United States mili-

tary personnel performing similar military advisory functions under this Act" does not include regular units of Armed Forces of the United States engaged in routine functions designed to bring about the standardization of military operations and procedures between the Armed Forces of the United States and allies of the United States.

SEC. 516. TERMINATION OF AUTHORITY.—(a) Except to the extent that the Congress may, subsequent to the enactment of this section, authorize the furnishing of military assistance in accordance with this chapter to specified countries in specified amounts, the authorities contained in this chapter (other than the authorities contained in sections 506, 514, and 515(b)(2)) may not be exercised after September 30, 1977, except that such authorities shall remain available until September 30, 1980, to the extent necessary to carry out obligations incurred under this chapter on or before September 30, 1977.

(b) Funds available to carry out this chapter shall be available notwithstanding the limitations contained in paragraphs (2) and (3) of section 504(a) of this Act—

(1) for the winding up of military assistance programs under this chapter, including payment of the costs of packing, crating, handling, and transporting defense articles furnished under this chapter and of related administrative costs; and

(2) for costs incurred under section 503(c) with respect to defense articles on loan to countries no longer eligible under section 504(a) for military 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 [1975 not to exceed \$660,000,000: *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 determine 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.] 1976 \$1,766,200,000, of which not less than \$65,000,000 shall be available only for Greece, \$730,000,000 shall be available only for Israel, and \$705,000,000 shall be available only for Egypt, and for the fiscal year 1977 not to exceed \$1,801,500,000, of which not less than \$785,000,000 shall be available only for Israel. Amounts appropriated under this section are authorized to remain available until expended.

* * * * *

CHAPTER 5—INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 541. GENERAL AUTHORITY.—The President is authorized to furnish, on such terms and conditions consistent with this Act as the

President may determine (but whenever feasible on a reimbursable basis), military education and training to military and related civilian personnel of foreign countries. Such training and education may be provided through—

(1) attendance at military educational and training facilities in the United States (other than Service academies) and abroad; and

(2) attendance in special courses of instruction at schools and institutions of learning or research in the United States and abroad; and

(3) observation and orientation visits to military facilities and related activities in the United States and abroad.

SEC. 542. AUTHORIZATION.—There are authorized to be appropriated to the President to carry out the purposes of this chapter \$27,000,000 for the fiscal year 1976 and \$30,200,000 for the fiscal year 1977. After June 30, 1976, no training under this section may be conducted outside the United States unless the President has reported and justified such training to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

SEC. 543. PURPOSES.—Education and training activities conducted under this chapter shall be designed—

(1) to encourage effective and mutually beneficial relations and increased understanding between the United States and foreign countries in furtherance of the goals of international peace and security; and

(2) to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the United States, with maximum effectiveness, thereby contributing to greater self-reliance by such countries.

PART III

* * * * *

CHAPTER 2—ADMINISTRATIVE PROVISIONS

* * * * *

SEC. 620. PROHIBITIONS AGAINST FURNISHING ASSISTANCE.—

(a) (1) * * *

* * * * *

(k) Without the express approval of Congress, no assistance shall be furnished under this Act to any country for construction of any productive enterprise with respect to which the aggregate value of assistance to be furnished by the United States will exceed \$100,000,000, except that this sentence does not apply with respect to assistance for construction of any productive enterprise in Egypt which is described in the presentation materials to Congress for fiscal year 1977. Except as otherwise provided in section 506, no military assistance shall be furnished to any country under this Act for carrying out any program, with respect to which the aggregate value of assistance to be furnished beginning July 1, 1966, by the United States will exceed \$100,000,000 unless such program has been included in the presentation to the Congress during its consideration of authorizations for appropriations under this Act or of appropriations pursuant to authoriza-



tions contained in this Act. No provision of this or any other Act shall be construed to authorize the President to waive the provisions of this subsection.

* * * * *

(x) (1) All military assistance, all sales of defense articles and services (whether for cash or by credit, guaranty, or any other means), and all licenses with respect to the transportation of arms, ammunitions, and implements of war (including technical data relating thereto) to the Government of Turkey, shall be suspended on the date of enactment of this subsection unless and until the President determines and certifies to the Congress that the Government of Turkey is in compliance with the Foreign Assistance Act of 1961, the Foreign Military Sales Act, and any agreement entered into under such Acts, and that substantial progress toward agreement has been made regarding military forces in Cyprus: *[Provided, That the President is authorized to suspend the provisions of this section and of section 3(c) of the Foreign Military Sales Act only with respect to sales, credits, and guaranties under the Foreign Military Sales Act, as amended, for the procurement of such defense articles and defense services as the President determines and certifies to the Congress are necessary in order to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization. Any such suspension shall be effective only while Turkey shall observe the cease-fire and shall neither increase its forces on Cyprus nor transfer to Cyprus any United States supplied arms, ammunition, and implements of war.]*¹ *Provided, That for the fiscal year 1976, the period beginning July 1, 1976, and ending September 30, 1976, and the fiscal year 1977, the President may suspend the provisions of this subsection and of section 3(c) of the Arms Export Control Act with respect to cash sales and extensions of credits and guaranties under such Act for the procurement of such defense articles and defense services as the President determines are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization, except that (A) during the fiscal year 1976 and the period beginning July 1, 1976, and ending September 30, 1976, the total value of defense articles and defense services sold to Turkey under such Act, either for cash or financed by*

¹ Section 2(c)(1) of the Act of October 6, 1975 (Public Law 94-104), contained an amendment to section 620(x)(1) of the Foreign Assistance Act of 1961 which was to become effective "only upon enactment of foreign assistance legislation authorizing sales, credits, and guaranties under the Foreign Military Sales Act for fiscal year 1976", i.e., upon enactment of this bill. That amendment will be superseded by the amendment to 620(x)(1) contained in section 403 of this bill. In order to show the actual change in law which will occur as a result of the enactment of this bill, section 620(x)(1) as amended by the Act of October 6, 1975, is shown above in roman type (including the roman type contained within the brackets), with the new language to be added by this bill shown in italic type. Section 620(x) of the Foreign Assistance Act of 1961 currently reads as follows:

* * * * *

SEC. 260. PROHIBITIONS AGAINST FURNISHING ASSISTANCE.—(a) (1) * * *

(x) All military assistance, all sales of defense articles and services (whether for cash or by credit, guaranty, or any other means), and all licenses with respect to the transportation of arms, ammunitions, and implements of war (including technical data relating thereto) to the Government of Turkey, shall be suspended on the date of enactment of this subsection unless and until the President determines and certifies to the Congress that the Government of Turkey is in compliance with the Foreign Assistance Act of 1961, the Foreign Military Sales Act, and any agreement entered into under such Acts, and that substantial progress toward agreement has been made regarding military forces in Cyprus *Provided, That the President is authorized to suspend the provisions of this section and such acts if he determines that such suspension will further negotiations for a peaceful solution of the Cyprus conflict. Any such suspension shall be effective only until February 5, 1975, and only if, during that time, Turkey shall observe the cease-fire and shall neither increase its forces on Cyprus nor transfer to Cyprus any U.S. supplied implements of war.*

credits and guaranties, shall not exceed \$125,000,000, and (B) during the fiscal year 1977, the total value of defense articles and defense services sold to Turkey under such Act, either for cash or financed by credits and guaranties, shall not exceed \$125,000,000. Any such suspension shall be effective only so long as Turkey observes the cease-fire on Cyprus, does not increase its military forces or its civilian population on Cyprus, and does not transfer to Cyprus any United States supplied arms, ammunition, or implements of war. The determination required by the proviso in the first sentence of this paragraph shall be made, on a case-by-case basis, with respect to each cash sale, each approval for use of credits, and each approval for use of a guaranty for Turkey. Each such determination shall be reported to the Congress and shall be accompanied by a full complete statement of the reasons supporting the President's determination and a statement containing the information specified in clauses (A) through (D) of section 2(c)(4) of the Act of October 6, 1975 (Public Law 94-104). In any case involving the sale of significant combat equipment on the United States Munitions List in which the congressional review provisions of section 36(b) of the Arms Export Control Act do not apply, the President may not issue the letter of offer or approve the use of the credits or guaranty, as the case may be, until the end of the thirty-day period beginning on the date on which the report required by the preceding sentence is submitted to the Congress.

(2) The President shall submit to the Congress within sixty days after the enactment of this paragraph, and at the end of each succeeding sixty-day period, a report on progress made during such period toward the conclusion of a negotiated solution of the Cyprus conflict.

SEC. 620A. PROHIBITION AGAINST FURNISHING ASSISTANCE TO COUNTRIES WHICH GRANT SANCTUARY TO INTERNATIONAL TERRORISTS.—(a) *Except where the President finds national security to require otherwise, the President shall terminate all assistance under this Act to any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism and the President may not thereafter furnish assistance to such government until the end of the one year period beginning on the date of such termination, except that if during its period of ineligibility for assistance under this section such government aids or abets, by granting sanctuary from prosecution to, any other individual or group which has committed an act of international terrorism, such government's period of ineligibility shall be extended for an additional year for each such individual or group.*

(b) *If the President finds that national security justifies a continuation of assistance to any government described in subsection (a), he shall report such finding to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.*

* * * * *

SEC. 622. COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(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 military assistance (including civic action) and military education and training programs are coordinated with political and economic considerations, 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], military assistance, and military education and training programs, including but not limited to determining 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 assistance 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. 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 carrying 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, or 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) In furnishing assistance under this Act, accounts may be established on the books of any agency of the United States Government or, on terms and conditions approved by the Secretary of the Treasury,

in banking institutions in the United States, (1) against which letters of commitment may be issued which shall constitute recordable obligations of the United States Government, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended (second and third paragraphs of 31 U.S.C. 203 and 41 (U.S.C. 15), and (2) from which disbursements may be made to, or withdrawals may be made by, recipient countries or agencies, organizations, or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of funds of the United States Government: *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.—(a) * * * [Repealed—1972]

(b) The President shall, in the reports required by subsection (a) of this section, and in response to requests from Members of the Congress or inquiries from the public, make public all information concerning operations under this Act not deemed by him to be incompatible with the security of the United States. In the case of each loan made from the Development Loan Fund established pursuant to section 201(a) the President shall make public appropriate information about the loan, including information about the borrower, the nature of the activity being financed, and the economic development objectives being served by the loan.

(d) When requests are presented to the Congress for appropriations for fiscal year 1969 to carry out programs under this Act, the programs to be carried out with the funds appropriated for that fiscal year shall also be presented to the Committee on Foreign Relations of the Senate, if requested by the chairman of that committee, and to the Committee on Foreign Affairs of the House of Representatives, if requested by the chairman of that committee. At the end of each fiscal year, the President shall notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of all actions taken during the fiscal year under this Act which resulted in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act or any Act appropriating funds pursuant to authorizations contained in this Act, or which resulted in obligations or reservations greater by 50 per centum or more than the proposed obligations or reservations included in such presentation for the program concerned, and in his notification the President shall state the justification for such changes. There shall also be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, a comparison of the current fiscal year programs and activities with those presented to the Congress in the previous

year and an explanation of any substantial changes. Any such presentation material shall also include (1) a chart showing on a country-by-country basis the full extent of all United States assistance planned or expected for each such country for the next fiscal year, including economic assistance, military grants (and including for any such grant of any excess defense article, the value of such article expressed in terms of its acquisition cost to the United States), [and military sales under this or any other Act] and sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, (2) details of proposed contributions by the United States to multilateral financial agencies, for the next fiscal year, and (3) a statement of projects, on a country-by-country basis for which financing was supplied during the last fiscal year through the Export-Import Bank. In addition, the President shall promptly notify the Committee on Foreign Relations and the Community on Appropriations of the Senate and the Speaker of the House of Representatives of any determination under section 303, 610(b), or 614(b) and of any findings, including his reasons therefor, under section 503 or 521(c).

SEC. 636. PROVISIONS ON USES OF FUNDS.—(a) Appropriations for the purposes of or pursuant to this Act (except for Part II), allocations to any agency of the United States Government, from other appropriations, for functions directly related to the purposes of this Act, and funds made available for other purposes to the agency primarily responsible for administering part I, shall be available for:

(j) * * *

(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 *and related civilian* 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.

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 aid, orientation, training exercise, and military advice to foreign military units and forces.] *publication, or technical or other assistance or defense information used for the purposes of furnishing military assistance, but does not include military educational and training activities under chapter 5 of part II.*

(n) "*Military education and 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, and military advice to foreign military units and forces.

SEC. 657. ANNUAL FOREIGN ASSISTANCE AND MILITARY EXPORTS REPORT.—(a) In order that the Congress and the American people may be better and more currently informed regarding the volume and cost of assistance extended by the United States Government to foreign countries and international organizations, and in order that the Congress and the American people may be better informed regarding the sale of arms to foreign countries and international organizations by private industry of the United States, not later than December 31 of each year the President shall transmit to the Congress an annual report, for the fiscal year in which the report is transmitted, showing—

[(1) the aggregate dollar value of all foreign assistance provided by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance by category provided by the United States Government to each such country and organization, during that fiscal year;]

(1) *the aggregate dollar value of all foreign assistance (including military education and training), foreign military sales, sales credits, and guaranties provided or made by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance, sales, sales credits, and guaranties, by category, provided or made by the United States Government to or for each such country or organization during that fiscal year;*

(2) the total amounts of foreign currency paid by each foreign country or international organization to the United States Government in such fiscal year, what each payment was made for, whether any portion of such payment was returned by the United States Government to the country or organization from which the payment was obtained or whether any such portion was transferred by the United States Government to another foreign

country or international organization, and, if so returned or transferred, the kind of assistance obtained by that country or organization with those foreign currencies and the dollar value of such kind of assistance;

[(3) the aggregate dollar value of all weapons, weapons systems, munitions, aircraft, military boats, military vessels, and other implements of war, and the aggregate dollar value of each category of such implements of war, exported under any export license, to all foreign countries and international organizations and to each such country and organization, during that fiscal year;]

(3) *the aggregate dollar value and quantity of defense articles and defense services, and of military education and training, exported to each foreign country and international organization, by category, specifying whether the export was made by grant under chapter 2 or chapter 5 of part II of this Act, by sale under chapter 2 of the Arms Export Control Act, by commercial sale licensed under chapter 3 of that Act, or by other authority; and*

[(4) all exports of significant defense articles on the United States Munitions List to any foreign government, international organization, or other foreign recipient or purchaser, by the United States under this Act or any other authority, or by any individual corporation, partnership, or other association doing business in the United States, including but not limited to, full information as to the particular defense articles so exported, the particular recipient or purchaser, the terms of the export, including the selling price, if any, and such other information as may be appropriate to enable the Congress to evaluate the distribution of United States defense articles abroad; and]

[(5)] (4) such other matters relating to foreign assistance provided by the United States Government as the President considers appropriate, including explanations of the information required under clauses (1) through [(4)] (3) of this subsection.

* * * * *

SEC. 668. REPORT ON KOREA.—Within ninety days after the enactment of this section, and at least once during each of the next five years, the President shall transmit to the Speaker of the House of Representatives and to the Committees on Foreign Relations and Armed Services of the Senate a report which (1) reviews the progress made under the announced program of the Republic of Korea to modernize its armed forces so as to achieve military self-sufficiency by 1980, (2) reports on the role of the United States in mutual security efforts in the Republic of Korea, and (3) reports on the prospects for or implementation of phased reduction of United States Armed Forces assigned to duty in the Republic of Korea, in coordination with the timetable of the Republic of Korea for military self-sufficiency.

* * * * *

[PART V—INDOCHINA POSTWAR RECONSTRUCTION

[SEC. 801. 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 of police, or prison construction and administration, within South Vietnam.

[SEC. 802. 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 1974 not to exceed \$504,000,000, which amount is authorized to remain available until expended.

[SEC. 803. 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, orphanages, hotels, 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 are orphaned or abandoned, or whose parents or sole surviving parent, as the case may be, has irrevocably relinquished all parental rights, particularly children fathered by United States citizens.

(b) The President is, therefore, authorized to provide assistance, on terms and conditions he considers appropriate, for the purposes described in clauses (1) and (2) of subsection (a) of this section. Of the funds appropriated pursuant to section 802 for fiscal year 1974, \$5,000,000, or its equivalent in local currency, shall be available until expended solely to carry out this section. Not more than 10 per centum of the funds made available to carry out this section may be expended for the purposes referred to in clause (2) of subsection (a). Assistance provided under this section shall be furnished, to the maximum extent practicable, under the auspices of and by international agencies or private voluntary agencies.

[SEC. 804. CENTER FOR PLASTIC AND RECONSTRUCTIVE SURGERY IN SAIGON.—Of the funds appropriated pursuant to section 802 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 Saigon.

[SEC. 805. AUTHORITY.—All references to part I whether heretofore or hereafter enacted, shall be deemed to be references also to this part unless otherwise specifically provided. The authorities available to administer part I of this Act shall be available to administer programs authorized in this Part.

[SEC. 806. POPULATION, NARCOTICS, INTERNATIONAL HUMANITARIAN AND REGIONAL PROGRAMS.—The provisions of sections 36(c), 38, 39, and 40 of the Foreign Assistance Act of 1974 shall not apply to: (1) funds obligated for purposes of title X of chapter 2 of part I (programs relating to population growth); (2) funds made available under section 482 (programs relating to narcotics control); (3) funds made available for humanitarian assistance through international organizations; or (4) funds obligated for regional programs.]

* * * * *

PART VI—ASSISTANCE TO THE MIDDLE EAST

SEC. 901. STATEMENT OF POLICY.—The Congress recognizes that a peaceful and lasting resolution of the divisive issues that have contributed to tension and conflict between nations in the Middle East is essential to the security of the United States and the cause of world peace. The Congress declares and finds that the United States can and should play a constructive role in securing a just and durable peace in the Middle East by facilitating increased understanding between the Arab nations and Israel, and by assisting the nations in the area in their efforts to achieve economic progress and political stability, which are the essential foundations for a just and durable peace. It is the sense of Congress that United States assistance programs in the Middle East should be designated to promote mutual respect and security among the nations in the area and to foster a climate conducive to increase economic development, thereby contributing to a community of free, secure, and prospering nations in the Middle East.

It is further the sense of Congress that none of the funds authorized by this Act should be provided to any nation which denies its citizens the right or opportunity to emigrate.

It is the sense of Congress that the United States will continue to determine Middle East Policy as circumstances may require and that the authority contained in the joint resolution entitled "Joint resolution to implement the United States proposal for the early-warning system in Sinai", approved October 13, 1975 (Public Law 94-110), and the authorizations contained in the amendments made by the International Security Assistance and Arms Export Control Act of 1976 do not, and shall not in any way be construed to, constitute congressional approval, acceptance, or endorsement (1) of any oral or written commitment, understanding, assurance, promise, or agreement, whether expressed or implied, or any other expression, oral or written (other than the "United States Proposal for the Early Warning System in Sinai"), made by any official of the United States which Israel, Egypt, or any other nation or organization might construe or interpret as a basis on which it could rely or act, or (2) of any characterization of any such commitment, understanding, assurance, promise, or agreement, or other expression, as constituting a "codification" of existing congressionally approved United States policy.

* * * * *

SEC. 903. (a) SPECIAL REQUIREMENTS FUND.—There are authorized to be appropriated to the President for the fiscal year [1975] 1976 not to exceed [\$100,000,000] \$50,000,000 and for the fiscal year 1977 not to exceed \$35,000,000 to furnish assistance under part I of this Act to meet special requirements arising from time to time in carrying out the purposes of this part, in addition to funds otherwise available for such purposes. The funds authorized to be appropriated by this section shall be available for use by the President for assistance authorized by such part in accordance with the provisions applicable to the furnishing of such assistance. Such funds are authorized to remain available until expended.

(b) The President may only obligate or expend, for each foreign country or international organizations, funds authorized under this section—

(1) after he reports to the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate concerning (A) the name of such foreign country or international organizations, (B) the amount of such funds to be made available to such country or organization, and (C) the purpose for which such funds are to be made available to such country or organization; and

(2) unless the Congress, within thirty calendar days after receiving any report under paragraph (1), adopts a concurrent resolution stating in substance that it does not favor the provisions of the report provided by clauses (A), (B), and (C) of paragraph (1).

[(c) Of the amount authorized under subsection (a), not less than \$6,000,000 shall constitute a contribution by the United States toward the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East if the President determines that a reasonable number of other countries will contribute a fair share toward the settlement of such deficit within a reasonable period of time after the date of enactment of the Foreign Assistance Act of 1974. In determining such fair share, the President shall take into consideration the economic position of each such country. Such \$6,000,000 shall be in addition to any other contribution to such Agency by the United States pursuant to any other provision of law.]

(c) Funds appropriated under subsection (a) shall be available to assist the Governments of Egypt and Israel in carrying out activities under the Agreement of October 10, 1975 and to pay the costs of implementing the United States proposal for the early warning system in Sinai. Such funds may be obligated without regard to the provisions of subsection (b) of this section to the extent that the proposed obligation has been justified to the Congress prior to the enactment of this subsection.

(d) Of the amount authorized to be appropriated in subsection (a) for the fiscal years 1976 and 1977, not less than \$12,000,000 for each such year shall constitute a contribution by the United States toward the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East, if the President determines that a reasonable number of other countries will contribute a fair share toward the settlement of such deficit within a reasonable period of time after the date of enactment of the International Security Assistance and Arms Export Control Act of 1976. In determining such fair share, the President shall take into consideration the economic position of each such country. Such \$24,000,000 shall be in addition to any other contribution to such Agency by the United States pursuant to any other provision of law.

(e) Funds made available under this section may be obligated without regard to the provisions of subsection (b) of this section for programs contained in the presentation materials submitted to Congress for the fiscal year 1977.

FOREIGN MILITARY SALES ACT

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 Military Sales Act"] the "Arms Export Control Act."

CHAPTER 1—FOREIGN AND NATIONAL SECURITY POLICY OBJECTIVES AND RESTRAINTS

SEC. 1. THE NEED FOR INTERNATIONAL DEFENSE COOPERATIVE AND MILITARY EXPORT CONTROLS.—As declared by the Congress in the Arms Control and Disarmament Act, an ultimate goal of the United States continues to be a world which is free from the scourge of war and the dangers and burdens of armaments; in which the use of force has been subordinated to the rule of law; and in which international adjustments to a changing world are achieved peacefully. In furtherance of that goal, it remains the policy of the United States to encourage regional arms control and disarmament agreements and to discharge arms races.

The Congress recognizes, however, that the United States and other free and independent countries continue to have valid requirements for effective and mutually beneficial defense relationships in order to maintain and foster the environment of international peace and security essential to social, economic, and political progress. Because of the growing cost and complexity of defense equipment, it is increasingly difficult and uneconomic for any country, particularly a developing country, to fill all of its legitimate defense requirements from its own design and production base. The need for international defense cooperation among the United States and those friendly countries to which it is allied by mutual defense treaties is especially important, since the effectiveness of their armed forces to act in concert to deter or defeat aggression is directly related to the operational compatibility of their defense equipment.

Accordingly, it remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistics support to achieve specific national defense requirements and objectives of mutual concern. To this end, this Act authorizes sales by the United States Government to friendly countries having sufficient wealth to maintain and equip their own military forces at adequate strength, or to assume progressively larger shares of the costs thereof, without undue burden to their economies, in accordance with the restraints and control measures specified herein and in furtherance of the security objectives of the United States and of the purposes and principles of the United Nations Charter.

It is the sense of the Congress that all such sales be approved only when they are consistent with the foreign policy interests of the United States, the purposes of the foreign assistance program of the United States as embodied in the Foreign Assistance Act of 1961, as amended, the extent and character of the military requirement, and the economic and financial capability of the recipient country, with particular regard being given, where appropriate, to proper balance among such sales, grant military assistance, and economic assistance as well as to the impact of the sales on programs of social and economic development and on existing or incipient arms races.

It is further the sense of Congress that sales and guaranties under sections 21, 22, 223, and 24, shall not be approved where they would

have the effect of arming military dictators who are denying the growth of fundamental rights or social progress to their own people:

Provided, That the President may waive this limitation when he determines it would be important to the security of the United States, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations in the Senate.

[In order to reduce the role of the United States Government in the furnishing of defense articles and defense services to foreign countries and international organizations, and return such transactions to commercial channels, the United States Government shall reduce its sales, credit sales, and guaranties of such articles, and defense services as soon as, and to the maximum extent, practicable.]

It shall be the policy of the United States to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war and to lessen the danger of outbreak of regional conflict and the burdens of armaments. United States programs for or procedures governing the export, sale, and grant of defense articles and defense services to foreign countries and international organizations shall be administered in a manner which will carry out this policy.

It is the sense of the Congress that the President should seek to initiate multilateral discussions for the purpose of reaching agreements among the principal arms suppliers and arms purchasers and other countries with respect to the control of the international trade in armaments. It is further the sense of Congress that the President should work actively with all nations to check and control the international sale and distribution of conventional weapons of death and destruction and to encourage regional arms control arrangements. In furtherance of this policy, the President should undertake a concerted effort to convene an international conference of major arms-supplying and arms-purchasing nations which shall consider measures to limit conventional arms transfers in the interest of international peace and stability.

SEC. 2. COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) Under the direction of the President, the Secretary of State, taking into account other United States activities abroad, such as military assistance, economic assistance, and food for freedom, shall be responsible for the continuous supervision and general direction of sales and exports under this Act, including, but not limited to, determining whether there shall be a sale to a country and the amount thereof, and whether there shall be delivery or other performance under such sale or export, to the end that sales and exports are integrated with other United States activities and the foreign policy of the United States is best served thereby.

* * * * *

SEC. 3. ELIGIBILITY.—(a) No defense article or defense service shall be sold by the United States Government under this Act to any country or international organization unless—

(1) the President finds that the furnishing of defense articles and defense services to such country or international organization

will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title to, or possession of, any defense article or related training or other defense service so furnished to it to anyone not an officer, employee, or agent of that country or international organization and not to use or permit the use of such article or related training or other defense service for purposes other than those for which furnished unless the consent of the President has first been obtained;

(3) the country or international organization shall have agreed that it will maintain the security of such article and will provide substantially the same degree of security protection afforded to such article by the United States Government; and

(4) the country or international organization is otherwise eligible to purchase defense articles or defense services.

In considering a request for approval of any transfer of any weapon, weapons system, munitions, aircraft, military boat, military vessel, or other implement of war to another country, the President shall not give his consent under paragraph (2) to the transfer unless the United States itself would transfer the defense article under consideration to that country [and prior to the date he intends to give his consent to the transfer, the President notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended consent, the justification for giving such consent, the defense article for which he intends to give his consent to be so transferred, and the foreign country to which that defense article is to be transferred]. In addition, the President shall not give his consent under paragraph (2) to the transfer of any significant defense articles on the United States Munitions List unless the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President. The President shall promptly submit a report to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate on the implementation of each agreement entered into pursuant to clause (2) of this subsection.

(e) The President may not give his consent under paragraph (2) of subsection (a) or under the third sentence of such subsection to a transfer of a defense article, or related training or other defense service, sold under this Act and may not give his consent to such a transfer under section 505(a)(1) or 505(a)(4) of the Foreign Assistance Act of 1961 unless, 30 days prior to giving such consent, the President submits to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate a written certification with respect to such proposed transfer containing—

(1) the name of the country or international organization proposing to make such transfer,

(2) a description of the defense article or related training or other defense service proposed to be transferred, including the original acquisition cost of such defense article or related training or other defense service,

(3) the name of the proposed recipient of such defense article or related training or other defense service,

(4) the reasons for such proposed transfer, and

(5) the date on which such transfer is proposed to be made

Any certification submitted to Congress pursuant to this subsection shall be unclassified, except that information regarding the dollar value and number of defense articles, or related training or other defense services, proposed to be transferred may be classified if public disclosure thereof would be clearly detrimental to the security of the United States.

(f) If the President receives any information that a transfer of any defense article, or related training or other defense service, has been made without his consent as required under this section or under section 505 of the Foreign Assistance Act of 1961, he shall report such information immediately to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

SEC. 5. PROHIBITION AGAINST DISCRIMINATION.—(a) It is the policy of the United States that no sales should be made, and no credits (including participations in credits) or guaranties extended to or for any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this Act on the basis of race, religion, national origin, or sex.

(b) (1) No agency performing functions under this Act shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(2) Each contract entered into by any such agency for the performance of any function under this Act shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(c) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any instance in which any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the performance of any sale or licensed transaction under this

Act. Such reports shall include (1) a description of the facts and circumstances of any such discrimination, (2) the response thereto on the part of the United States or any agency or employee thereof, and (3) the result of such response, if any.

* * * * *

CHAPTER 2—FOREIGN MILITARY SALES AUTHORIZATIONS

[SEC. 21. CASH SALES FROM STOCK.—The President may sell defense articles from the stocks of the Department of Defense and defense services of the Department of Defense to any friendly country or international organization if such country or international organization agrees to pay not less than the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed one hundred and twenty days after the delivery of the defense articles or the rendering of the defense services.]

SEC. 21. SALES FROM STOCKS. (a) The President may sell defense articles and defense services from the stocks of the Department of Defense to any eligible country or international organization if such country or international organization agrees to pay in United States dollars—

(1) in the case of a defense article not intended to be replaced at the time such agreement is entered into, not less than the actual value thereof;

(2) in the case of a defense article intended to be replaced at the time such agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or

(3) in the case of the sale of a defense service, the full cost to the United States Government of furnishing such service.

(b) Except as provided by subsection (d) of this subsection, payment shall be made in advance or, if the President determines it to be in the national interest, upon delivery of the defense article or rendering of the defense service.

(c) Personnel performing defense services sold under this Act may not perform any duties of a combatant nature, including any duties related to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of those defense services.

(d) If the President determines it to be in the national interest pursuant to subsection (b) of this section, billings for sales made under letters of offer issued under this section after the enactment of this subsection may be dated and issued upon delivery of the defense article or rendering of the defense service and shall be due and payable upon receipt thereof by the purchasing country or international organization. Interest shall be charged on any net amount due and payable which is not paid within sixty days after the date of such billing. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the billing and shall be computed from the date of billing. The Presi-

dent may extend such sixty-day period to one hundred and twenty days if he determines that emergency requirements of the purchaser for acquisition of such defense articles or defense services exceed the ready availability to the purchaser of funds sufficient to pay the United States in full for them within such sixty-day period and submits that determination to the Congress together with a special emergency request for the authorization and appropriation of additional funds to finance such purchases under this Act.

(e) (1) After September 30, 1976, letters of offer for the sale of defense articles or for the sale of defense services that are issued pursuant to this section or pursuant to section 22 of this Act shall include appropriate charges for—

(A) administrative services, calculated on an average percentage basis to recover the full estimated costs of administration of sales made under this Act to all purchasers of such articles and services;

(B) any use of plant and production equipment in connection with such defense articles; and

(C) a proportionate amount of any nonrecurring costs of research, development, and production of major defense equipment.

(2) The President may reduce or waive the charge or charges which would otherwise be considered appropriate under subparagraphs (1) (B) and (1) (C) for particular sales that would, if made, significantly advance United States Government interests in North Atlantic Treaty Organization standardization, or foreign procurement in the United States under coproduction arrangements.

(f) Any contracts entered into between the United States and a foreign country under the authority of this section or section 22 of this Act shall be prepared in a manner which will permit them to be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

(g) In carrying out section 814 of the Act of October 7, 1975 (Public Law 94-106), the President may enter into North Atlantic Treaty Organization standardization agreements for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each such agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate.

(h) (1) Sales of defense articles and defense services which could have significant adverse effect on the combat readiness of the Armed Forces of the United States shall be kept to an absolute minimum. The President shall transmit to the Speaker of the House of Representatives and the Committees on Armed Services and Foreign Relations of the Senate on the same day a written statement giving a complete explanation with respect to any proposal to sell, under this section, any defense articles or defense services if such sale could have a significant adverse effect on the combat readiness of the Armed Forces

of the United States. Each such statement shall be unclassified except to the extent that public disclosure of any item of information contained therein would be clearly detrimental to the security of the United States. Any necessarily classified information shall be confined to a supplemental report. Each such statement shall include an explanation relating to only one such proposal to sell and shall set forth—

(A) the country or international organization to which the sale is proposed to be made;

(B) the amount of the proposed sale;

(C) a description of the defense article or service proposed to be sold;

(D) a full description of the impact which the proposed sale will have on the Armed Forces of the United States; and

(E) a justification for such proposed sale, including a certification that such sale is important to the security of the United States.

A certification described in subparagraph (E) shall take effect on the date on which such certification is transmitted and shall remain in effect for not to exceed one year.

(2) No delivery may be made under any sale which is required to be reported under paragraph (1) of this subsection unless the certification required to be transmitted by paragraph (E) of paragraph (1) is in effect.

SEC. 22. PROCUREMENT FOR CASH SALES.—(a) Except as otherwise provided in this section, the President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale for United States dollars to any foreign country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due. Interest shall be charged on any net amount by which any such country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings, considered collectively. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

(b) The President may, [when he determines it to be in the national interest, accept a dependable undertaking of a foreign country or international organization with respect to any such sale, to make full payment within 120 days after delivery of the defense articles or the rendering of the defense services] if he determines it to be in the national interest, issue letters of offer under this section which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within one hundred and twenty days after the date of billing. This authority may be exercised, how-

ever, only if the President also determines that the emergency requirements of the purchaser for acquisition of such defense articles and services exceed the ready availability to the purchaser of funds sufficient to make payments on a defendable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under this Act. Appropriations available to the Department of Defense may be used to meet the payments required by the contracts for the procurement of defense articles and defense services and shall be reimbursed by the amounts subsequently received from the country or international organization to whom articles or services are sold.

SEC. 23. CREDIT SALES.—The President is authorized to finance procurements of defense articles and defense services by friendly foreign countries and international organizations on terms requiring the payment to the United States Government in United States dollars of—

(1) the value of such articles or services within a period not to exceed [ten] twelve years after the delivery of such articles or the rendering of such services; and

(2) interest on the unpaid balance of that obligation for payment of the value of such articles or services, at a rate equivalent to the current average interest rate, as of the last day of the month preceding the financing of such procurement, that the United States Government pays on outstanding marketable obligations of comparable maturity, unless the President certifies to Congress that the national interest requires a lesser rate of interest and states in the certification the lesser rate so required and the justification therefor.

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SEC. 25. ANNUAL ESTIMATE AND JUSTIFICATION FOR SALES PROGRAM.—(a) The President shall transmit to the Congress, as a part of the presentation materials for security assistance programs proposed for each fiscal year, a report which sets forth—

(1) an estimate of the amount of sales expected to be made to each country under sections 21 and 22 of this Act, including a detailed explanation of the foreign policy and United States national security considerations involved in expected sales to each country;

(2) an estimate of the amount of credits and guaranties expected to be extended to each country under sections 23 and 24 of this Act;

(3) a list of all findings which are in effect on the date of such transmission made by the President pursuant to section 3(a) (1) of this Act, together with a full and complete justification for each such finding, explaining how sales to each country with respect to while such finding has been made will strengthen the security of the United States and promote world peace; and

(4) an arms control impact statement for each purchasing country, including (A) an analysis of the relationship between expected sales to each country and arms control efforts relating to that country, and (B) the impact of such expected sales on the stability of the region that includes the purchasing country.



(b) Not later than thirty days following the receipt of a request made by the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives for additional information with respect to any estimate submitted pursuant to subsection (a), the President shall submit such information to such committee.

(c) The President shall make every effort to submit all of the information required by this section wholly in unclassified form. In the event the President submits any such information in classified form, he shall submit such classified information in an addendum and shall also submit simultaneously a detailed summary, in unclassified form, of such classified information.

* * * * *

CHAPTER 3—MILITARY EXPORT CONTROLS

SEC. 31. AUTHORIZATION AND AGGREGATE CEILING ON FOREIGN MILITARY SALES CREDITS.—(a) There is hereby authorized to be appropriated to the President to carry out this Act not to exceed [\$405,000,000 for the fiscal year 1975] \$1,039,000,000 for the fiscal year 1976 and not to exceed \$840,000,000 for the fiscal year 1977. Unobligated balances of funds made available pursuant to this section are hereby authorized to be continued available by appropriations legislation to carry out this Act.

(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act and of the principal amount of loans guaranteed pursuant to section 24(a) shall not exceed [\$872,500,000 for the fiscal year 1975 of which amount not less than \$300,000,000 shall be available to Israel only. Of the funds made available under subsection (a) of this section, \$100,000,000 shall first be obligated with respect to financing the procurement of defense articles and defense services by Israel under section 23 of this Act, except that Israel shall be released from contractual liability to repay the United States Government for the defense article and defense services so financed] \$2,374,700,000 for the fiscal year 1976, of which not less than \$1,500,000,000 shall be available only for Israel, and shall not exceed \$2,059,600,000 for the fiscal year 1977, of which not less than \$1,000,000,000 shall be available only for Israel.

(c) Funds made available for the fiscal years 1976 and 1977 under subsection (a) of this section shall be obligated to finance the procurement of defense articles and defense services by Israel on a long-term repayment basis either by the extensions of credits, without regard to the limitations contained in section 23, or by the issuance of guaranties under section 24. Repayment shall be in not less than twenty years, following a grace period of ten years on repayment of principal. Israel shall be released from one-half of its contractual liability to repay the United States Government with respect to defense articles and defense services so financed for each such year.

(d) The aggregate acquisition cost to the United States of excess defense articles ordered by the President in any fiscal year after fiscal year 1976 for delivery to foreign countries or international organizations under the authority of chapter 2 of part II of the Foreign Assistance Act of 1961 or pursuant to sales under this Act may not exceed

\$100,000,000 (exclusive of ships and their on-board stores and supplies transferred in accordance with law).

* * * * *

[SEC. 36. REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS.—

[(a) The President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate quarterly reports containing—

[(1) a listing of all letters of offer to sell any defense articles or services under this Act, if such offer has not been accepted or canceled;

[(2) a cumulative listing of all such letters of offer to sell that have been accepted during the fiscal year in which such report is submitted;

[(3) the cumulative dollar amounts, by foreign country and international organization, of credit sales under section 23 and guaranty agreements under section 24 made before the submission of such quarterly report and during the fiscal year in which such reported is submitted; and

[(4) projections of the cumulative dollar amounts, by foreign country and international organization, of credit sales under section 23 and guaranty agreements under section 24 to be made in the quarter of the fiscal year immediately following the quarter for which such report is submitted.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify (A) the foreign country or international organization to which the defense article or service is offered, (B) the dollar amount of the offer to sell under paragraph (1) or of the completed sale under paragraph (2), (C) a brief description of the defense article or service offered, (D) the United States armed force which is making the offer to sell, (E) the date of such offer, and (F) the date of any acceptance under paragraph (2).

[(b) In the case of any letter of offer to sell any defense articles or services under this Act for \$25,000,000 or more, before issuing such letter of offer the President shall submit to the Speaker of the House of Representatives and to the Chairman of the Committee on Foreign Relations of the Senate a statement with respect to such offer to sell containing the information specified in subparagraphs (A) through (E) in subsection (a). The letter of offer shall not be issued if the Congress, within twenty calendar days after receiving any such statement, adopts a concurrent resolution stating in effect that it objects to such proposed sale, unless the President in his statement certifies that an emergency exists which requires such sale in the national security interests of the United States.

[(c) Nothing in this section shall be construed as modifying in any way the provisions of section 414 of the Mutual Security Act of 1954, as amended, relating to munitions control.]

SEC. 36. REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS; CONGRESSIONAL ACTION.—(a) The President shall transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate not more than thirty days after the end of each quarter an unclassified report (ex-

cept that any material which was transmitted in classified form under subsection (b)(1) of this section may be contained in a classified addendum to such report, and any letter of offer referred to in paragraph (1) of this subsection may be listed in such addendum unless such letter of offer has been the subject of an unclassified certification pursuant to subsection (b)(1) of this section containing—

(1) a listing of all letters of offer to sell any major defense equipment to be sold for \$1,000,000 or more under this Act to each foreign country and international organization, by category, if such letters of offer have not been accepted or canceled;

(2) a listing of all such letters of offer that have been accepted during the fiscal year in which such report is submitted, together with the total value of all defense articles and defense services sold to each foreign country and international organization during such fiscal year;

(3) the cumulative dollar amounts, by foreign country and international organization, of sales credit agreements under section 23 and guaranty agreements under section 24 made during the fiscal year in which such report is submitted;

(4) a numbered listing of all licenses and approvals for the export to each foreign country and international organization during such fiscal year of commercially sold major defense equipment, by category, sold for \$1,000,000 or more, together with the total value of all defense articles and defense services so licensed for each foreign country and international organization, setting forth with respect to the listed major defense equipment—

(A) the items to be expected under the license,

(B) the quantity and contract price of each such item to be furnished, and

(C) the name and address of the ultimate user of each such item;

(5) projections of the dollar amounts, by foreign country and international organization, of cash sales expected to be made under section 21 and 22, credits to be extended under section 23, and guaranty agreements to be made under section 24 in the quarter of the fiscal year immediately following the quarter for which such report is submitted;

(6) a project with respect to all cash sales expected to be made and credits expected to be extended to each country and organization for the remainder of the fiscal year in which such report is transmitted;

(7) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of sales and commercial exports under this Act;

(8) a description of each payment, contribution, gift, commission or fee reported to the Secretary of State under subsection (c), including (A) the name of the person who made such payment, contribution, gift, commission or fee; (B) the name of any sales agent or other person to whom such payment, contribution, gift, commission or fee was paid; (C) the date and amount of such payment, contribution, gift, commission or fee; (D) a description of the sale in connection with which such payment, contribution, gift,

commission or fee was paid; and (E) the identification of any business information considered confidential by the person submitting it which is included in the report; and

(9) an analysis and description of the services being performed by officers and employees of the United States Government under section 21(a) of this Act, including the number of personnel so employed.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify (i) the foreign country or international organization to which the defense article or service is offered or was sold, as the case may be; (ii) the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold, as the case may be; (iii) a description of the defense article or service offered or sold, as the case may be; and (iv) the United States Armed Force or other agency of the United States which is making the offer to sell or the sale, as the case may be.

(b)(1) In the case of any letter of offer to sell any defense articles or services under this Act for \$25,000,000 or more, or any major defense equipment for \$7,000,000 or more, before such letter of offer is issued, the President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a numbered certification with respect to such offer to sell containing the information specified in clauses (i) through (iv) of subsection (a) and a description, containing the information specified in paragraph (8) of subsection (a), of any contribution, gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such letter of offer. In addition, the President shall, upon the request of such committee or the Committee on International Relations of the House of Representatives, transmit promptly to both such committees a statement setting forth, to the extent specified in such request—

(A) a detailed description of the defense articles or services to be offered, including a brief description of the capabilities of any defense article to be offered;

(B) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

(C) the name of each contractor expected to provide the defense article or defense service proposed to be sold (if known on the date of transmittal of such report);

(D) an analysis of the arms control impact pertinent to such offer to sell, prepared in consultation with the Secretary of Defense;

(E) the reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles or services which are the subject of such sale and a description of how such country or organization intends to use such defense articles or services;

(F) an analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

(G) the reasons why the proposed sale is in the national interest of the United States;

(H) an analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

(I) an analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles or services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles or services;

(J) an estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles or services proposed to be sold;

(K) an analysis of the extent to which comparable kinds and amounts of defense articles or services are available from other countries; and

(L) an analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles or services which are the subject of such sale would be delivered.

A certification transmitted pursuant to this subsection shall be unclassified, except that the information specified in clause (ii) and the details of the description specified in clause (iii) of subsection (a) may be classified if the public disclosure thereof would be clearly detrimental to the security of the United States. The letter of offer shall not be issued if the Congress, within thirty calendar days after receiving such certification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the United States.

(2) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(3) For the purpose of expediting the consideration and adoption of concurrent resolutions under this subsection, a motion to proceed to the consideration of any such resolution after it has been reported by the appropriate committee shall be treated as highly privileged in the House of Representatives.

(c) (1) In accordance with such regulations as he may prescribe, the Secretary of State shall require adequate and timely reporting on political contributions, gifts, commissions and fees paid, or offered or agreed to be paid, by any person in connection with—

(A) sales of defense articles or defense services under section 22 of this Act; or

(B) commercial sales of defense articles or defense services licensed or approved under section 38 of this Act;

to or for the armed forces of a foreign country or international organization in order to solicit, promote, or otherwise to secure the conclusion of such sales. Such regulations shall specify the amounts and the kinds of payments, offers, and agreements to be reported, and the form and timing of reports, and shall require reports on the names of sales agents and other persons receiving such payments. The Secre-

tary of State shall by regulation require such recordkeeping as he determines is necessary.

(2) The President may, by regulation, prohibit, limit, or prescribe conditions with respect to such contributions, gifts, commissions, and fees as he determines will be in furtherance of the purposes of this Act.

(3) No such contribution, gift, commission, or fee may be included, in whole or in part, in the amount paid under any procurement contract entered into under section 22 of this Act, unless the amount thereof is reasonable, allocable to such contract, and not made to a person who has solicited, promoted, or otherwise secured such sale, or has held himself out as being able to do so, through improper influence. For the purposes of this subsection, "improper influence" means influence, direct or indirect, which induces or attempts to induce consideration or action by any employee or officer of a purchasing foreign government or international organization with respect to such purchase on any basis other than such consideration of merit as are involved in comparable United States procurements.

(4) (A) All information reported to the Secretary of State and all records maintained by any person pursuant to regulations prescribed under this subsection shall be available, upon request, to any standing committee of the Congress or any subcommittee thereof and to any agency of the United States Government authorized by law to have access to the books and records of the person required to submit reports or to maintain records under this subsection.

(B) Access by an agency of the United States Government to records maintained under this subsection shall be on the same terms and conditions which govern the access by such agency to the books and records of the person concerned.

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SEC. 38. CONTROL OF ARMS EXPORTS AND IMPORTS.—(a) (1) In furtherance of world peace and the security and foreign policy of the United States, the President is authorized to control the import and the export of defense articles and defense services and to provide foreign policy guidance to persons of the United States involved in the export and import of such articles and services. The President is authorized to designate these items which shall be considered as defense articles and defense services for the purposes of this section and to promulgate regulations for the import and export of such articles and services. The items so designated shall constitute the United States Munitions List.

(2) Decisions on issuing export licenses under this section shall be made in coordination with the Director of the United States Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

(b) (1) As prescribed in regulations issued under this section, every person (other than an officer or employee of the United States Government acting in an official capacity) who engages in the business of manufacturing, exporting, or importing any defense articles or defense services designated by the President under subsection (a) (1) shall register with the United States Government agency charged with the

administration of this section, and shall pay a registration fee which shall be prescribed by such regulations. Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

(2) Except as otherwise specifically provided in regulations issued under subsection (a) (1), no defense articles or defense services designated by the President under subsection (a) (1) may be exported or imported without a license for such export or import, issued in accordance with this Act and regulations issued under this Act, except that no license shall be required for exports or imports made by or for an agency of the United States Government (A) for official use by a department or agency of the United States Government, or (B) for carrying out any foreign assistance or sales program authorized by law and subject to the control of the President by other means.

(3) No license may be issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this Act.

(c) Any person who willfully violates any provision of this section or section 36(c), or any rule or regulation issued under either section, or who willfully, in a registration or license application or required report, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$100,000 or imprisoned not more than two years, or both.

(d) This section applies to and within the Canal Zone.

(e) In carrying out functions under this section with respect to the export of defense articles and defense services, the President is authorized to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by sections 6(c), (d), (e), and (f), and 7(a) and (c) of the Export Administration Act of 1969, subject to the same terms and conditions as are applicable to such powers under such Act. Nothing in this subsection shall be construed as authorizing the withholding of information from the Congress.

SEC. 39. ANNUAL CEILING ON ARMS SALES.—(a) The aggregate value of defense articles and defense services—

(1) which are sold under section 21 or section 22 of this Act;

or
(2) which are licensed or approved for export under section 38 of this Act to, for the use, or for benefit of the armed forces, police, intelligence, or other internal security forces of a foreign country or international organization under a commercial sales contract;

may not exceed \$9,000,000,000 in any fiscal year in constant 1975 dollars, which ceiling shall be calculated by the President quarterly to conform to changes in the Unit Value Index of United States domestic exports of finished manufactures and reported to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate. The President may waive such limitation with respect to such defense articles and services as he determines and certifies to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate are required to be furnished in the national security interests of the United States. Such determinations and certifications shall be made on a case-by-case basis. For the purposes of this subsection, the value of defense articles and defense services is the contract price for such articles or services as of the date on which the contract under which they are sold is entered into in the case of a contract of sale under this Act or as of the date of licensing or approval for export in the case of a commercial sales contract.

(b) In implementing the requirements of subsection (a), the President may, subject to such requirements as the Congress may by law prescribe, establish such arms sales quotas for countries and regions, and for sales under this Act and commercial exports licensed or approved under this Act, as he deems appropriate.

(c) In computing the aggregate value of defense articles and defense services sold or licensed or approved in a fiscal year for purposes of the ceiling established by subsection (a) of this section and for purposes of any quotas established under subsection (b) of this section, the following shall be excluded:

(1) The value of any defense articles or defense services which are not actually furnished.

(2) The value of any defense articles or defense services which are the subject of a replacement sales contract which is entered into in substitution for a contract described in subsection (a) (1) of this section, or in substitution for a contract for which there was a license or approval described in subsection (a) (2) of this section, to the extent that such value was previously included in the computations under this section.

(d) Any person who, with intent to avoid a limitation or prohibition with respect to a ceiling or quota established by or under this section, exports or attempts to export any defense articles or defense service without a license or approval required under section 38 of this Act, shall, in addition to any penalty prescribed under section 38, upon conviction be fined not more than \$25,000 or imprisoned not more than two years, or both.

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CHAPTER 4—GENERAL, ADMINISTRATIVE, AND MISCELLANEOUS PROVISIONS

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SEC. 42. GENERAL PROVISIONS.—(a)

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(e) (1) Each contract for sale entered into under section 21 and 22 of this Act shall provide that such contract may be canceled in whole or in part, or its execution suspended, by the United States at any time

under unusual or compelling circumstances if the national interest so requires.

(2) (A) Each export license issued under section 38 of this Act shall provide that such license may be revoked, suspended, or amended by the Secretary of State, without prior notice, whenever the Secretary deems such action to be advisable.

(B) Nothing in this paragraph may be construed as limiting the regulatory authority of the President under this Act.

(3) There are authorized to be appropriated from time to time such sums as may be necessary (A) to refund moneys received from purchasers under contracts of sale entered into under section 21 and 22 of this Act that are canceled or suspended under this subsection to the extent such moneys have previously been disbursed to private contractors and United States Government agencies for work in progress, and

(B) to pay such damages and costs that accrue from the corresponding cancellation or suspension of the existing procurement contracts or United States Government agency work orders involved.

(f) The President shall, to the maximum extent possible and consistent with the purposes of this Act, use civilian contract personnel in any foreign country to perform defense services sold under this Act.

SEC. 43. ADMINISTRATIVE EXPENSES.—(a) Funds made available under other law for the operations of United States Government agencies carrying out functions under this Act shall be available for the administrative expenses incurred by such agencies under this Act.

(b) Administrative expenses incurred by any department or agency of the United States Government (including any mission or group) in carrying out functions under this Act which are primarily for the benefit of any foreign country shall be fully reimbursed from amounts received for sales under section 21 and 22.

SEC. 47. DEFINITIONS.—For purposes of this Act, the term—

(1) "excess defense article" has the meaning provided by section 644 (g) of the Foreign Assistance Act of 1961; [and]

(2) "value" means, in the case of an excess defense article, not less than the greater of—

(A) the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying such article, plus the scrap value; or

(B) the market value, if ascertainable[.];

(3) "defense article", except as provided in paragraph (7) of this section, includes—

(A) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war,

(B) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance,

(C) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this paragraph, and

(D) any component or part of any article listed in this paragraph,

but does not include merchant vessels or (as defined by the Atomic Energy Act of 1954) source material, byproduct material, special nu-

clear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data;

(4) "defense service", except as provided in paragraph (7) of this section, includes any service, test, inspection, repair, training, publication, technical or other assistance, or defense information (as defined in section 644 (c) of the Foreign Assistance Act of 1961), used for the purposes of furnishing military assistance;

(5) "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, or contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces;

(6) "major defense equipment" means any item of significant combat equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000; and

(7) "defense articles and defense services" means, with respect to commercial exports subject to the provisions of section 38 of this Act, those items designated by the President pursuant to subsection (a) (1) of such section.

AN ACT TO AMEND THE FOREIGN MILITARY SALES ACT AND FOR OTHER PURPOSES

SEC. 8. [(a) Subject to the provisions of subsection (b), the value of any excess defense article granted to a foreign country or international organization by any department, agency, or independent establishment of the United States Government (other than the Agency for International Development) shall be considered to be an expenditure made from funds appropriated under the Foreign Assistance Act of 1961 for military assistance. Unless such department, agency, or establishment certifies to the Comptroller General of the United States that the excess defense article it is ordering is not to be transferred by any means to a foreign country or international organization, when an order is placed for a defense article whose stock status is excess at the time ordered, a sum equal to the value thereof shall (less amounts to be transferred under section 632 (d) of the Foreign Assistance Act of 1961) (1) be reserved and transferred to a suspense account, (2) remain in the suspense account until the excess defense article is either delivered to a foreign country or international organization or the order therefor is cancelled, and (3) be transferred from the suspense account to (A) the general fund of the Treasury upon delivery of such article, or (B) to the military assistance appropriation for the current fiscal year upon cancellation of the order. Such sum shall be transferred to the military assistance appropriation for the current fiscal year upon delivery of such article if at the time of delivery the stock status of the article is determined, in accordance with section 644 (g) and (m) of the Foreign Assistance Act of 1961, to be nonexcess.

[(b) In the case of excess defense articles which are generated abroad, the provisions of subsection (a) shall apply during any fiscal year only to the extent that the aggregate value of excess defense articles ordered during that year exceeds \$100,000,000.

[(c) For purposes of this section, the term "value" has the same meaning as given it in section 644(m) of the Foreign Assistance Act of 1961; except that for any excess defense article such term shall not include a value for any such article which is less than 33 $\frac{1}{3}$ percent of the amount the United States paid for such article when the United States acquired it.]

(d) The President shall promptly and fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each decision to furnish on a grant basis to any country excess defense articles which are major weapons systems to the extent such major weapons system was not included in the presentation material previously submitted to the Congress. Additionally, the President shall also submit a quarterly report to the Congress listing by country the total value of all deliveries of excess defense articles, disclosing both the aggregate original acquisition cost and the aggregate value at the time of delivery.

[(e) Except for excess defense articles granted under part II of the Foreign Assistance Act of 1961, the provisions of this section shall not apply to any excess defense article granted to South Vietnam prior to July 1, 1972.]

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SECTION 414 OF THE MUTUAL SECURITY ACT OF 1954

[SEC. 414. MUNITIONS CONTROL.—(a) The President is authorized to control, in furtherance of world peace and the security and foreign policy of the United States, the export and import of arms, ammunition, and implements of war, including technical data relating thereto, other than by a United States Government agency. The President is authorized to designate those articles which shall be considered as arms, ammunition, and implements of war, including technical data relating thereto, for the purposes of this section.

[(b) As prescribed in regulations issued under this section, every person who engages in the business of manufacturing, exporting, or importing any arms, ammunition, or implements of war, including technical data relating thereto, designated by the President under subsection (a) shall register with the United States Government agency charged with the administration of this section, and, in addition, shall pay a registration fee which shall be prescribed by such regulations. Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance program of the United States, whether or not advanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

[(c) Any person who willfully violates any provision of this section or any rule or regulation issued under this section, or who willfully, in a registration or license application, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$25,000 or imprisoned not more than two years, or both.

[(d) This section applies to and within the Canal Zone.

[(e) Licenses issued for the export of articles on the United States Munitions List in excess of \$100,000 shall be reported promptly to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, which report shall contain—

- [(1) the items to be exported under the license;
- [(2) the quantity of each such item to be furnished;
- [(3) the name and address of the consignee and of the ultimate user of each such item; and
- [(4) an injunction whenever appropriate, concerning the necessity to protect the confidentiality of the information provided.

[(f) Decisions on issuing licenses for the export of articles on the United States munitions list shall be made in coordination with the Director of the United States Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak, or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.]

SECTION 320 OF THE INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975

[LIMITATION ON ASSISTANCE TO CHILE

[SEC. 320. Notwithstanding any other provision of law, the total amount of economic assistance (including but not limited to housing guaranties and sales under title I of the Agricultural Trade Development and Assistance Act of 1954) that may be made available to Chile may not exceed \$90,000,000 during the fiscal year 1976.]

LIMITATION ON ECONOMIC ASSISTANCE FOR CHILE

SEC. 320. (a) Notwithstanding any other provision of law, the total amount of economic assistance which may be made available for Chile during the fiscal year 1976 may not exceed \$90,000,000 and during the period beginning July 1, 1976, and ending September 30, 1977, may not exceed \$25,000,000. For purposes of this section, economic assistance includes any assistance of any kind which is provided, directly or indirectly, to or for the benefit of Chile by any department, agency, or other instrumentality of the United States Government (other than assistance provided under chapter 2, 4, or 5 of part II of the Foreign Assistance Act of 1961 or credits or guaranties extended under the Arms Export Control Act), but does not include commodities furnished under title II of the Agricultural Trade Development and Assistance Act of 1954.

(b) This section shall not be construed to authorize the furnishing of any assistance which is prohibited under any other provision of law.

FOREIGN ASSISTANCE ACT OF 1974

* * * * *

【POLICY WITH RESPECT TO INDOCHINA

【SEC. 34. (a) The Congress finds that the cease-fire provided for in the Paris Agreement on Ending the War and Restoring Peace in Vietnam has not been observed by any of the Vietnamese parties to the conflict. Military operations of an offensive and defensive nature continue throughout South Vietnam. In Cambodia, the civil war between insurgent forces and the Lon Nol government has intensified, resulting in widespread human suffering and the virtual destruction of the Cambodian economy.

【(b) The Congress further finds that continuation of the military struggles in South Vietnam and Cambodia are not in the interest of the parties directly engaged in the conflicts, the people of Indochina or world peace. In order to lessen the human suffering in Indochina and to bring about a genuine peace there, the Congress urges and requests the President and the Secretary of State to undertake the following measures:

【(1) to initiate negotiations with representatives of the Soviet Union and the People's Republic of China to arrange a mutually agreed-upon and rapid de-escalation of military assistance on the part of the three principal suppliers of arms and material to all Vietnamese and Cambodian parties engaged in conflict;

【(2) to urge by all available means that the Government of the Khmer Republic enter in negotiations with representatives of the Khmer Government of National Union for the purpose of arranging an immediate cease-fire and political settlement of the conflict; and to use all available means to establish contact with the Khmer Government of National Union, and to urge them to participate in such negotiations. The United States should urge all Cambodian parties to use the good offices of the United Nations or a respected third country for the purpose of bringing an end to hostilities and reaching a political settlement;

【(3) to utilize any public or private forum to negotiate directly with representatives of the Democratic Republic of Vietnam, the Provisional Revolutionary Government, and the Republic of Vietnam to seek a new cease-fire in Vietnam and full compliance with the provisions of the Paris Agreement on Ending the War and Restoring Peace in Vietnam, including a full accounting for Americans missing in Indochina;

【(4) to reconvene the Paris Conference to seek full implementation of the provisions of the Agreement of January 27, 1973, on the part of all Vietnamese parties to the conflict; and

【(5) to maintain regular and full consultation with the appropriate committees of the Congress and report to the Congress and the Nation at regular intervals on the progress toward obtaining a total cessation of hostilities in Indochina and a mutual reduction of military assistance to that area.

【PRINCIPLES GOVERNING ECONOMIC AID TO INDOCHINA

【SEC. 35. (a) Congress calls upon the President and Secretary of State to take the following actions designed to maximize the benefit of United States economic assistance:

【(1) to organize a consortium to include multilateral financial institutions to help plan for Indochina reconstruction and development; to coordinate multilateral and bilateral contributions to the area's economic recovery; and to provide continuing advice to the recipient nations on the use of their own and outside resources;

【(2) to develop, in coordination with the recipient governments, other donors, and the multilateral financial institutions, a comprehensive plan for Indochina reconstruction and economic development;

【(3) to develop country-by-country reconstruction and development plans, including detailed plans for the development of individual economic sectors, that can be used to identify and coordinate specific economic development projects and programs and to direct United States resources into areas of maximum benefits;

【(4) to shift the emphasis of United States aid programs from consumption-oriented expenditures to economic development;

【(5) to identify possible structural economic reforms in areas such as taxation, exchange rates, savings mechanisms, internal pricing, income distribution, land tenure, budgetary allocations and corruption, which should be undertaken if Indochinese economic development is to progress;

【(6) to include in Indochina economic planning and programing specific performance criteria and standards which will enable the Congress and the executive branch to judge the adequacy of the recipient's efforts and to determine whether, and what amounts of, continued United States funding is justified; and

【(7) to provide humanitarian assistance to Indochina wherever practicable under the auspices of and by the United Nations and its specialized agencies, other international organizations or arrangements, multilateral institutions, and private voluntary agencies with a minimum presence and activity of United States Government personnel.

【(b) This section shall not be construed to imply continuation of United States financial commitment beyond the authorization provided for in this Act or amendments made by this Act.

【INDOCHINA POSTWAR RECONSTRUCTION

【SEC. 36. (a) There are authorized to be appropriated to the President to furnish assistance for the relief and reconstruction of South Vietnam, Cambodia, and Laos, in addition to funds otherwise available for such purposes, for the fiscal year 1975 not to exceed \$617,000,000. Of the amount appropriated for fiscal year 1975—

【(1) \$449,900,000 shall be available only for the relief and reconstruction of South Vietnam in accordance with section 38 of this Act;

[(2) \$100,000,000 shall be available only for the relief and reconstruction of Cambodia in accordance with section 39 of this Act;

[(3) \$40,000,000 shall be available only for the relief and reconstruction of Laos in accordance with section 40 of this Act;

[(4) \$4,100,000 shall be available only for the regional development program;

[(5) \$16,000,000 shall be available only for support costs for the agency primarily responsible for carrying out this part; and

[(6) \$7,000,000 shall be available only for humanitarian assistance through international organizations.

Such amounts are authorized to remain available until expended.

[(b) The authority of section 610(a) of the Foreign Assistance Act of 1961 may not be used in fiscal year 1975 to transfer funds made available for any provision of such Act of 1961 into funds made available for part V of such Act for South Vietnam, Cambodia, or Laos under this section.

[(c) No assistance may be provided to South Vietnam, Cambodia, or Laos in fiscal year 1975 under part I (including chapter 4 of part II) of the Foreign Assistance Act of 1961. This prohibition may not be waived under section 614(a) of such Act of 1961 or any other provision of law.

[(d) Notwithstanding subsection (b) of this section, funds made available under any provision of this or any other law for the purpose of providing military assistance for South Vietnam, Laos, or Cambodia during fiscal year 1975 may be transferred to, and consolidated with, any funds made available to that country for war relief, reconstruction, or general economic development, if such transfer does not result in a greater amount than is allocated for such country under paragraph (1), (2), or (3) of subsection (a).

[(e) To the extent not inconsistent with the provisions of this Act, all prohibitions, restrictions, limitations, and authorities contained in the Foreign Assistance Act of 1961 which are applicable to part V of such Act of 1961 shall apply with respect to the assistance authorized by this section.

[ASSISTANCE TO SOUTH VIETNAMESE CHILDREN

[SEC. 37. (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, orphanages, 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 are orphaned or abandoned, or whose parents or sole surviving parent, as the case may be, has irrevocably relinquished all parental rights, particularly children fathered by United States citizens.

[(b) The President is, therefore, authorized to provide assistance, on terms and conditions he considers appropriate, for the purposes described in clauses (1) and (2) of subsection (a) of this section. Of the funds appropriated pursuant to section 36(a) of this Act, \$10,000,000, or its equivalent in local currency, shall be available until

expended solely to carry out this section. Not more than 10 per centum of the funds made available to carry out this section may be expended for the purposes referred to in clause (2) of subsection (a). Assistance provided under this section shall be furnished, to the maximum extent practicable, under the auspices of and by international agencies or private voluntary agencies.

[LIMITATIONS WITH RESPECT TO SOUTH VIETNAM

[SEC. 38. (a) The \$449,900,000 made available in accordance with section 36(a) (1) of this Act shall be allocated as follows:

[(1) \$90,000,000 for humanitarian assistance, of which there shall be available—

[(A) \$70,000,000 for refugee relief;

[(B) \$10,000,000 for child care; and

[(C) \$10,000,000 for health care;

[(2) \$154,500,000 for agricultural assistance, of which there shall be available—

[(A) \$85,000,000 for fertilizer;

[(B) \$12,000,000 for POL for agriculture);

[(C) \$6,000,000 for insecticides and pesticides;

[(D) \$10,000,000 for agricultural machinery and equipment (including spare parts);

[(E) \$3,500,000 for agricultural advisory services;

[(F) \$20,000,000 for rural credit;

[(G) \$10,000,000 for canal dredging;

[(H) \$4,000,000 for low-lift pumps; and

[(I) \$4,000,000 for fish farm development;

[(3) \$139,800,000 for industrial development assistance of which there shall be available—

[(A) \$124,000,000 for commodities;

[(B) \$10,000,000 for industrial credit; and

[(C) \$5,800,000 for industrial advisory services (including feasibility studies);

[(4) \$65,600,000 for miscellaneous assistance, of which there shall be available—

[(A) \$47,900,000 for the service sector (including POL, machinery equipment, and spare parts); and

[(B) \$17,700,000 for technical services and operating expenses.

[(b) (1) No funds made available in accordance with section 36(a) (1) may be transferred to, or consolidated with, the funds made available for military assistance, nor may more than 20 per centum of the funds made available under paragraph (1), (2), (3), or (4) of subsection (a) of this section be transferred to, or consolidated with, the funds made available under any other such paragraph.

[(2) Whenever the President determines it to be necessary in carrying out this section, any funds made available under any subparagraph of paragraph (1), (2), (3), or (4) of subsection (a) of this section may be transferred to, and consolidated with, the funds made available under any other subparagraph of that same paragraph.

[(3) The President shall fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate



of each transfer he intends to make under paragraph (1) or (2) of this subsection prior to making such transfer.

[(c) No funds may be obligated for any of the purposes described in subsection (a) of this section in, to, for, or on behalf of South Vietnam in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(d) After the date of enactment of this section, whenever any request is made to the Congress for the appropriation of funds for use in, to, for, or on behalf of South Vietnam for any fiscal year the President shall furnish a written report to the Congress explaining the purpose for which such funds are to be used in such fiscal year.

[(e) The President shall submit to the Congress within thirty days after the end of each quarter of each fiscal year, beginning with the fiscal year which begins July 1, 1974, a written report showing the total amount of funds obligated in, to, for, or on behalf of South Vietnam during the preceding quarter by the United States Government, and shall include in such report a general breakdown of the total amount obligated, describing the different purposes for which such funds were obligated and the total amount obligated for such purpose.

[(f) (1) Effective six months after the date of enactment of this section the total number of civilian officers and employees, including contract employees, of executive agencies of the United States Government who are citizens of the United States and of members of the Armed Forces of the United States present in South Vietnam shall not at any one time exceed four thousand, not more than two thousand five hundred of whom shall be members of such armed forces and direct hire and contract employees of the Department of Defense. Effective one year after the date of enactment of this section, such total number shall not exceed at any one time three thousand, not more than one thousand five hundred of whom shall be members of such armed forces and direct hire and contract employees of the Department of Defense.

[(2) Effective six months after the date of enactment of this section, the United States shall not, at any one time, pay in whole or in part, directly or indirectly, the compensation or allowances of more than eight hundred individuals in South Vietnam who are citizens of countries other than South Vietnam or the United States. Effective one year after the date of enactment of this section, the total number of individuals whose compensation or allowance is so paid shall not exceed at any one time five hundred.

[(3) For purposes of this subsection, "executive agency of the United States Government" means any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment within the executive branch of the United States Government.

[(4) This subsection shall not be construed to apply with respect to any individual in South Vietnam who (A) is an employee or volunteer worker of a voluntary private, nonprofit relief organization or is an employee or volunteer worker of the International Commit-

tee of the Red Cross, and (B) engages only in activities providing humanitarian assistance in South Vietnam.

[(g) This section shall not be construed as a commitment by the United States to South Vietnam for its defense.

[(LIMITATIONS WITH RESPECT TO CAMBODIA

[(SEC. 39. (a) Section 655 of the Foreign Assistance Act of 1961 is amended as follows:

[(1) by striking out "\$341,000,000" in subsection (a) and inserting "\$377,000,000" in lieu thereof.

[(2) by striking out "1972" in subsection (a) and inserting "1975. Of that sum, there shall be available no more than \$200,000,000 for military assistance. In addition to such \$377,000,000, defense articles and services may be ordered under section 506 of this Act for Cambodia in an amount not to exceed \$75,000,000 in fiscal year 1975." in lieu thereof.

[(3) by striking out "\$341,000,000" in subsection (b) and inserting "\$377,000,000" in lieu thereof.

[(4) by striking out "1872" in subsection (b) and inserting "1975" in lieu thereof.

[(b) Section 656 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following sentence: This section shall not be construed to apply with respect to any individual in Cambodia who (A) is an employee or volunteer worker of a voluntary private, nonprofit relief organization or is an employee or volunteer worker of the International Committee of the Red Cross, and (B) engages only in activities providing humanitarian assistance in Cambodia.

[(c) The \$100,000,000 made available in accordance with section 36(a)(2) of this Act shall be allocated as follows:

[(1) \$20,000,000 for humanitarian assistance;

[(2) \$63,000,000 for commodity import assistance;

[(3) \$15,000,000 for multilateral stabilization assistance; and

[(4) \$2,000,000 for technical support and participation training.

[(d) No funds made available in accordance with section 36(a)(2) may be transferred to, or consolidated with, the funds allocated for military assistance to Cambodia under section 655(a) of the Foreign Assistance Act of 1961, nor may more than 20 per centum of the funds made available under any paragraph of subsection (c) of this section be transferred to, or consolidated with, the funds made available under any other such paragraph.

[(e) No funds may be obligated for any of the purposes described in section 655(a) of the Foreign Assistance Act of 1961 in, to, for, or on behalf of Cambodia in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(f) This section shall not be construed as a commitment by the United States to Cambodia for its defense.

[LIMITATIONS WITH RESPECT TO LAOS

[SEC. 40. (a) Notwithstanding any other provision of law, no funds authorized to be appropriated by this or any other law may be obligated in any amount in excess of \$70,000,000 during the fiscal year ending June 30, 1975, for the purpose of carrying out directly or indirectly any economic or military assistance, or any operation, project, or program of any kind, or for providing any goods, supplies, materials, equipment, services, personnel, or advisers in, to, for, or on behalf of Laos. Of that amount, there shall be available—

[(1) \$30,000,000 for military assistance; and

[(2) \$40,000,000 only for economic assistance, of which there shall be available—

[(A) \$11,000,000 for humanitarian assistance;

[(B) \$6,500,000 for reconstruction and development assistance;

[(C) \$16,100,000 for stabilization assistance; and

[(D) \$6,400,000 for technical support.

[(b) No funds made available under paragraph (2) of subsection (a) of this section may be transferred to, or consolidated with, the funds made available under paragraph (1) of such subsection, nor may more than 20 per centum of the funds made available under any subparagraph of paragraph (2) be transferred to, or consolidated with, the funds made available under any other such subparagraph.

[(c) In computing the limitations on obligation authority under subsection (a) of this section with respect to such fiscal year, there shall be included in the computation the value of any goods, supplies, materials, equipment, services, personnel, or advisers provided, to, for, or on behalf of Laos in such fiscal year by gift, donation, loan, lease or otherwise. For the purpose of this subsection, "value" means the fair market value of any goods, supplies, materials, or equipment provided to, for, or on behalf of Laos but in no case less than 33 $\frac{1}{3}$ per centum of the amount the United States paid at the time such goods, supplies, materials, or equipment were acquired by the United States.

[(d) No funds may be obligated for any of the purposes described in subsection (a) of this section in, to, for, or on behalf of Laos in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(e) After the date of enactment of this section, whenever any request is made to the Congress for the appropriation of funds for use in, to, for, or on behalf of Laos, for any fiscal year, the President shall furnish a written report to the Congress explaining the purpose for which such funds are to be used in such fiscal year.

[(f) The President shall submit to the Congress within thirty days after the end of each quarter of each fiscal year beginning with the fiscal year which begins July 1, 1974, a written report showing the total amount of funds obligated in, to, for, or on behalf of Laos during the preceding quarter by the United States Government and shall include in such report a general breakdown of the total amount obli-

gated, described the different purposes for which such funds were obligated and the total amount obligated for such purpose.

[(g) This section shall not be construed as a commitment by the United States to Laos for its defense.]

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SUPPLEMENTAL VIEWS OF HON. EDWARD J. DERWINSKI

This bill was made necessary by the President's veto of S. 2662, which severely obstructed his ability to exercise his constitutional responsibility for the conduct of foreign affairs. The congressional leadership clearly recognized the correctness of the President's position since no attempt was made to override his veto.

However, members of the International Relations Committee could not resist the temptation to play games with the compromise bill. As a result, certain obvious defects are contained in the bill that is before us:

KOREA

An amendment by Mr. Fraser was adopted that placed an overall ceiling of \$290 million on all military assistance and FMS credit sales to Korea for the period of July 1, 1975—September 30, 1977. This is a 40-percent reduction in the amount requested and would significantly delay the time when Republic of Korea (ROK) forces can reach military self-sufficiency.

Since our objective in Korea is to help the ROK forces reach self-sufficiency, the amendment is totally at odds with reality. We cannot expect them to become self-sufficient militarily if cuts of this magnitude are inflicted.

Before the President of the Republic of Korea is punished because he has not placed certain members' concepts of political structure ahead of his concern for national survival, we must remember that South Korea is on the firing line.

Need anyone be reminded that South Korea has been invaded by the North Korean Communists? And the North Korean dictator, Kim Il Sung, regularly threatens to again invade the South. Next to Israel, no other nation lives under such a constant barrage of verbal abuse and threat of armed aggression.

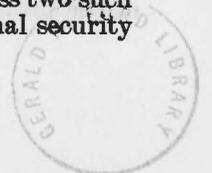
So it is not without reason that South Korean officials are a bit more nervous than, for example, the Government of the Bahamas.

It's also easy to forget the threat to Japan of a deterioration in U.S.-Korean relations and what this could mean to the defense of an unarmed Japan already subject to a tug of war between Red China and the Soviet Union.

It isn't just a matter of "sending a message to President Park." It's a bit more complicated. We might ask ourselves what message (or signal) this amendment will send to that great democratic leader of the Democratic People's Republic of Korea—Kim Il Sung.

ARMS SALES

While the committee in its wisdom exercised certain concurrent resolution provisions of dubious constitutionality, it did miss two such provisions which affect our ability to meet our own national security



interests through arms sales or grant assistance to our friends and allies.

Since presumably, we no longer believe in a "Fortress America" and recognize that our front lines extend beyond our own borders, surely in selling arms we should consider what is in our own security interests as well as the question of whether our allies wear white hats.

I have no desire to truncate the flow of information from the executive branch to the legislative branch with regard to government or commercial arms sales, human rights or any other matter of legislative concern. We must insist that the executive branch under any President, Republican or Democrat, keep the Congress informed. However, Congress, if it disagrees with a proposed arms sale for whatever reason, should follow proper procedure and pass specific legislation prohibiting the sale. Instead of a concurrent resolution, it should pass a law that would be offered to the President for signature or veto.

Another objection to the arms sales provisions in this bill is the annual ceiling of \$9 billion on total Government sales and commercial exports of military equipment and services. I share the concern of some of my colleagues over the worldwide volume of arms sales, and if the United States were the sole supplier. I could support such a ceiling. But what do we accomplish with a ceiling while the Swedes, the French, the British, the Soviet Union, and others actively merchandise arms around the world?

CHILE

An amendment was adopted by the committee, reducing economic assistance to Chile. Aimed at the Chilean Government, it is actually a punitive amendment that will hurt the poor and needy of Chile. While it singles out the Government of Chile, neighboring Peru evidently gets the blessing of the author for no restrictions were proposed for Peru in this bill. Could it be the different political coloration of the Peruvian junta?

The punitive approach is not likely to get the results the author seeks. More productive is the kind of diplomacy carried out by Treasury Secretary Simon, who emphasized the concern of our Government on his recent visit to Chile, which resulted in the release of a substantial number of people.

MILITARY ASSISTANCE

The new bill retains the termination at the end of fiscal year 1977 of both the military assistance program (MAP) and the military assistance advisory groups (MAAG's). While I favor the shift from grant programs to sales, I think the phaseout of these programs on such short notice is a mistake. It is especially unwise to phase-out the MAAG's, since much of their work is with the sales program which will have increasing emphasis as we shift from grant assistance to sales.

There are other imperfections in the bill, but it is my hope that the spirit of compromise and legislative common sense will prevail. There were 185 votes in the House against adoption of the conference report of the previous bill. If by the time we bring this bill back from con-

ference, it contains too many of the defects of the previous measure a similar vote is predictable.

Even in this period of abnormal political motivation, all the self-appointed Secretaries of State in Congress should remember the words of George Santayana: "Those who fail to learn the lessons of history are condemned to relive them."

EDWARD J. DERWINSKI.

SUPPLEMENTAL VIEWS OF HON. PAUL FINDLEY

Some have decided that a savage cut in military credit sales and assistance to the Republic of Korea is a good way to indicate our displeasure over the status of civil liberties in that country. This approach is, in the most massive sense, wrong headed and dangerous.

Rather than leading to the reconstruction of civil liberties which all of us would quite naturally desire, this amendment is likely to lead to the imposition of even more draconian provisions. Insofar as the authoritarian character of the Park regime derives from a sense of insecurity about national self preservation, it is difficult to see how we can enhance civil liberties by further reducing the Republic of Korea's capability to protect itself. Alarmed by the sudden and radical contraction of U.S. support—an event that will surely be exploited and worse yet possibly misperceived by Kim Il Sung—the government of President Park is likely to become still more frightened, more rigid, and less tolerant.

One might think that a cut of this nature is precisely the sort of action Park's more democratic opponents might themselves prefer. Interestingly enough, it is not. Even Park's adversaries are unalterably opposed to a reduction of security assistance support. This is not surprising, since all citizens of the South live excruciatingly close to a danger we are unable to completely comprehend. They recognize that the liberties they do possess—freedom of internal movement, religious freedom, freedom to own property, and the benefit of a prosperous and non-collectivized economy could all be snuffed out in an instant of furious assault from the North.

It is indeed the case that Park's foes hope that the U.S. will exercise firmness in its diplomacy so as to facilitate a movement toward more comprehensive liberty. Yet all of them see the very real and substantial dangers that are inseparably attached to the diminishment of U.S. security guaranties.

Moral issues are indeed at stake in this question, but they are by no means simple moral issues. Rather, we face an inevitable tangle of facts that forces us to make unpleasant distinctions between things that are bad, less bad, and very bad. Halting the spread of nuclear weapons, for instance, is obviously an objective that is good in a transcendent sense. But in the case of Korea and other states, this often can be brought about only by assuring that a capacity for conventional self defense remains high. North Korea continues to believe that borders and governments can be altered by unilateral military action. Allowing this pernicious belief to prevail would be a moral disaster of considerable magnitude. It follows then that U.S. policies which make this disaster more likely are themselves morally tainted. Avoiding war, instability, and their concomitant repercussions like the militari-

zation and nuclearization of other Asian states, are also important moral considerations. But all of these things can be negatively affected by failing to deal intelligently with the Korean problem.

As serious and sensible political philosophers have always realized, morality that is unformed by sound judgment and a recognition of broader considerations is of little practical use. The apparent moral absoluteness of certain acts, then, often pales when observed within illumination of a broader context. Clearly, this is the case we face at this moment.

It is obvious, too, that the proposed cuts are not justified by any withering away of the threat from the North. Indeed North Korea remains one of the most militarized states in the world, a state that dedicates roughly 15 percent of its GNP to defense. The North maintains an awesome military force, offensively configured and concentrated along the DMZ. Additionally, the North has a much more well-developed defense industry for the production of heavy combat equipment.

The South Koreans have shown a remarkable enthusiasm for shouldering their own burdens in the field of defense. This reality, of course, gives rise to the promise of eventual reduction and removal of U.S. forces. Arresting the trend toward South Korean military self-sufficiency, of course, contributes not at all to this latter objective. The reductions contemplated by the Fraser amendment only tend to perpetuate the existing involvement of American military personnel. Worse yet, the destabilizing effect of the amendment and its undeniable impairment of South Korea's military capability leaves our own force in even greater jeopardy.

The supporters of the Fraser amendment are well intentioned and care deeply about the character of the regimes with which this country associates. It may be objected by some that their concern is at times unevenly distributed, but I leave that issue for others to consider. Still, good intentions are no assurance of sound policy; nor, most importantly, can they assure that larger considerations will not be trampled by the intensely focused passions of the moment.

For all of these reasons, I must object most strenuously to this amendment.

PAUL FINDLEY.



INTERNATIONAL SECURITY ASSISTANCE
AND ARMS EXPORT CONTROL ACT
OF 1976-1977

REPORT

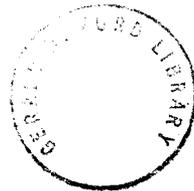
OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ON

S. 3439

TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961 AND
THE FOREIGN MILITARY SALES ACT, AND FOR OTHER
PURPOSES



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**INTERNATIONAL SECURITY ASSISTANCE AND ARMS
EXPORT CONTROL ACT OF 1976-1977**

MAY 14, 1976.—Ordered to be printed

Mr. HUMPHREY, from the Committee on Foreign Relations,
submitted the following

REPORT

[To accompany S. 3439]

The Committee on Foreign Relations, having considered authorizations for military security assistance and related programs for the fiscal years 1976 and 1977, and the interim quarter, reports an original bill and recommends that the bill pass without amendment.

PRINCIPAL PURPOSES OF THE BILL

The principal purposes of the bill are to: (1) revise United States policies concerning foreign military grant assistance and military sales and exports; (2) expand and strengthen Congressional procedures for oversight of military assistance and sales programs; and (3) authorize the appropriation of \$3,166,900,000 for security assistance and similar programs for fiscal year 1976, \$791,700,000 for the transitional quarter, and \$2,789,800,000 for fiscal year 1977 for a total of \$6,748,425,000.

SUMMARY OF THE MAJOR PROVISIONS IN S. 3439

I. AUTHORIZATIONS OF APPROPRIATIONS

This bill authorizes appropriations for security assistance and related programs for fiscal year 1976, the interim quarter, July 1, 1976 through September 30, 1976, and fiscal year 1977. Development and humanitarian assistance appropriations authorizations for fiscal years 1976, 1977 and the interim quarter are contained in The International Development and Food Assistance Act of 1975, P.L. 94-161, enacted on December 20, 1975. The Committee has separated the two

types of assistance to enable each to be considered by the Senate on its own merits.

The bill authorizes appropriations of \$3,166,900,000 for fiscal year 1976, one-fourth of that amount for the interim quarter, and \$2,789,800,000 for fiscal year 1977. The budget authority in this bill will finance programs totaling \$4,530,900,000 in fiscal year 1976, and \$3,874,200,000 in fiscal year 1977. The recommended budget authority in the bill is \$298,400,000 less than the Administration request for fiscal year 1976 and \$239,900,000 less than the request for fiscal year 1977.

The Committee, in scrutinizing the request, was particularly attentive to the budget targets and ceilings contained in Congressional budget resolutions. This bill is within those budget guidelines for fiscal year 1976 and, in fiscal year 1977, for those programs in the national defense budget function. In fact, the recommended levels for programs in the bill in the National Defense function are well below the levels assumed for these programs in the first concurrent budget resolution for 1977; additional authorizations in this category may be forthcoming, however, depending on the outcome of the Committee's deliberations on the Treaty of Friendship and Cooperation with Spain and the anticipated Administration requests for implementing joint resolutions pursuant to the Defense Cooperation Agreements with Trukey and Greece. The funds recommended by the Committee in this bill for programs in the International Affairs and Finance function for fiscal year 1977 are slightly higher than the levels assumed in the first concurrent budget resolution for fiscal year 1977; this is due in large part to the Committee's initiative in authorizing programs for Southern African countries to support new U.S. policy initiatives in this area. The Committee expects to request an increase in the International Affairs and Finance function levels in the second concurrent budget resolution to accommodate this initiative.

The authorizations recommended by this Committee are set forth in the following table:

SECURITY ASSISTANCE AUTHORIZATIONS RECOMMENDED BY THE COMMITTEE ON FOREIGN RELATIONS

[In thousands of dollars]

Activity	Request		Committee recommendation		Budget authority reduction
	Budget authority	Program	Budget authority	Program	
Fiscal year 1976:					
Military assistance:					
Military assistance program	1,394,500	422,800	228,700	257,000	-165,800
Education and training	30,000	30,000	27,000	27,000	-3,000
Foreign military sales credits	1,065,000	2,374,700	1,039,000	2,374,700	-26,000
Total, military	1,489,500	2,827,500	1,294,700	2,658,700	-194,800
Economic assistance:					
Supporting assistance	1,873,300	1,882,600	1,766,200	1,766,200	-107,100
Middle East special requirements fund	50,000	50,000	50,000	50,000	
Southern Africa assistance			10,000	10,000	+10,000
Cyprus refugee assistance					
Total, economic	1,923,300	1,932,600	1,826,200	1,826,020	-97,100

SECURITY ASSISTANCE AUTHORIZATIONS RECOMMENDED BY THE COMMITTEE ON FOREIGN RELATIONS—Con.

[In thousands of dollars]

Activity	Request		Committee recommendation		Budget authority reduction
	Budget authority	Program	Budget authority	Program	
Other assistance:					
Contingency fund	10,000	10,000	5,000	5,000	-5,000
Narcotics control	42,500	42,500	40,000	40,000	-2,500
IAEA			1,000	1,000	+1,000
Total, other	52,500	52,500	46,000	46,000	-6,500
Total, all programs	3,465,300	4,812,600	3,166,900	4,530,900	-298,400
Fiscal year 1977:					
Military assistance:					
Military assistance program	279,000	305,700	145,300	172,000	-133,700
Education and training	30,200	30,200	28,000	28,000	-2,200
Foreign military sales credits	840,000	2,059,600	680,000	1,732,600	-160,000
Total, military	1,149,200	2,395,500	853,300	1,932,600	-295,900
Economic assistance:					
Supporting assistance	1,801,500	1,806,600	1,836,500	1,841,600	+35,000
Middle East special requirements fund	35,000	35,000	35,000	35,000	
Southern Africa assistance			25,000	25,000	+25,000
Cyprus refugee assistance					
Total, economic	1,836,500	1,841,600	1,896,500	1,901,600	+60,000
Other assistance:					
Contingency fund	10,000	10,000	5,000	5,000	-5,000
Narcotics control	34,000	34,000	34,000	34,000	
IAEA			1,000	1,000	+1,000
Total, other	44,000	44,000	40,000	40,000	-4,000
Total, all programs	3,029,700	4,281,100	2,789,800	3,874,200	-239,900

¹ Does not include \$323,900,000 for reimbursement to the Department of Defense for use of the drawdown authority in fiscal year 1974 and 1975.

Note: Interim quarter, July 7 to Sept. 30, 1976, committee recommendation budget authority, total all programs, \$791,725. (1/4th of the fiscal year 1976 budget authority level is authorized for the interim quarter for each program.)

Countries in the Middle East are scheduled to receive 71 per cent of the total programs authorized in this bill for fiscal year 1976 and 73 per cent of fiscal year 1977 programs. The Committee endorses the 1975 Sinai accord and strongly supports continued efforts to move forward in the process of peacemaking.

II. POLICY PROVISIONS

A. Grant Military Assistance Program

1. The bill requires a phaseout of the general foreign military grant assistance program by October 1, 1977, except for programs subsequently authorized on a country-by-country basis (Section 105).

2. U.S. military missions and similar groups abroad are to be terminated by October 1, 1977, unless continuation of a specific mission is subsequently authorized by law (Section 104).

3. Authorizations for military grant assistance, other than training assistance, are allocated on a country-by-country basis for all major recipients. Small additional amounts are authorized for countries for which individual ceilings are not specified (Section 101).

4. The President's authority to draw on Department of Defense stocks for military assistance purposes has been restricted to require a



finding that such assistance is "vital" to U.S. security (Section 102).

5. It strengthens provisions of law on terminating grant military assistance and prohibiting credits or guarantees to or for any country which violates the provisions of military aid or sales agreements (Section 303).

6. It establishes an anti-discrimination policy applicable to the military grant aid and government sales programs and to export licenses (Section 302).

7. It establishes a human rights policy with provision for restricting or terminating security assistance to countries which engage in gross violations of human rights (Section 301).

8. It prohibits further military or related assistance to Angola except pursuant to specific authorization by law (Section 404).

B. Government Military Sales and Commercial Exports of Arms

1. Under the new Arms Export Control Act, which replaces the Foreign Military Sales Act, policy emphasis will be placed on public disclosure of arms sales matters and on bringing about restraint in the international trade in arms.

2. Statutory requirements for controls over commercial and government-by-government military exports are revised and combined in a new Arms Export Control Act so that all military export matters are controlled under one statute (Sections 201, 212).

3. All sales of major defense equipment items totaling \$25,000,000 or more must be made through government-to-government channels, except sales to members of NATO (Section 212).

4. Restrictions are imposed on sales to foreign governments from U.S. military stocks, with reports to Congress required on all sales which would impair U.S. combat readiness (Section 206).

5. The President is required to submit an annual country-by-country justification to Congress for the government-to-government military sales program (Section 209).

6. All government-to-government sales contracts are to be made available to the public to the fullest extent possible, consistent with U.S. national security (Section 205).

7. Reporting procedures for military sales and exports would be expanded and improved (Section 211).

8. Congress would be allowed to reject certain proposed export licenses for commercial sales (Section 211).

9. Reports would be required on all agreements to pay agents' fees, and data concerning fees actually paid, in connection with military sales abroad (government and commercial) (Section 604).

C. Miscellaneous Policy Provisions

1. U.S. personnel are prohibited from engaging in direct police arrest actions in foreign countries in connection with narcotics control efforts (Section 303).

2. Military grant assistance, credits, guarantees, and deliveries of such assistance, and supporting assistance to or for Chile are prohibited in 1976; in addition, government-to-government cash sales, commercial sales, and all deliveries of defense articles and services are prohibited in 1977 (Section 310).

3. The sense of the Congress is expressed in support of negotiations to limit military deployments in the Indian Ocean area (Section 407).

4. The sense of the Congress is expressed deploring armed strife in Lebanon and requesting that the President use his good offices to seek an end to the civil conflict (Section 410).

5. Modifies restrictions in existing law relating to stockpiles intended or earmarked for use by foreign countries (Section 103).

6. Prohibits security assistance, and most economic assistance to countries that deliver or receive nuclear reprocessing or related equipment unless they have agreed to multilateral safeguards, when available.

7. Authorizes funds for the implementation of newly enunciated U.S. policies toward Southern Africa.

COMMITTEE ACTION

On May 15, 1975, the President sent a message to Congress transmitting a draft of proposed legislation to authorize foreign assistance programs for the fiscal years 1976 and 1977, and for the transition period July 1, 1976, through September 30, 1976. (As submitted by the President, this draft legislation did not include specific requests for security assistance programs.) This draft was introduced by Senator Sparkman, Chairman of the Committee, (by request) on May 22, 1975, as S. 1816.

The President sent a further message to Congress on October 30, 1975, transmitting specific requests for security assistance programs, including a request for the Middle East related to the Sinai Agreements. This later transmittal included draft legislation which was not introduced. However, portions of the draft bill were subsequently incorporated in a bill prepared on the initiative of the Subcommittee on Foreign Assistance. The bill was subsequently introduced by Senator Humphrey, the Subcommittee Chairman, as S. 2662 on November 13, 1975. One hearing was held on the bill in executive session on December 16 to hear the testimony of Ambassador Edward W. Mulcahy, Acting Assistant Secretary of State for African Affairs, Public hearings were held on June 17 and 18 on arms sales issues and on November 19 and 21, and December 4 and 5 specifically on S. 2662. The following witnesses were heard at those hearings:

ADMINISTRATION WITNESSES

June 18, 1975

Lt. Gen. H. M. Fish, Director, Defense Security Assistance Agency, Department of Defense.

Thomas Stern, Deputy Director of the Bureau of Politico-Military Affairs, Department of State.

Lee Q. Niemela, Acting Assistance Director for Military and Economic Affairs, U.S. Arms Control and Disarmament Agency.

November 19, 1975

The Honorable Henry A. Kissinger, Secretary of State.

November 21, 1975

Robert F. Ellsworth, Assistant Secretary of Defense.

OTHER WITNESSES

June 17, 1975

Senator Gaylord Nelson (D-Wash.).
 Leonard A. Alne, Former Director of Foreign Military Sales, Department of Defense, and Aerospace Consultant, Falls Church, Va.
 Dr. Dale Tahtinen, American Enterprise Institute.
 Dr. Alvin Cottrell, Director of Research Center for Strategic and International Studies, Georgetown University.
 Rear Admiral Gene R. LaRocque, Director, Center for Defense Information.

June 18, 1975

Senator Edward M. Kennedy (D-Mass.).

December 4, 1975

Senator Alan Cranston (D-Cal.).
 Senator Edward M. Kennedy (D-Mass.).
 Leonard Sussman, Executive Director, Freedom House, New York.
 Reverend Paul Wilson, Friends of the Filipino People.
 Joseph P. Sternstein, President, Zionist Organization of America, New York.
 Morris J. Amitay, Executive Director, American-Israel Affairs Committee.

December 5, 1975

Senator Dick Clark (D-Iowa).
 Ann H. Cahn, Program for Science and International Affairs, Harvard Univ.
 Amelia C. Leiss, Center for International Studies, Massachusetts Institute of Technology.
 Philip J. Farley, Brookings Institution.
 William G. Chirgotis, Supreme President, American Hellenic Educational Progressive Association.
 Eugene T. Rossides, American Hellenic Institute Public Affairs Committee.

The bill was considered and marked up by the Subcommittee on Foreign Assistance in two public sessions on December 10 and 12, 1975 and in four executive sessions on December 16, 17, 18 and 19, 1975. On December 19 the Subcommittee agreed by a voice vote to report the bill favorably to the full Committee.

The full Committee on Foreign Relations considered the bill in both open and executive session on January 22, 1976 and again in executive session on January 29, 1976 when the Committee by a vote of 13 to 1 agreed to report it to the Senate with a favorable recommendation.

The Senate passed S. 2662 on February 18, 1976, by a 60-30 vote. Senate-House managers on S. 2662 then convened in executive session on March 11, 16, 25, and 30 to deliberate the disagreeing votes and provisions of the two Houses. On April 6, 1976, the managers on the part of the Senate and House, after concurring on the disagreeing votes in the conference report, ordered the conference report on S. 2662 to be printed. The Senate subsequently approved the conference report on S. 2662 on April 28, 1976, by a vote of 51-35. The President on May

7, 1976, vetoed the bill, citing Constitutional problems and substantive differences with some of the major provisions of the legislation.

Despite the uncertainties surrounding S. 2662, the Committee on Foreign Relations, conscious of the May 15, 1976 deadline for the reporting of authorization bills, had been pressing the Executive Branch to submit its FY 1977 security assistance legislation without any further delay. On April 13, 1977, the President sent a message to Congress transmitting a draft of proposed legislation to authorize security assistance programs for FY 1977. The draft was subsequently introduced (by request) by the Chairman of the full Committee, Senator Sparkman, on April 27, 1976, as S. 3331.

Public hearings on FY 1977 security assistance legislation were held on March 26, April 5, and April 8. The following witnesses were heard at these hearings:

ADMINISTRATION WITNESSES

March 26, 1976

The Honorable Henry A. Kissinger, Secretary of State.

April 5, 1976

Lt. General Howard M. Fish, Director, Defense Security Assistance Agency, Department of Defense.

John E. Murphy, Deputy Administrator, Agency for International Development.

April 8, 1976

The Honorable Philip Habib, Assistant Secretary for East Asian and Pacific Affairs, Department of State.

The Honorable Morton Abramowitz, Deputy Assistant Secretary, International Security Affairs, Department of Defense.

PUBLIC WITNESSES

April 8, 1976

Congressman Donald M. Fraser (D-Minn.)
 Eugene T. Rossides, American Hellenic Institute, Public Affairs Committee.

The Subcommittee on Foreign Assistance held an executive session on April 28 to discuss the disposition of S. 2662 and to consider S. 3331. Following the President's May 7 veto, the Committee on Foreign Relations met in public session on May 10, 1976, and ordered an original bill combining S. 2662 and S. 3331 in modified form favorably reported by a vote of 14-0. Those voting in favor of reporting the bill were Senators Sparkman, Symington, Pell, McGee, McGovern, Humphrey, Clark, Biden, Case, Javits, Scott, Pearson, Percy and Griffin.

The Committee estimates that the cost of carrying out the provisions of this bill during fiscal year 1976 will be \$3,166,900,000, plus carryover funds. For the interim quarter the Committee authorized the appropriation of funds not to exceed one fourth of the amount authorized for the fiscal year 1976. For fiscal year 1977 the Committee estimates the cost of the bill to be \$2,789,800,000, plus carryover funds.

It is impossible at this time to estimate the amounts that the Congress may authorize for foreign assistance for fiscal year 1978 or the next four fiscal years. However, it should be noted that, under the bill,

the military grant assistance program and military missions abroad will be reduced substantially by October 1, 1977, thus eliminating a part of the costs for carrying out the programs for which appropriations are authorized in this bill.

COMMITTEE COMMENTS

The present bill incorporates authorization for military and security assistance and related programs for the fiscal year 1976, the transition quarter and the fiscal year 1977 into a slightly modified version of the conference report of S. 2662, The International Security Assistance and Arms Export Control Act of 1976, as passed by both the House and Senate. Except as noted below the more important policy provisions of this bill remain essentially those of S. 2662. In recommending the present bill to the Senate, the Committee reaffirms the following views stated with regard to S. 2662, contained in Senate Report 94-605, of January 30, 1976:

This bill, when enacted, will constitute the most significant piece of legislation in the field of foreign military assistance policy since the enactment of the Mutual Security Act more than a quarter of a century ago. For a number of years Congressional dissatisfaction with foreign military assistance and sales programs has been increasing, reflected in votes in both bodies. For the first time since the beginning of our post-World War II aid program, this Congress is treating foreign development assistance and military assistance in separate bills, a step long supported by the Foreign Relations Committee and the Senate. The end of the war in Indochina, the pursuit of a policy of detente toward the Soviet Union and steps toward normalization of relations with China, have brought about a general reappraisal of the traditional tools of America's post-war foreign policy. The tools of foreign policy must be geared to the needs of today and the future, not the past. This bill looks to the future. It will revise the statutory framework for all military exports—grants and sales—government and commercial.

Since World War II the emphasis of United States military assistance programs, born of the Cold War, has been on expediting the flow of our arms and ammunition to non-communist nations around the world. Arms control considerations have been secondary. In the last three decades, the United States has given away or sold some \$110 billion in military equipment and supplies to foreign countries. The bill approved by the committee, recognizing evolving United States security interests and the danger to world peace from runaway arms sales, shifts the policy emphasis from expanding arms exports to strengthening controls, especially Congressional controls.

The major purpose of S. 2662 is to bring about centralized and more effective control within the Executive Branch over, and a stronger voice for Congress in, United States arms exports, government and commercial. The Arms Control and

Disarmament Act states that the policy of our nation is to seek "a world which is free from the scourge of war and the dangers and burdens of armaments . . ." This bill will help to put that policy into practice. Arms sales, for good or evil, have become a major tool of American foreign policy.

In the last fiscal year the United States Government sold \$9.5 billion in military equipment, supplies or services to seventy-one nations. In addition, \$602 million in military materials were supplied through commercial channels and \$584 million given away in military grants.

This program was not the product of a careful and deliberate policy arrived at through joint action by Congress and the Executive Branch; it developed through its own momentum. The lack of a coherent policy on arms sales is not the fault of the Executive Branch alone. Congress bears a measure of the responsibility as well because of its failure to give more effective policy guidance and to exercise proper oversight on arms sales matters. S. 2662 will help to fill that vacuum.

The basic statutory framework for arms exports is outdated. Commercial sales, which now comprise only about five percent of all U.S. arms exports, are governed by one section of the old 1954 Mutual Security Act, a provision devoid of policy guidance that gives complete discretion to the President. It is an anachronism of an era when Congress chose to leave major foreign policy matters to the President. The Foreign Military Sales Act, which controls government to-government sales, is also a product of a bygone era. Although that Act was enacted less than a decade ago, experience has shown that this statute gave broad and sweeping powers to the Executive Branch. The 1975 government sales chart is vastly different in quantity and geography from that of 1968. Military sales by the U.S. government have increased more than ten-fold since then. At that time the bulk of United States arms sales was to our ATO allies. Today, the volatile Persian Gulf, not Europe, is the heart of the market. This bill will update, consolidate, and strengthen the statutory framework for the control of U.S. arms exports, both by the government and through commercial channels.

The Committee does not contend that the sale of arms to foreign countries is evil per se. The United States has important security and foreign policy interests in the sale of arms to many countries. The sale of F-16 aircraft or other weapons to our NATO allies clearly promotes important United States security and economic interests. But the massive influx of American arms to the Persian Gulf area, which is largely responsible for the great leap in U.S. arms sales totals, must be viewed in a different light. American interests vary from country to country and from case to case. This bill will not stop, nor necessarily curtail, arms sales. It contains neither prohibitions nor ceilings on sales. But enactment of S. 2662 will improve the scrutiny given to the foreign policy aspects of arms sales proposals, both within the Executive Branch



and the Congress. Given due attention on the part of the Executive Branch to the concerns expressed by Congress over the lack of coherent policy review of arms sales, the enactment of the bill will not adversely affect American industry.

* * * * *

The bill recommended by the Committee is designed to achieve five basic objectives with regard to U.S. military assistance programs:

1. Shift the focus of U.S. arms sales policy from that of selling arms to controlling arms sales and exports;
2. To provide the Congress with additional information about, and expanded and strengthened control over, arms transfers;
3. To provide the public with more information about government arms sales actions;
4. To reduce significantly the number of military grant assistance programs and U.S. military missions abroad over the next year and a half and to require a specific authorization for any grant programs or missions after that, and
5. To reduce the cost of military assistance grants.

A major feature of the bill is to bring American arms exports issues out into the open. A basic fault of past policy, which has led to the present state of public concern, is that too much of the sales program in the past has been carried out in secrecy . . .

Nothing is so essential to rebuilding confidence in governmental processes as public debate. To be accepted by the American people, arms export programs must stand up under the light of public scrutiny. Our defense budget is a matter of public record, insuring the availability of facts essential to public debate. The Committee believes that shining the public spotlight on arms sales will help to bring about a more rational, publicly acceptable policy. The Committee is aware of the concerns expressed by some business interests concerning the disclosure aspects of the bill and the feature to require sale through government channels of all major weapon systems or equipment valued at \$25,000,000 or more. The Committee has taken those concerns into account in the shaping of this legislation and does not believe that this bill will impair the U.S. competitive position in foreign arms sales.

Control by both Congress and the Executive Branch over the sale of major weapons systems will be strengthened by requiring that all significant sales of major equipment can be made only on a government-to-government basis. The most significant control aspects of the bill are those which provide Congress with the tools and the information needed for improved oversight of arms export policies and programs . . .

This bill also sets a goal of drastically reducing both the number of countries which receive grant military assistance and the number of U.S. military missions abroad. Passage of S. 2662 will not mean that all grants and missions will end by October 1, 1977. But it will require that after the end of the next fiscal year all grant military aid, by country, and all

U.S. military missions abroad must have been authorized specifically by the Congress. As a start in implementing that policy, this bill contains line item allocations for grant military aid and supporting assistance and it requires a significant reduction in the number and size of U.S. missions abroad.

For many years the Foreign Relations Committee has attempted to reduce the military aid program and bring it under more effective Congressional control. Last year the Senate voted to phase out the grant aid program but, because of the adamant opposition of the House, the mandatory feature was eliminated and a sense of the Congress provision substituted which stated that "except for training, the program should be reduced and terminated as rapidly as possible." In addition, the bill directed the President to submit to the first session of the 94th Congress a detailed plan for the reduction and eventual elimination of the present military assistance program. The President's compliance with this requirement was both belated and inadequate. This bill, therefore, will carry out that Congressional expression of policy.

We are now celebrating the bicentennial of our nation's birth. It is important that Congress reflect on what we as a people want America to stand for. The values and principles we live by as a nation will be what history will remember America for, not the sophistication or quantity of our weapons. The United States, as the leading actor, has a great capacity for leadership in the control of trade in conventional weapons. It is not sufficient to say that everyone else is selling arms. Surely we can do better than allow our policies in this field to be captive to the policies of others. And, as the number one salesman, the United States has a special leadership responsibility. Our nation's military assistance and sales statutes, with their conflicting potential for preserving peace and promoting war, need a thorough overhaul. This bill will accomplish that.

The bill described by the above passages represented the culmination of several months effort to meet objections which had been raised by the Executive Branch to S. 2662 in its original form. Countless days of work went into that effort. When the bill came to the Senate floor the Secretary of State noted in a letter to the Chairman of the Committee his appreciation for the consideration which the Committee had given to the Executive's views on the original legislation. He indicated, moreover, that the Executive Branch would "not delay Senate action by requesting further consideration of our remaining objectives in the floor debate."

During the conference with the House of Representatives, which had subsequently passed a similar bill, Committee Members resumed their efforts to meet the remaining objections raised by the Executive Branch. The conference report eventually reflected several additional modifications made with the views of the Executive in mind. At this point the senior representatives of the Departments of State and Defense with whom the Committee had been working indicated that while there were provisions of the bill which they would rather not

see enacted, they felt that it was acceptable. The conference report was subsequently passed by solid votes in both houses. It was the view of many that the interest of a responsible foreign military sales program and continued progress toward peace in the Middle East made the prompt passage of this legislation mandatory.

In light of the unparalleled effort at compromise which S. 2662 represented, the Committee was surprised by the decision to veto the bill. Those Members of the Committee who had worked most actively with the Executive Branch believed that it provided for an appropriate congressional role in arms transfer matters without derogating from the authority of the President as our country's chief foreign policy negotiator and executor.

In his veto message the President stressed that S. 2662 "would seriously obstruct the exercise of the President's Constitutional responsibilities for the conduct of foreign affairs." In this connection the Committee notes that the provisions to which the President had objected related clearly to authorities which the Congress itself had granted, and which it therefore may modify, rather than to Constitutional prerogatives of the Office of the President.

The President also lodged Constitutional objections to a series of provisions in S. 2662 by which the Congress could review certain Executive actions and disapprove them by enactment of concurrent resolutions. This issue was discussed in detail in the original report on S. 2662 (Senate Report 94-605) which included the following view which the Committee now reaffirms:

Clearly, the Congress could prohibit altogether certain government-to-government sales or the granting of certain commercial licenses (sec. 213.). Instead of withholding those powers altogether, the Congress, by enacting S. 2662, will merely have withheld a part of those powers by subjecting their use to the condition that Congress does not disapprove. It will have given the executive branch an opportunity to formally propose specific action which could not have been taken had no portion of those powers been delegated. The attachment of such a condition, the Committee believes, is necessary in S. 2662 for the same reasons it was necessary in the Reorganization Act: to make use of executive branch expertise and provides some flexibility while at the same time avoiding an undue delegation of legislative discretion to the executive branch.

Coming as it did near the end of the fiscal year the veto of S. 2662 has jeopardized the orderly administration of a number of important fiscal year 1976 assistance programs which were authorized in the bill. Among these was the Middle East program. Moreover, the veto action cast uncertainty over the formulation of the fiscal year 1977 program, authorizing legislation for which must be reported by May 15.

In view of these considerations the Committee wished to avoid a prolonged confrontation over Constitutional issues and on sharply differing views over public policy.

Accordingly, the Committee reviewed its earlier work and the conference action of S. 2662. It decided to eliminate two provisions of the latter which originated in the House: an annual ceiling on arms

sales and the temporary lifting of the embargo on trade with North Vietnam.

The Committee also reviewed the so-called "legislative veto" provisions of the conference bill utilizing the concurrent resolution. Among these are two which the Committee considers central: Congressional review of major government-to-government sales and review of certain important commercial arms sales. The present bill retains these features intact as a means of ensuring adequate Congressional oversight of all sales of major defense equipment over \$7 million and of all sales of defense equipment over \$25 million. This action reaffirms the earlier position of the Senate and merely expands on an existing provision of law that had been approved by the President.

In two instances the Committee recommends that concurrent resolution provisions contained in S. 2662 be replaced by joint resolutions. These sections of the bill will enable the Congress to declare a recipient government ineligible for further assistance or to terminate assistance to a government which the Congress determines to be a gross violator of human rights. In both instances the Committee has recommended that any such joint resolutions be handled in accordance with expedited parliamentary procedures, described in the bill.

The Committee believes it is essential to retain a strong human rights provision in this bill which provides a mechanism that not only calls attention to the importance Americans attach to a regard for basic human rights but also to forewarns military assistance recipients of the consequences of flagrant violations of basic human rights. Previous expressions of Congressional sentiment without teeth have been ineffective in motivating either the Executive Branch or foreign government to take seriously this basic concern of the American people.

Two of the concurrent resolution procedures contained in the earlier bill have been eliminated. Instead of allowing for formal Congressional review of proposed third country transfers of U.S. supplied military equipment, the Committee recommends a provision requiring that the Congress be notified thirty calendar days in advance. In place of providing for the termination by concurrent resolution veto of assistance to governments harboring terrorists, the present bill requires the President to report promptly to the Congress when an aid recipient is providing such sanctuary.

The Committee has made these changes and deletions with the greatest reluctance and only to facilitate prompt passage and final approval of this legislation. The essential elements of the original legislation remain intact. The Committee believes that this measure will provide a more coherent framework for the implementation of arms export policy by the Executive Branch. Likewise, it provides the Congress with procedures to review the implementation of that policy.

Export arms sales are an increasingly important and sensitive aspect of our relations with other nations and of overall U.S. security policy. They cannot be regarded as the inviolate province of either the private sector or the Executive Branch. The time is long overdue for the Congress to devote more attention to arms sales. This bill will enable the Congress to exercise that responsibility in a manner which safeguards the legitimate interests of U.S. industry and the coordinate prerogatives of the Executive and Legislative Branches of Government.

In the course of reconsidering S. 2662 and including the fiscal year 1977 authorizations, the Committee added three important new provisions. The first of these was an authorization of funds for the implementation of the southern Africa policy enunciated by Secretary of State Kissinger at Lusaka, Zambia on April 27, 1976. Frequently in recent years the Committee on Foreign Relations has called attention to the urgent need for U.S. policies more sensitive to the views of the African nations. By providing funds in this bill for programs of the general sort described by the Secretary at Lusaka, the Committee hopes to contribute to the opening of a new era in U.S. relations with the key states of southern Africa.

Second, the Committee believes that the time has come for drastic action to demonstrate the sharp disapproval of the U.S. Congress of excesses of the Pinochet regime in Chile. Accordingly, the Committee adopted an amendment, sponsored by Senators Humphrey and Kennedy, placing a total embargo on arms sales and deliveries to Chile to take effect on October 1, 1976.

Finally, the Committee adopted an amendment sponsored by Senator Symington to deny U.S. assistance to governments involved in the sale and purchase of nuclear reprocessing material unless such transactions are subject to adequate multilateral safeguards against diversion to weapons use.

The Committee believes that uncontrolled nuclear proliferation is, without question, one of the most serious problems facing the world today. The Committee is alarmed at the prospect of certain countries transferring or receiving nuclear enrichment or reprocessing equipment, essentially the key ingredients in developing nuclear weapons, without certain international safeguards and controls.

The Subcommittee on Arms Control, International Organizations and Security Agreements has held extensive hearings on the subject. It became abundantly clear in these hearings that few barriers exist to discourage widespread nuclear weapons proliferation. The ways and means remain open for nations to agree to dangerous bilateral deals in which the essential elements leading to nuclear weapons production can be transferred without adequate controls and safeguards.

In searching for solutions, several witnesses, including Secretary Kissinger, repeatedly supported the concept of encouraging the development by several nations of centralized reprocessing and enrichment facilities for sound economic and security reasons. These witnesses also emphasized the need to strengthen the International Atomic Energy Agency (IAEA), and to extend IAEA safeguards more widely.

The aid cut-off provided by this amendment would apply to both the supplier and the recipient of nuclear processing or enrichment equipment, materials and technology, unless they place all such technology under multilateral auspices and management, whenever available, and apply international safeguards to all materials included in the transaction. In the Committee's judgment, the United States should not directly or indirectly underwrite the efforts of other nations to acquire the nuclear weapons option.

HUMAN RIGHTS

The Committee has taken action in this bill to ensure that human rights considerations are brought to bear on decisions made within

the Executive Branch and in the Congress relating to the provision of military and security assistance. In its earlier report (Senate Report 94-605) on S. 2662, the Committee stated the following view:

The Committee recognizes that the relationship of practices in certain countries affecting the status of human rights and United States security interests are difficult to reconcile. Both the Executive Branch and the Congress need the best available information on which to base correct courses of action. Neither branch of Government can afford to be ill-informed on so important a matter, for practices in respect to human rights can be important to our security as well as important to our traditions and conscience. Repeated and gross violations of human rights by any state may prejudice decisions affecting our own security interests in a manner which we will be unable to accept. The pursuit of such policies by recipient governments may risk the investments of materials and training we have committed to those states.

The Committee reaffirms this view in connection with the present bill.

It is not the Committee's intent that the human rights criteria in this provision should be the controlling factor in U.S. relations with other nations. Obviously there are other elements which merit consideration. The language of the bill, in fact, *requires* the Secretary of State to specify other circumstances which should be taken into account by the Congress in its assessment of U.S. assistance programs.

In reworking the provisions of this bill concerning human rights, the Committee has sought to place the Congress on the strongest possible procedural grounds in dealing with the Executive Branch on human rights questions. Accordingly, the Committee has provided in this bill an expedited procedure for utilizing a joint resolution as the means by which the Congress may terminate or reduce security assistance to any country which it finds to be engaging in a consistent pattern of gross violations of human rights.

ANTIDISCRIMINATION PROVISIONS

The Committee reaffirms its views on the anti-discrimination provisions of the earlier bill. The Executive Branch has not objected to the policy provisions of the anti-discrimination measure, but only to the mechanism suggested in the earlier bill to remedy cases where discrimination has occurred.

Unlike the right of any country to restrict travel within its territory for any reason, however arbitrary the reason may be, the anti-discrimination provision of this bill relates to a more fundamental proposition. It is illegal for the United States Government or for American business firms—and for that matter, it is illegal for any American, to discriminate against United States citizens on account of the race, religion, national origin or sex of that citizen. In certain circumstances therefore a clear choice must be made between perpetuating an act of discrimination, which is illegal, or discontinuing a program or transaction because to do otherwise would, in effect, constitute a violation of U.S. law.

The Congress believes that it is vital to safeguard the rights of American citizens as they are affected by our security assistance programs. This provision provides a mechanism to safeguard these rights. It states that upon receipt of reliable information that discrimination by a foreign government is continuing so that an individual is prevented from participating in the furnishing of military assistance or training under a particular transaction or, in the alternative, upon the request of the Senate Foreign Relations Committee or the House International Relations Committee concerning particular or general cases of alleged discrimination, the President is to report to the Committees recommending appropriate action. Should the President be unable to report within 60 days the particular transaction would be terminated. If a report is submitted the Congress may, if it deems it necessary, by joint resolution terminate such transaction or take any other action it deems appropriate. Under this section, the resolution shall be considered in the Senate in accordance with the expedited procedures of section 601.

This procedure grants considerable flexibility to the Executive Branch in working through the delicate diplomatic and human problems associated with cases of alleged discrimination.

SECTION-BY-SECTION ANALYSIS

Section 101. Authorization for Military Assistance

This section amends Section 504(a) of the Foreign Assistance Act. It authorizes the appropriation of \$196,700,000 for military assistance programs and \$32,000,000 for administrative and related expenses for fiscal year 1976, a reduction of \$165,800,000 from the Executive Branch request of \$394,500,000. In addition to the amounts authorized, \$28,300,000 is expected to be available from recoupments, reimbursements, and reappropriations. This would permit a total program, including administrative expenses, of \$257,000,000 in fiscal year 1976.

For fiscal year 1977, the bill authorizes the appropriation of \$75,300,000 for military assistance programs and \$70,000,000 for administrative and related expenses, a reduction of \$133,700,000 from the request. With an anticipated carryover from prior years of \$26,700,000, a total program of \$172,000,000 is feasible. The increase in the authorization for administrative expenses in fiscal year 1977 results from the provision of law that requires, beginning in the interim quarter, that all costs of military assistance advisory groups and related organizations overseas be funded from the military assistance appropriation.

The reductions proposed by the Committee are consistent with the Committee's recommendation elsewhere in the bill to terminate the grant military assistance program as such at the end of 1977. The Committee bill establishes specific country allocations for the first time, another reflection of Committee's desire to move toward the objective of phasing out the worldwide program and, thereafter, authorizing programs only on a country by country basis.

The Committee, based on a careful examination of each country program request, recommends specific allocations for seven countries totalling \$219,000,000 in fiscal year 1976 and an additional \$6,000,000 to be allocated by the Executive Branch to as many as twelve other countries as it may determine. The total number of recipients in 1976 may not exceed twenty.

For fiscal year 1977, the Committee has specifically allocated \$98,300,000 to six countries and additional \$3,700,000 to be allocated to up to an additional six countries. The Committee has not included any allocations for Spain, Greece, and Turkey for fiscal year 1977. It will consider authorizations for these countries in connection with its review of proposed treaties, or implementing joint resolutions associated with proposed treaties and/or executive agreements, relating to U.S. use of bases and facilities in these countries, Subparagraph (1) authorizes appropriations for military assistance and contains allocations for major countries. Subparagraph (2) establishes limitations on assistance to other countries not designated in (1). Subparagraph (3) limits the number of recipients to 20 in 1976 and 12 in 1977.

The following table itemizes the Committee's recommendations:

COUNTRY ALLOCATIONS OF GRANT MILITARY ASSISTANCE

[In millions of dollars]

Grant military assistance (MAP)	Fiscal year 1976				Fiscal year 1977		
	Fiscal year 1975 actual ¹	Administration request	Committee recommendation	Reduction from request	President's request	Committee recommendation	Reduction from request
Korea.....	81.2	74.0	55.0	-19.0	8.3	8.3	-----
Jordan.....	68.8	100.0	50.0	-50.0	70.0	40.0	-30.0
Turkey.....	15.7	75.0	31.0	-44.0	50.0	(2)	-50.0
Greece.....	.....	50.0	31.0	-19.0	33.0	(2)	-33.0
Philippines.....	20.5	19.6	17.0	-2.6	19.6	17.0	-2.6
Thailand.....	28.3	28.3	16.0	-12.3	20.0	15.0	-5.0
Indonesia.....	13.1	19.4	13.0	-6.4	19.4	13.0	-6.4
Ethiopia.....	11.7	11.7	6.0	-5.7	11.7	5.0	-6.7
Subtotal.....	239.3	378.0	219.0	-159.0	232.0	98.3	-133.7
China (Taiwan).....	2.3	.9	.....	.....	.....	.....	.....
Yemen.....	.....	1.5	.....	.....	.....	.....	.....
Portugal.....	.....	.3	.....	.....	.....	.....	.....
Spain.....	.....	.2	.....	.....	.....	.....	.....
Tunisia.....	.....	.2	.....	.....	.....	.....	.....
Bolivia.....	.....	2.2	.....	.....	.....	.....	.....
Dominican Republic.....	.....	.2	(6.0)	(-1.7)	(3.7)	(3.7)	.....
El Salvador.....	.....	.3	.....	.....	.....	.....	.....
Guatemala.....	.....	.3	.....	.....	.....	.....	.....
Honduras.....	.....	.3	.....	.....	.....	.....	.....
Nicaragua.....	.....	.4	.....	.....	.....	.....	.....
Panama.....	.....	.2	.....	.....	.....	.....	.....
Paraguay.....	.....	.7	.....	.....	.....	.....	.....
Uruguay.....	.....	1.1	.....	.....	.....	.....	.....
General costs.....	33.6	37.1	32.0	-5.1	70.0	70.0	0
Subtotal.....	284.8	422.8	257.0	-165.8	305.7	172.0	-133.7
Other countries.....	270.6	.....	.....	.....	.....	.....	.....
1975 training.....	28.7	.....	.....	.....	.....	.....	.....
Total program.....	584.1	422.8	257.0	.....	.....	.....	.....
Less financing.....	-38.2	-28.3	-28.3	.....	-26.7	-26.7	.....
Budget authority.....	545.9	394.5	228.7	-165.8	279.0	145.3	-133.7
1975 appropriation.....	475.0	.....	.....	.....	.....	.....	.....

¹ Excludes training to provide comparability with 1976 data.

² Turkey, Greece and Spain omitted pending consideration of proposed treaties and executive agreements.

³ \$254,500,000 for Cambodia.

⁴ Includes \$74,300,000 in sec. 506(a) contract authority. \$3,400,000 in available budget authority remained unobligated at the end of the fiscal year.

The specified country allocations may be increased by not more than 10 percent if deemed necessary by the President for purposes of Chapter 2. Subparagraph (4) states that the transfer and waiver authorities in sections 610(a) and 614(a) may not be used to provide additional increases. The country limitations shall not apply to emergency assist-

ance furnished under the special authority to drawdown Defense Department stocks contained in Section 506(a).

Subparagraph (6) reiterates the provision of existing law regarding the prohibition on use of funds to furnish sophisticated weapons systems.

Subparagraph (7) reenacts the provision of existing law authorizing amounts appropriated to remain available until expended.

Subparagraph (8) states that the allocation for Turkey does not supercede the requirements in Section 620(x) of the Foreign Assistance Act regarding Turkey's eligibility to receive such assistance.

Section 102. Special Authority

This section amends section 506 of the Foreign Assistance Act of 1961, as amended, which is the basic authority for the President to draw on Department of Defense stocks, up to an amount specified by Congress each year, to supplement appropriations available for grant military assistance. Prior to 1973 section 506 required that the President find that use of the drawdown authority was "vital" to the United States and, as a consequence, the authority had not been used for many years. In 1973 Congress amended the law to require only that the President find that providing military aid through this device was "*in the security interests of the United States*," a far less demanding criterion. This change was made for the express purpose of allowing the drawdown authority to be used to provide additional aid to Cambodia, and it was used only for that purpose during fiscal year 1974 and fiscal year 1975.

The Senate has voted to repeal this provision for each of the last two years, only to have the proposal rejected in conference.

The provision approved by the Committee amends section 506(a) to authorize the President to draw up to \$67,500,000 each fiscal year in Department of Defense stocks for emergency military assistance, subject to advance approval through the appropriation process and only under the following conditions:

(1) That the determination to draw from Defense stocks is reported in advance to Congress in accordance with section 652 of the Foreign Assistance Act;

(2) That an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization;

(3) That a failure to respond immediately to that emergency will result in serious harm to vital United States security interests; and

(4) That the emergency requirement cannot be met by any other means.

All drawdowns of Defense stocks or services are subject to subsequent reimbursement from military assistance appropriations.

The President must keep the Congress fully and currently informed of all defense articles and defense services ordered under the authority of this provision.

Section 103—Stockpiling of Defense Articles for Foreign Countries

Section 514 of the Foreign Assistance Act prohibits use of Department of Defense funds to create new, or to maintain and store existing stockpiles of defense articles or war reserve materiel if such articles

and materiel are set aside or in any way intended for future use by any foreign country. It also prohibits transfer of such stockpiles to a foreign country, additions to such stockpiles or creation of new stockpiles, unless the value of such transfer, addition, or new stockpile, is charged against funds authorized in security assistance legislation.

This section removes the prohibitions in existing law relating to use of DOD funds to store and maintain existing stockpiles. It also removes the requirement that the value of additions to existing stockpiles or new stockpiles be charged against funds authorized in foreign assistance legislation.

Subsection (a) states that no stockpiled article may be made available to any foreign country unless such transfer is authorized in foreign assistance legislation and the value of the transfer charged against funds authorized in such legislation.

Subsection (b) (1) limits in each fiscal year the value of new stockpiles or additions to existing stockpiles located in foreign countries, other than for NATO purposes, to an amount specified in security assistance legislation for that fiscal year. Subsection (b) (2) establishes such limitations as follows: \$75,000,000 in fiscal year 1976, \$18,750,000 in the interim quarter, and \$50,000,000 in fiscal year 1977.

Subsection (c) states that, except for existing stockpiles and those in NATO countries, no stockpile may be located outside the boundaries of a U.S. military base or a base used primarily by the United States.

Subsection (d) states that no defense articles transferred from a stockpile to a foreign country may be considered an excess defense article for purposes of determining its value.

Subsection (e) requires that the President promptly report to the Congress each new stockpile or addition to an existing stockpile valued in excess of \$10 million. The Committee intends that these reports be made to the House Committee on International Relations, the Senate Committee on Foreign Relations and to the House and Senate Armed Services Committees.

Section 104. Military Assistance Advisory Groups and Missions

The purpose of this section is to require the termination after September 30, 1977, of all U.S. military missions and similar groups abroad which are not specifically authorized by Congress, subsequent to the enactment of this bill.

For a number of years the Committee has attempted to reduce the number and size of U.S. military missions and groups abroad. There are, for example, military missions to seven countries in Western Europe where grant aid programs were terminated years ago. There are now 44 military missions and groups abroad. In addition, personnel are attached to the office of the U.S. defense attache in 8 countries to handle security assistance matters. Data concerning the number of personnel assigned to those organizations and the costs to the U.S. Government involved are shown on the tables below:



AUTHORIZED PERSONNEL STRENGTHS IN ADVISORY GROUPS

Country	Actual fiscal year 1975			Proposed fiscal year 1976			Proposed fiscal year 1977			Proposed fiscal year 1977		
	Military	Civilian	Local	Military	Civilian	Local	Military	Civilian	Local	Military	Civilian	Local
East Asia and Pacific:												
Australia ¹	3			3			3			3		
Cambodia	82		5									
China (Taiwan)	46	4	11	43	5	12	43	5	12	38	4	11
Indonesia	55	6	22	55	6	22	55	6	22	35	6	22
Japan	7	5	5	7	5	5	7	5	5	7	5	5
Korea	159	41	53	155	44	50	155	44	50	155	44	50
Laos	15											
Malaysia ¹	1			1			1			1		
Philippines	45	9	6	39	9	6	39	9	6	38	9	6
Singapore ¹	1			1			1			1		
Thailand	169	8	8	166	7	8	166	7	8	158	10	8
Regional total	583	77	110	470	76	103	470	76	103	456	78	102
Near East and South Asia:												
India	4	1	5	4	1	5	4	1	5	4	1	5
Iran	191	18	39	191	18	39	191	18	39	191	18	39
Jordan ¹	9	1	5	10	2	5	10	2	5	10	2	5
Kuwait	9			9			9			9		
Morocco	18	3	6	19	2	6	19	2	6	19	2	6
Pakistan	8		6	9		7	9		7	9		7
Saudi Arabia	140	2	9	148	2	10	148	2	10	148	2	10
Tunisia	9	1	3	9	1	3	9	1	3	9	1	3
Regional total	388	26	73	399	26	75	399	26	75	399	26	75
Europe:												
Austria ¹	2			2			2			2		
Bellux	7	1	5	7	1	5	7	1	5	7	1	5
Denmark	7	1	6	7	1	6	7	1	6	7	1	6
France	6	1	6	6	1	6	6	1	6	6	1	6
Germany	22	5	9	22	5	9	22	5	9	22	5	9
Greece	46	9	27	29	7	16	29	7	16	29	7	16
Italy	11	2	6	11	2	6	11	2	6	11	2	6
Netherlands	8		6	8		5	8		5	8		5
Norway	6		5	6		5	6		5	6		5
Portugal	11	3	7	11	3	7	11	3	7	11	3	7
Spain	31	11	19	29	8	19	29	8	19	29	8	19
Regional total	303	62	182	253	52	142	253	52	142	253	52	142
Africa:												
Ethiopia	79	4	33	46	4	28	46	4	28	46	4	28
Liberia	12		3	9		3	9		3	9		3
Nigeria ¹	1	1	1	1	1	1	1	1	1	1	1	1
Zaire	10		3	10		3	10		3	10		3
Regional total	102	5	40	66	5	35	66	5	35	66	5	35
Latin America:												
Argentina	27	1	9	27	1	9	27	1	9	28	1	9
Bolivia	29	2	8	29	2	8	29	2	8	29	2	8
Brazil	40	6	26	31	2	14	31	2	14	31	2	14
Chile	15		6	15		6	15		6	15		6
Colombia	24	1	6	22	1	6	22	1	6	22	1	6
Costa Rica	2		1	2		1	2		1	2		1
Dominican Republic	8		3	8		3	8		3	8		3
Ecuador	6	1	3	8	1	3	8	1	3	8	1	3
El Salvador	10		3	10		3	10		3	10		3
Guatemala	19		4	15		4	15		4	14		3
Honduras	11		3	11		3	11		3	11		3
Mexico ¹	17		3	15		3	15		3	14		3
Nicaragua	9	1	1	9	1	1	9	1	1	9	1	1
Panama	14		3	14		3	14		3	14		3
Paraguay	7		3	7		4	7		4	7		4
Peru	13		5	13		5	13		5	13		5
Uruguay	31		4	30		4	30		4	28		4
Venezuela												
Regional total	283	12	91	267	8	79	267	8	79	264	8	79
Worldwide total	1,659	182	496	1,455	167	434	1,455	167	434	1,438	169	433

¹ Defense Attache Office augmentation for security assistance.

COST OF MAAG AND SIMILAR ORGANIZATIONS, FISCAL YEAR 1976¹

[In thousands of dollars]

Country	MAP funds	DOD funds	Total cost
Austria		81.5	81.5
Belgium		552.7	552.7
Denmark		476.6	476.6
Ethiopia	1,361.7	1,018.2	3,379.9
France		516.3	516.3
Germany		1,630.6	1,630.6
Greece		964.4	1,858.0
Iran	893.6	964.4	1,858.0
Italy	549.3	1,727.9	3,277.2
Jordan		839.5	839.5
Kuwait	279.8	217.2	497.0
Liberia	258.4	322.3	490.7
Morocco	535.2	342.9	878.1
Netherlands	344.7	480.0	824.7
Nigeria		456.9	456.9
Norway	86.0	35.9	121.9
Portugal		402.0	402.0
Saudi Arabia	230.2	259.7	489.9
Spain	995.2	3,421.8	4,417.0
Tunisia	341.6	818.6	1,160.2
Turkey	258.9	271.3	530.2
Zaire	1,490.9	3,344.1	4,835.0
United Kingdom	502.0	244.5	746.5
Australia		95.2	95.2
China (Taiwan)	14.4	69.7	84.1
India	393.4	1,304.4	1,697.8
Indonesia	214.8	122.4	337.2
Japan	1,131.7	1,309.0	2,440.7
Korea		578.2	578.2
Laos	2,209.4	4,333.0	6,542.4
Malaysia	101.1	236.0	337.1
Pakistan	8.6	16.6	25.2
Philippines	245.8	165.0	410.8
Singapore	594.4	1,317.2	1,911.6
Thailand	5.8	18.9	24.7
Argentina	795.0	4,363.6	5,158.6
Bolivia		1,633.8	1,633.8
Brazil		1,548.5	1,548.5
Chile		2,945.8	2,945.8
Colombia		867.8	867.8
Costa Rica		1,006.7	1,006.7
Dominican Republic		119.0	119.0
Ecuador	186.5	234.0	420.5
El Salvador		313.3	313.3
Guatemala		492.6	492.6
Honduras		764.8	764.8
Mexico		507.0	507.0
Nicaragua		24.1	24.1
Panama		580.2	580.2
Paraguay		422.8	422.8
Peru		693.5	693.5
Uruguay	141.8	163.0	304.8
Venezuela		761.2	761.2
Total	14,170.2	48,669.3	62,839.5

¹ Costs to the United States for operating the MAAG's will be reduced by approximately \$4,500,000 in contributed currency paid by the host countries directly to the U.S. Treasury.

Note: Figures in the table do not take into account the goods, services, and facilities made available by the host government. The host country contribution for this support is estimated to be \$12,100,000 in fiscal year 1976.

COSTS OF MAAG AND SIMILAR ORGANIZATIONS; FISCAL YEAR 1977

[In thousands of dollars]

Country	MAP funds	DOD funds	Total cost
Austria	84.7		84.1
Belgium	491.1		491.1
Denmark	415.1		415.9
Ethiopia	3,029.9		3,029.6
France	410.6		410.6
Germany	1,353.6		1,353.0
Greece	1,628.0		1,628.3
Iran	589.3		589.2
Italy	669.2		669.6
Jordan	447.6		447.2
Kuwait	567.2		567.8
Liberia	646.8		646.8
Morocco	732.8		732.6
Netherlands	420.6		420.4
Nigeria	237.4		237.1
Norway	357.1		357.5
Portugal	485.5		485.0
Saudi Arabia	1,4,600.0		1,4,600.8
Spain	1,144.8		1,144.6
Tunisia	428.6		428.5
Turkey	4,817.5		4,817.5
Zaire	664.6		664.6
United Kingdom	122.0		122.0
Australia	73.8		73.8
China (Taiwan)	1,308.8		1,308.8
India	242.7		242.7
Indonesia	2,016.2		2,016.2
Japan	479.1		479.1
Korea	6,631.2		6,631.2
Laos			
Malaysia	21.1		21.1
Pakistan	296.0		296.0
Philippines	1,789.0		1,789.0
Singapore	16.5		16.5
Thailand	5,098.3		5,098.3
Argentina	1,323.2		1,323.2
Bolivia	1,022.6		1,022.6
Brazil	2,045.5		2,045.5
Chile	865.0		865.0
Colombia	845.9		845.9
Costa Rica	94.7		94.7
Dominican Republic	491.7		491.7
Ecuador	272.3		272.3
El Salvador	457.9		457.9
Guatemala	569.0		569.0
Honduras	389.3		389.3
Mexico	15.5		15.5
Nicaragua	440.5		440.5
Panama	321.0		321.0
Paraguay	519.6		519.6
Peru	314.7		314.7
Uruguay	613.6		613.9
Venezuela	1,029.8		1,029.8
Total	53,948.8		53,948.8

¹ Includes \$4,200,000 proposed for host country financing.

Section 104 amends section 515 of the Foreign Assistance Act to require the termination after September 30, 1977, of all military missions and groups whose continuation is not specifically authorized by Congress. The new paragraph (1) of subsection (b) requires after September 30, 1977, no military assistance advisory groups, military mission, or other organization of United States military personnel performing similar military advisory functions under the Act may operate in any foreign country unless specifically authorized by the Congress.

Paragraph (2) provides that the President may assign not more than three members of the Armed Forces of the United States to the Chief of each United States Diplomatic Mission to perform such functions as such Chief of Mission determines necessary for security assistance purposes. Such personnel may be assigned to replace MAAG's as they are phased out in accordance with the requirements in this Act. They may also be assigned to countries where no MAAG's now exist. After September 30, 1977, no such functions may be performed by defense attaches assigned to U.S. missions overseas.

As a first step in the implementation of the new policy, subsection (c) requires that the number of military missions be reduced to not more than 34 by September 30, 1976. This will bring about the termination of 10 military missions.

Subsection (d) excludes from the definition of MAAG's regular U.S. Armed Forces units designed to bring about U.S.-allied procedural and operational standardization.

Section 105. Termination of Authority to Furnish Grant Military Assistance

Section 105 adds a new section 516 to the Foreign Assistance Act which is designed to phase out the major elements of the grant military assistance program by the end of FY 1977. No new grant military assistance, other than for limited types of training, could be provided after September 30, 1977, unless specifically authorized by Congress on a country-by-country basis.

Subsection (a) of the new section 516 provides that except to the extent that the Congress may, subsequent to the enactment of this bill, authorize the furnishing of military assistance to specified countries in specified amounts, the general military grant assistance authorities in the Foreign Assistance Act may no longer be exercised after September 30, 1977. The authorities contained in sections 506, 514 and 515(b) (2)—drawdown of Defense Department stocks, stockpiling, and the assignment of military personnel to the Chief of the U.S. diplomatic mission in each country—are excepted. However, all authorities shall remain available until September 30, 1980, to the extent necessary to carry out obligations incurred prior to September 30, 1977.

The new subsection (b) provides needed authority to use funds for the closing out of existing military grant assistance programs, including payment of the costs of packing, crating, handling, and transporting defense articles furnished under this chapter and of related administrative costs; and for costs incurred under section 503(c) with respect to defense articles on loan to countries no longer eligible under section 504(a) for military assistance.

Section 106. International Military Education and Training

This section adds to part II of the Act a new chapter 5, providing specific authority for a program of international military education and training.

The new section 541 authorizes the President to provide military education on such terms and conditions as he shall determine (but wherever feasible on a reimbursable basis) and describes the kind of activities that can be engaged in under this chapter. It is the intent

of the Committee that the provision requiring reimbursable training where feasible shall not preclude the sale of defense services under the Arms Export Control Act. Training activities include attendance by foreign military personnel and related civilians at U.S. and foreign military facilities for education or training purposes. This includes international military educational facilities such as those under NATO auspices. Also permitted is attendance by such foreign personnel at pertinent courses of instruction at non-military public and private educational and research institutions. In addition, observation and orientation visits by foreign military and related civilian personnel would be permitted under this chapter.

The new section 542 provides that after June 30, 1976, no training may be conducted outside the United States unless the President has reported and justified the training to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. Such justification will be included in the annual presentation to the Congress. This section also authorizes the appropriation of \$27,000,000 for fiscal year 1976 and \$28,000,000 for fiscal year 1977 to carry out the training program, a reduction of \$3,000,000 in the President's budget request for 1976 and a \$2,200,000 reduction for 1977.

The new section 543 states the purposes of the education and training program. Education and training activities conducted under the new chapter are to be designed to encourage effective and mutually beneficial relationships and increased understanding between the United States and foreign countries in furtherance of the goals of international peace and security; and to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the United States, with maximum effectiveness.

Subsection (b) makes a number of conforming amendments to the Foreign Assistance Act to reflect the addition of a separate chapter for training. It also repeals section 510 of the Foreign Assistance Act which limits the number of foreign military trainees in the United States in any fiscal year to the number of civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961, in the previous fiscal year.

Subsection (c) provides that, except as may be expressly provided to the contrary in this Act, all terminations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law amended or repealed by this section shall continue in full force and effect until modified, revoked, or superseded by appropriate authority.

Subsection (d) states that funds made available pursuant to other provisions of law for foreign military educational and training activities shall remain available for obligation and expenditure for their original purposes in accordance with the provisions of law originally applicable to those purposes.

Forty-five countries have been programmed by the Executive Branch to receive grants for military training in fiscal year 1976 and forty-four in fiscal year 1977 as shown on the table below:

INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM

[In thousands of dollars; fiscal years]

Country	Actual 1975 ¹	Proposed		
		1976	1977	1977
East Asia and Pacific:				
Cambodia.....	3,220			
China (Taiwan).....	412	500	100	500
Indonesia.....	2,784	2,000	700	3,000
Korea.....	1,407	2,700	500	2,700
Laos.....	1,321			
Malaysia.....	283	300	100	300
Philippines.....	471	750	200	600
Thailand.....	1,801	1,750	500	1,500
Regional costs.....	364			
Regional total.....	12,063	8,000	2,100	8,600
Near East and South Asia:				
Afghanistan.....	212	200	50	200
India.....	54	200	30	200
Jordan.....	1,011	800		800
Lebanon.....	131	200		300
Morocco.....	852	800	200	900
Nepal.....	32	35	10	35
Pakistan.....	277	350	80	325
Saudi Arabia.....	38			
Sri Lanka.....		15	5	15
Tunisia.....	391	400	125	400
Yemen.....		500		
Regional costs.....	52			
Regional total.....	3,050	3,500	500	3,175
Europe:				
Austria.....	9	25	10	40
Finland.....	15	25	10	40
Greece.....		800		1,000
Portugal.....	337	1,025	180	1,000
Spain.....	1,589	725		
Turkey.....	541	1,800	500	2,000
Regional costs.....	23			
Regional total.....	2,524	4,400	700	4,080
Africa:				
Ethiopia.....	776	900	300	900
Ghana.....	70	100	20	100
Kenya.....	32	965	135	200
Liberia.....	89	100	45	100
Senegal.....	35	35	10	45
Zaire.....	299	400	190	2,500
Regional costs.....	43			
Regional total.....	1,344	2,500	700	3,845
American republics:				
Argentina.....	100	920	170	900
Bolivia.....	667	720	130	600
Brazil.....	901	1,120	240	1,100
Chile.....	656			
Colombia.....	737	750	200	700
Dominican Republic.....	516	670	130	500
Ecuador.....	400	970	100	900
El Salvador.....	505	840	150	600
Guatemala.....	414	430	100	500
Haiti.....	28	200	25	200
Honduras.....	849	840	150	600
Mexico.....	109	100	30	200
Nicaragua.....	661	840	170	600
Panama.....	330	380	190	400
Paraguay.....	313	410	190	400
Peru.....	852	940	373	900
Uruguay.....	401	520	160	500
Venezuela.....	731	750	390	700
Regional costs.....	350			
Regional total.....	9,520	11,400	2,900	10,300
General costs.....	204	280	100	200
Worldwide total.....	28,705	30,000	7,000	30,200

¹ Training included in MAP total. Shown here for purposes of comparability.

TITLE II—ARMS EXPORT CONTROLS

Section 201. Change in Title and Restriction on Commercial Sales

Subsection (a) changes the title of what is now the Foreign Military Sales Act to the Arms Export Control Act to reflect the changes in policy encompassed in this bill, designed to emphasize greater control over the U.S. arms exports.

Section 202. Statement of Policy

Section 202 strikes out the provision in existing law that requires the United States Government to shift government-to-government to commercial military sales to the maximum extent practicable, and adds a new statement of policy to section 1 of the newly designated Arms Export Control Act.

The provision states that it shall be the policy of the United States to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war and to lessen the danger of outbreak of regional conflict and the burdens of armaments. United States programs for or procedures governing the export, sale, and grant of arms and munitions to foreign countries and international organizations shall be administered in a manner which will carry out this policy.

It also states the sense of the Congress that the President should seek to initiate multilateral discussions for the purpose of reaching agreements among the principal arms suppliers and arms purchasers and other countries with respect to the control of the international trade in armaments. It also expresses the sense of Congress that the President should work actively with all nations to check and control the international sale and distribution of conventional weapons of death and destruction and to encourage regional arms control arrangements. In furtherance of this policy, it is stated that the President should undertake a concerted effort to convene an international conference of major arms-supplying and arms-purchasing nations which shall consider measures to limit conventional arms transfers in the interest of international peace and stability.

Subsection (b) requires the President to conduct a comprehensive study of U.S. arms sales policies to determine whether such policies should be changed, and to report the results of such study to Congress, along with an account of steps taken to encourage arms limitations, not later than the end of the 1-year period beginning on the date of enactment of the provision.

Section 203. Transfer of Defense Services

This section, an amendment sponsored by Senators Case and Nelson, amends section 3(a)(2) of the Foreign Military Sales Act, and section 505(a) of the Foreign Assistance Act, effective July 1, 1976, to require that a country which purchases defense articles and defense services from the United States on a government-to-government basis must have agreed in advance, among other conditions, not to permit the use of any defense service or training for purposes other than those for which the service or training was provided without United States consent. Under existing law the requirement on prior consent for transfers by a purchasing country to third countries, or for uses other than

those originally stipulated, applies only to defense articles. This change will make the requirement for prior consent applicable to defense services, including training, as well.

This provision is related to those sections of the bill concerning the ineligibility of a country which violates agreements, such as those involved here, for further grant military assistance and credits or guarantees for purchases of U.S. military equipment or services.

Section 204. Approval for Transfer of Defense Articles

This section amends section 3 of the Foreign Military Sales Act by adding a new subsection (e).

The new subsection prohibits the President from giving his consent to the transfer of defense articles sold under the Foreign Military Sales Act or furnished on a grant basis under the authority of sections 505(a)(1) and 505(a)(4) of the Foreign Assistance Act from one country to another unless the President submits to the Congress, thirty calendar days prior to giving such consent, a written report giving the name of the country or international organization proposing to make the transfer, a description of the defense article to be transferred including the original acquisition cost of such defense article, the name of the proposed recipient, the reason for the proposed transfer, and the date on which the transfer is proposed to be made.

Section 205. Sales from Stocks

Section 205 amends section 21 of the Foreign Military Sales Act, which authorizes the sale to foreign countries of the services of Department of Defense and U.S. military stocks.

Paragraph (1) of the new subsection (a) requires payment for articles or services sold from Defense stocks on the following basis:

(A) In the case of a defense article not intended to be replaced at the time the agreement is entered into with the purchasing country, not less than the actual value;

(B) In the case of a defense article intended to be replaced at the time the agreement is entered into, the estimated cost of replacement of the article, including the contract or production costs less any depreciation in the value of the article; or

(C) In the case of the sale of a defense service, the full cost to the United States Government of furnishing the service.

Payment must be made in advance or, if the President determines it to be in the national interest, upon delivery of the defense article or rendering of the defense service, unless in exceptional circumstances as authorized by the new subsection (d) an additional period for payment is permitted.

Under subsection (d), if the President determines it to be in the national interest, billings for sales made under letters of offer issued under section 21 after the enactment of the subsection may be dated and issued upon delivery of the defense article or rendering of the defense service and shall be due and payable upon receipt thereof by the purchasing country or international organization. Interest must be charged on any net amount due and payable which is not paid within sixty days after the date of the billing. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market

yield on outstanding short-term obligations of the United States as of the last day of the month preceding the billing and shall be computed from the date of billing. The President may extend the sixty-day period to one hundred and twenty days if he determines that emergency requirements of the purchaser for acquisition of the military items exceed the ready availability to the purchaser of funds sufficient to pay the United States in full within the sixty-day period and submits that determination to the Congress together with a special emergency request for the authorization and appropriation of additional funds to finance the purchases under the Act.

The new subsection (c) prohibits personnel performing defense services sold under the Act from performing any duties of a combatant nature, including any duties related to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of defense services.

The new subsection (e) is designed to insure that all government-to-government sales shall include a fair share of all indirect costs so that there are no longer any elements of subsidy in the program, except as authorized in paragraph (e)2 and subsection (g). After September 30, 1976, letters of offer for the sale of defense articles or for the sale of defense services that are issued pursuant to section 21 or section 22 of the Act shall include appropriate charges for (A) administrative services, calculated on an average percentage basis to recover the full estimated costs of administration of sales made under the Act to all purchasers of articles and services; (B) any use of plant and production equipment in connection with those defense articles; and (C) a proportionate amount of any nonrecurring costs of research, development, and production of major defense equipment.

Under paragraph (2) the President may reduce or waive the charge or charges which would otherwise be considered appropriate under subparagraphs (1)(B) and (1)(C) for particular sales that would, if made, significantly advance United States Government interests in North Atlantic Treaty Organization standardization, or foreign procurement in the United States under coproduction arrangements.

The new subsection (f) requires that any contracts entered into between the United States and a foreign country under the authority of section 21 or section 22 of the Act shall be prepared in a manner which will permit them to be made available for public inspection to the fullest extent possible consistent with the national security of the United States. A basic purpose of this bill is to bring out into the open more data concerning U.S. arms transfer policies and programs. The Committee intends for the term "national security" to be narrowly construed for this purpose. Executive Branch officials, when in doubt in particular situations, should always keep in mind the basic intent of this bill to bring about greater public knowledge of arms sales matters.

The new subsection (g) provides that in carrying out section 814 of Public Law 94-106, relating to North Atlantic Treaty Organization standardization programs, the President may enter into North Atlantic Treaty Organization standardization agreements for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such



agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate.

Section 206. Sales from Stocks Affecting United States Combat Readiness

Section 206 amends section 21 of the Act by adding a new subsection (h) concerning the sale of defense articles and allowable services that would have an adverse effect on the combat readiness of the U.S. armed forces.

The section requires that the sale of defense articles and services which could have a significant effect on the combat readiness of the Armed Forces of the United States be kept to an absolute minimum. In the event such a sale is contemplated, the President shall transmit to the Speaker of the House of Representatives and the Committees on Armed Services and Foreign Relations of the Senate a written statement giving a complete explanation about any proposal to sell any defense articles or services if the sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States. Each statement shall be unclassified except to the extent that public disclosure of any item of required information would be clearly detrimental to the security of the United States. Any necessarily classified information shall be confined to a supplemental report.

Each statement shall set forth (A) the country or international organization to which the sale is proposed to be made; (B) the amount of the proposed sale; (C) a description of the defense articles or services proposed to be provided; (D) a full description of the impact which the proposed sale will have on the Armed Forces of the United States; and (E) a justification for the proposed sale, including a certification that the sale is important to the security of the United States. Such certification shall remain in effect for up to one year.

Subparagraph (2) of the new subsection 21(h) provides that no deliveries may be made under any sale to be reported to Congress pursuant to the requirements of paragraph (1) unless the certification under (1) (E) above is in effect.

Section 207. Procurement for Cash Sales

Section 207 amends section 22 of the Foreign Military Sales Act, which authorizes the U.S. government to procure defense articles and defense services from private industry on behalf of foreign governments or international organizations.

Subsection (a) adds a provision at the end of section 22(a) of the Act which requires that interest be charged on any net amount by which any purchasing country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings to finance its procurements, considered collectively. The rate of interest charged shall be a rate not less than a rate determined by the

Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

The billings and collecting activities for foreign military sales within the Department of Defense are accomplished by various procedures within each of the military departments. It is the Committee's desire that the Department of Defense take immediate action to improve and centralize the management and control of billing and collecting of foreign military sales. It is imperative that interest be calculated on all net arrearages and the country concerned be promptly notified.

Subsection (b) rewrites section 22(b) of the Act to specify that the President may, if he determines it to be in the national interest, issue letters of offer under this section which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within one hundred and twenty days after the date of billing. This authority may be exercised, however, only if the President also determines that the emergency requirements of the country for acquisition of the defense articles and services exceed the ready availability to the country of funds sufficient to make payments on a dependable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the Act. The purpose of this provision is to insure that the granting of 120 days for payment after billing is used only in genuine emergency cases, such as in the resupply of Israel during the 1973 Middle East conflict.

Section 208. Extension of Payment Period for Credit Sales

Section 208 amends section 23 of the Foreign Military Sales Act to provide that the maximum payment period for credit sales under the act shall not exceed twelve years after the delivery or rendering of the articles or services involved. Current law stipulates a maximum payment period of ten years. The twelve year period shall apply to financing agreements entered into on or after the date of enactment of this section. This provision originated in the House of Representatives and is included in this bill as a result of its inclusion in the bill resulting from the Committee of Conference on S. 2662.

Section 209. Annual Estimate and Justification for Sales Program

Under this section the President is required to transmit to the Congress, as a part of the presentation materials for foreign assistance programs proposed for each fiscal year, an unclassified report which sets forth—

- (1) An estimate of the amount of sales proposed to be made to each country under sections 21 and 22 of the Act, including a detailed explanation of the foreign policy and national security considerations involved in sales to each country;
- (2) An estimate of the amount of credits and guaranties expected to be extended to each country;
- (3) A list of all findings which are in effect on the date of such transmission made by the President pursuant to section 3(a) (1)

of this Act, relating to eligibility, together with a full and complete justification for each such finding, explaining how sales to each country with respect to which that finding has been made will strengthen the security of the United States and promote world peace; and

(4) An arms control impact statement for each country including (A) an analysis of the relationship between expected sales to each country and arms control efforts relating to that country; and (B) the impact of the expected sales on the stability of the region that includes the purchasing country.

Subsection (b) amends section 634(d) of the Foreign Assistance Act to reflect the new requirement for a separate justification for military sales.

Requests for additional information on such estimates by the House International Relations Committee or the Senate Foreign Relations Committee must be met within thirty days. The President shall make every effort to submit all of the information required by this section in unclassified form.

Section 210. Authorizations

Subsections (a) and (b) amend section 31 of the Foreign Military Sales Act (FMSA) to authorize the appropriation of \$1,039,000,000 for fiscal year 1976 and \$680,000,000 for fiscal year 1977 and to establish a ceiling of \$2,374,700,000 on the aggregate amount of credits that may be extended and principal amount of loans that may be guaranteed for fiscal year 1976 and a ceiling of \$1,732,600,000 for fiscal year 1977. The bill earmarks not less than \$1,500,000,000 of the total program ceiling in fiscal year 1976 and not less than \$1,000,000,000 of the total program ceiling in fiscal year 1977 for Israel.

The Committee has not included programs, or funding, for Spain, Greece, and Turkey in its credit authorizations for fiscal year 1977. As noted in its comments on the allocations for grant military assistance, the Committee expects to address these programs in connection with its review of the agreements between the United States and these countries relating to United States use of military bases and facilities.

The Executive Branch requested \$1,065,000,000 to finance a total program of \$2,374,700,000 in fiscal year 1976 and \$840,000,000 to finance a total program of \$2,059,600,000 in fiscal year 1977. The Executive Branch request for fiscal year 1977 did not include a program for Spain: it did, however, include \$277,000,000 for Greece and Turkey within its total program request. On a comparable basis, therefore, the Committee recommended program ceiling of \$1,732,600,000 is a reduction of \$50,000,000 from the request, minus Greece and Turkey, of \$1,782,600,000.

The budget authority level recommended by the Committee for fiscal year 1977 is \$160,000,000 less than the request. In addition to deleting the \$27,700,000 in budget authority intended to guarantee the loans for Greece and Turkey, the Committee assumes a substantially larger percentage of guaranteed loans than does the Administration. Guaranteed loans require only 10 percent of the face value of the loan in budget authority whereas direct loans require full funding.

FOREIGN MILITARY SALES CREDIT PROGRAM

[In thousands of dollars; fiscal years]

Country	Actual 1975	Proposed		
		1976	1977	1977
East Asia and Pacific:				
China (Taiwan).....	80,000	80,000	8,000	35,000
Indonesia.....	5,000	23,100		23,100
Korea.....	59,000	126,000	1,500	275,000
Malaysia.....	4,700	15,000		36,000
Philippines.....	14,000	17,400		20,000
Thailand.....	8,000	36,700		30,000
Regional total.....	170,700	298,200	9,500	419,100
Near East and South Asia:				
Israel.....	1,300,000	1,500,000		1,000,000
Jordan.....	30,000	75,000		75,000
Lebanon.....		5,000		5,000
Morocco.....	14,000	30,000		30,000
Tunisia.....	5,000	15,000		15,000
Regional total.....	349,000	1,625,000		1,125,000
Europe:				
Greece.....	86,000	110,000	46,000	127,000
Spain.....				150,000
Turkey.....	75,000	130,000		
Regional total.....	161,000	240,000	46,000	277,000
Africa:				
Ethiopia.....	25,000	10,000		10,000
Kenya.....	5,000	2,000		5,000
Liberia.....	1,800	500		500
Zaire.....	3,500	19,000		28,000
Regional total.....	35,300	31,500		43,500
American Republics:				
Argentina.....	30,000	34,000		48,400
Bolivia.....	4,000	6,000		12,000
Brazil.....	60,000	60,000		60,000
Colombia.....		16,000		26,000
Dominican Republic.....	500	1,000		1,000
Ecuador.....		10,000		10,000
El Salvador.....	3,000	2,500		2,500
Guatemala.....	2,300	1,500		600
Haiti.....				500
Honduras.....	3,000	2,500		2,500
Mexico.....		5,000		5,000
Nicaragua.....	3,000	2,500		2,500
Panama.....				1,000
Paraguay.....	500	500		500
Peru.....	20,500	20,000		20,000
Uruguay.....	7,500	2,500		2,500
Venezuela.....		16,000		
Regional total.....	134,300	180,000		195,000
Worldwide total.....	850,300	2,374,700	55,500	2,059,600

¹ Includes \$100,000,000 payment waived.

² Includes \$750,000,000 payment waived.

³ Includes \$500,000,000 payment waived.

Subsection (c) (1) also adds a new subsection (d) to Section 31 of FMSA providing that credit funds shall be obligated to finance purchases by Israel either by the extension of direct credits without regard to the limitations in Section 23, or by the issuance of credit guaranties. Repayment of up to one-half of purchases so financed in each fiscal year is to be forgiven and the remainder to be provided with a repayment period of not less than 20 years following a grace period of ten years on repayment of principal.

Subsection (c) (1) also adds a new subsection (d) to Section 31 of the FMSA establishing a ceiling of \$100,000,000 on the aggregate

acquisition cost of excess defense articles that can be provided on a grant or sales basis to foreign countries in any fiscal year beginning in 1977. This ceiling is exclusive of ships and their on-board stores and supplies transferred in accordance with the Foreign Military Sales Act.

Subsection (c) (2) repeals, effective July 1, 1976, those subsections of Section 8 of the Foreign Military Sales Act of 1971 that are superseded by enactment of the new provision on excess defense articles. Funds in the suspense account referred to in subsection (a) of such section on July 1, 1976 are to be transferred to the general fund of the Treasury.

Section 211. Reports on Commercial and Governmental Military Exports

Section 211 revises and expands section 36 of the Foreign Military Sales Act.

The new subsection (a) revises the requirement for quarterly reports on certain military sales data to make the report more complete and to require that all information included be unclassified except for limited data, the public disclosure of which would be clearly detrimental to the security of the United States.

Under the new provision the President must transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate not more than thirty days after the end of each quarter an unclassified report (except that any material which was transmitted in classified form under subsection (b) (1) of the revised section 36 may be contained in a classified addendum) containing—

- (1) A listing of all Government offers to sell any major defense equipment valued at \$1 million or more if the offer has not been accepted or canceled;
- (2) A listing of all Government offers to sell that have been accepted, together with the total value of all defense articles and defense services sold to each foreign country;
- (3) The cumulative dollar amounts, by country, of credits and guaranties of credit extended during the fiscal year in which the report is submitted;
- (4) Information concerning all licenses for export to each foreign country of commercially sold major defense equipment, by category, sold for \$1 million or more, together with the total value of all defense articles and defense services licensed for each foreign country;
- (5) Projections of the dollar amounts, by country, of cash sales expected to be made on a government basis, and credits and guaranties to be provided, in the next quarter;
- (6) A projection of Government cash sales expected to be made and credits expected to be extended to each country for the remainder of the fiscal year;
- (7) An estimate of the number of officers and employees of the Government and U.S. civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of Government sales and commercial exports; and

(8) an analysis and description of the services being performed by officers and employees of the United States through Government sales, including the number of personnel so employed.

For each letter of offer to sell on a government-to-government basis under paragraphs (1) and (2), the report shall specify (i) the foreign country or international organization to which the defense article or service is offered; (ii) the dollar amount of the offer to sell and the number of defense articles to be sold under paragraph (1) or of the completed sale under paragraph (2); (iii) a brief description of the defense article or service offered; and (iv) the United States Armed Force or other agency which is making the offer to sell.

The new subsection 36 (b) revises and expands on the provision in existing law requiring advance reports to Congress on certain proposals to sell military articles or services on a government-to-government basis. Congress may now reject a proposal within twenty calendar days by passage of a concurrent resolution unless the President states that an emergency exists and that the sale is in the national security interests of the United States. Under existing law only proposals to sell articles or services totaling \$25,000,000 or more must be submitted. The revised provision requires that, in addition to all proposals totaling \$25,000,000 or more, all proposals to sell major defense equipment of \$7,000,000 or more on a government-to-government basis must be reported in advance to the Congress. The report must contain the information specified in clauses (i) through (iv) of subsection (a). In addition, the President shall, upon request of the House International Relations Committee or the Senate Foreign Relations Committee, transmit a statement setting forth, to the extent specified in the request . . .

- (a) A brief description of the capabilities of any defense article and a detailed description of the articles or services to be offered.
- (b) An estimate of the number of officers and employees of the United States and civilian contract personnel expected to be needed in such country to carry out the contract;
- (c) The name of each contractor expected to provide the defense article or defense service to be sold (if known);
- (d) An arms control impact statement;
- (e) A description of the need for such services by such country and how such country intends to use them;
- (f) An analysis of the impact of the proposed sale on the military preparedness of the United States;
- (g) Reasons why the proposed sale is in the United States national interests;
- (h) The impact of the proposed sale on the military capabilities of the country to which such sale would be made;
- (i) How the proposed sale would affect the relative military strengths of the countries in the region;
- (j) An estimate of the number of trained personnel needed to use effectively the defense articles or services proposed to be sold;
- (k) An analysis of the availability of such articles or services from other countries; and
- (l) An analysis of the impact of the proposed sale on United States relations with other countries in the region.



This listing of specific data is not to be construed as restricting in any way the right of either Committee to request such other pertinent data on proposed sales or licenses as it deems necessary. The certification shall be unclassified, except that the information specified in clauses (ii) or (iii) of subsection (a), relating to the dollar value and description of the items sold, may be classified if the public disclosure thereof would be *clearly* detrimental to the security of the United States. The letter of offer shall not be issued if the Congress, not later than thirty calendar days after receiving a certification, adopts a concurrent resolution stating that it objects to the certification, unless the President in his certification states that an emergency exists which requires the sale in the national security interests of the United States.

Any resolution of disapproval in the Senate shall be considered in accordance with the expedited procedures set forth in section 601 of the bill. A motion to consider any such resolution after it has been reported by a committee shall be treated as highly privileged in the House of Representatives.

The new subsection 36(c) sets forth similar requirements for submission of data on certain proposed commercial export licenses, other than for licenses for shipments pursuant to government-to-government sales. In the case of an application by a person for a license for the export of any major defense equipment over \$7,000,000, or of defense articles or defense services, including technical data relating thereto, valued in excess of \$25,000,000, before issuing a license the Secretary of State shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate an unclassified numbered certification with respect to the application specifying (A) the foreign country or international organization to which the export will be made, (B) the dollar amount of the items to be exported, (C) a description of the items to be exported.

Upon request of the Senate Foreign Relations Committee or the House International Relations Committee, the President shall transmit a statement setting forth in accordance with such request a description of the capabilities of the items to be exported, an estimate of the total number of United States personnel expected to be needed in the foreign country concerned in connection with the articles or services to be exported, and an analysis of the arms control impact pertinent to the application.

A certification pursuant to this subsection shall be unclassified, except that the dollar amount of the items to be exported and the description of the articles may be classified if public release would be clearly detrimental to the security of the United States. The license shall not be issued if the Congress, within thirty calendar days after receiving a certification, adopts a concurrent resolution stating that it objects to the certification, unless the President in his certification states that an emergency exists which requires the issuance of a license in the national security interests of the United States. Any resolution of disapproval shall be considered in accordance with the procedures set forth in section 601 of the bill.

The new subsection (d) requires that in the case of an approval under section 38 of the Act of a United States commercial technical

assistance or manufacturing licensing agreement for or in a country not a member of the North Atlantic Treaty Organization which involves the manufacture abroad of any significant defense articles on the U.S. Munitions List, before such approval is given, the Secretary of State shall submit a certification with respect to the proposed commercial agreement in a manner similar to the certification under paragraph (1) of subsection (c) containing comparable information.

Data concerning government-to-government new sales agreements and commercial deliveries for fiscal year 1975 and estimates for fiscal year 1976, the interim quarter, and fiscal year 1977 are shown in the following tables:

FOREIGN MILITARY SALES AGREEMENTS

[In thousands of dollars]

Country	Actual fiscal year 1975			Estimated fiscal year 1976			Estimated fiscal year 1977			Estimated fiscal year 1977		
	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total
East Asia and Pacific:												
Australia	158,564		158,564	408,000		408,000	102,000		102,000	195,000		195,000
Burma	30		30	50		50	13		13	1,000		1,000
China (Taiwan)	116,139	7,006	123,145	175,000	15,000	190,000	43,750	3,750	47,500	115,000	20,000	135,000
Fiji				100		100	25		25	100		100
Indonesia	45,103	3,411	48,514	3,000		3,000	750		750	5,000	15,000	20,000
Japan	29,647		29,647	28,000		28,000	7,000		7,000	50,000		50,000
Korea	212,880	5,926	218,806	495,000	126,000	621,000	123,750	31,500	155,250	200,000	150,000	350,000
Malaysia	4,153	65	4,218	2,000	3,000	5,000	500	750	1,250	2,700	2,300	5,000
New Zealand	4,156		4,156	3,000		3,000	750		750	4,000		4,000
Philippines	31,356		31,356	31,500	2,500	34,000	7,875	625	8,500	15,000	15,000	30,000
Singapore	1,480		1,480	4,000		4,000	1,000		1,000	11,000		11,000
Thailand	11,422		11,422	2,000	8,000	10,000	500	2,000	2,500	20,000	25,000	45,000
Regional total	614,930	16,408	631,338	1,151,650	154,500	1,306,150	287,913	38,625	326,538	618,800	227,300	846,100
Near East and South Asia:												
Bahrain	18		18	50		50	13		13	50		50
India	7,939		7,939	5,000		5,000	1,250		1,250	2,000		2,000
Iran	2,567,903		2,567,903	1,293,000		1,293,000	323,500		323,500	1,200,000		1,200,000
Israel	841,937	26,713	868,650		1,198,000	1,198,000		299,500	299,500	200,000	1,000,000	1,200,000
Jordan	29,270	313	29,583	348,000	75,000	423,000	106,000		106,000	300,000	75,000	375,000
Kuwait	370,496		370,496	197,000		197,000	23,000		23,000	75,000		75,000
Lebanon	269	26	295	100		100	25		25	5,000	5,000	10,000
Morocco	294,876		294,876	158,000	20,000	178,000	39,500	5,000	44,500	70,000	40,000	110,000
Oman	1,613		1,613	200		200	50		50	1,000		1,000
Pakistan	37,408		37,408	24,000		24,000	6,000		6,000	50,000		50,000
Saudi Arabia	1,373,862		1,373,862	2,143,000		2,143,000	535,800		535,800	1,500,000		1,500,000
Tunisia	450		450		2,000	2,000		500	500		30,000	30,000
Yemen	372		372							75,200		75,200
Regional total	5,526,413	27,052	5,553,465	4,168,350	1,295,000	5,463,350	1,035,138	305,000	1,340,138	3,478,250	1,150,000	4,628,250
Europe:												
Austria	6,967		6,967	10,000		10,000	2,500		2,500	10,000		10,000
Belgium	737,937		737,937	9,000		9,000	2,250		2,250	44,000		44,000
Denmark	367,742		367,742	30,000		30,000	7,500		7,500	80,000		80,000
Finland	1		1	50		50	13		13	50		50
France	4,565		4,565	12,000		12,000	3,000		3,000	10,000		10,000
Germany	291,698		291,698	215,000		215,000	53,750		53,750	250,000		250,000
Greece	193,522	5,053	198,575	92,000		92,000	23,000		23,000	130,000		130,000
Ireland	21		21	50		50	13		13	50		50
Italy	46,219		46,219	32,000		32,000	8,000		8,000	30,000		30,000
Luxembourg	25		25	500		500	125		125	500		500
Netherlands	686,387		686,387	56,000		56,000	14,000		14,000	104,000		104,000
Norway	458,931		458,931	33,000		33,000	8,250		8,250	67,000		67,000
Portugal	2,456		2,456	1,000		1,000	250		250	2,000		2,000
Spain	52,581		52,581	83,000		83,000	20,700	40,000	60,700	40,000	120,000	160,000
Sweden	691		691	26,000		26,000	6,500		6,500	3,500		3,500
Switzerland	49,212		49,212	385,000		385,000	96,250		96,250	50,000		50,000
Turkey	68,469	495	68,964	5,000	15,000	20,000	1,250	3,750	5,000	10,000	100,000	110,000
United Kingdom	30,497		30,497	46,000		46,000	11,500		11,500	50,000		50,000
Yugoslavia	257		257	400		400	100		100	1,500		1,500
Regional total	2,998,178	5,548	3,003,726	1,036,000	15,000	1,051,000	258,951	3,750	262,701	£82,600	220,000	1,102,600
Ethiopia, Gagon, Ghana, Kenya, Liberia, Mali, Nigeria, Zaire:												
Ethiopia	25,391	2,627	28,018	89,000	10,000	99,000	22,250	2,500	24,750	25,000	10,000	35,000
Gagon	218		218	50		50				50		50
Ghana	16		16	50		50	13		13	50		50
Kenya					7,000	7,000		1,750	1,750	1,000	5,000	6,000
Liberia	430	19	449		200	200		50	50	100	600	700
Mali		148	148	50		50						
Nigeria	4,470		4,470	6,000		6,000	1,500		1,500	5,000		5,000
Zaire	1,337		1,337	1,000	18,000	19,000	250	4,500	4,750	2,000	25,000	27,000
Regional total	31,862	2,794	34,656	96,150	35,200	131,350	24,013	8,800	32,813	33,200	40,600	73,800

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FOREIGN MILITARY SALES AGREEMENTS—Continued

Country	Actual fiscal year 1975		Estimated fiscal year 1976		Estimated fiscal year 1977		Estimated fiscal year 1977	
	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used
American Republics:								
Argentina.....	6,004	8,086	14,100	22,000	25,000	6,250	3,000	30,000
Bahia.....	920		920	3,800	4,000	1,000	500	5,000
Brazil.....	25,451	1,574	27,025	3,800	25,000	6,250	10,000	35,000
Canada.....	102,126		102,126	15,000	70,000	17,500	80,000	80,000
Chile.....	24,410	19,965	44,375	37,000	37,500	9,375	20,000	20,000
Colombia.....	565	400	965	100	37,200	37,500	50	10,500
Costa Rica.....	259		259	50	500	13	50	50
Dominican Republic.....	3		3	500	11,000	125	450	500
Ecuador.....	14,822		14,822	11,000	1,000	2,750	500	10,000
El Salvador.....	199	120	319	1,000	2,000	250	1,400	1,500
Guatemala.....	468		468	1,500	2,000	375	1,000	1,500
Haiti.....	84		84	50	115	13	500	1,000
Honduras.....	282		282	3,000	3,000	750	2,000	2,000
Jamaica.....	71		71	50	3,000	13	50	50
Mexico.....	153		153	2,000	2,000	500	500	500
Nicaragua.....	571		571	3,000	5,000	750	500	2,000
Panama.....	238		238	1,000	1,000	250	1,500	500
Paraguay.....	37		37	400	500	100	400	500
Peru.....	23,589		23,589	21,000	33,000	8,250	8,000	30,000
Venezuela.....	2,688	1,509	4,197	2,000	3,000	3,200	2,500	3,000
Uruguay.....	29,993	3,547	33,540	12,000	13,000	250	10,000	10,000
Regional total 9.....	240,974	35,211	276,185	168,750	64,100	232,850	42,199	109,750
International organizations.....	36,694		36,694	22,000		22,000	5,500	20,000
Worldwide total	9,443,051	87,013	9,530,064	6,642,900	1,563,800	8,206,700	372,195	2,065,909
								5,168,000
								1,747,650
								6,915,650

1 Includes agreements based on MOU

COMMERCIAL SALES DELIVERIES

[In thousands of dollars]

Country	Estimated			
	Fiscal year 1975	Fiscal year 1976	Fiscal year 1977	Fiscal year 1977
East Asia and Pacific:				
Australia.....	6,200	5,500	1,300	7,200
Burma.....	30	30	5,400	33,800
China (Taiwan).....	8,900	6,200	1,500	8,800
Indonesia.....	1,000	56,800	14,200	74,500
Japan.....	64,500	6,300	1,600	11,900
Korea.....	1,200	10,200	2,500	13,300
Malaysia.....	11,600	600	100	700
New Zealand.....	600	4,200	1,100	5,600
Philippines.....	2,100	3,000	700	4,600
Singapore.....	800	4,200	1,000	5,500
Thailand.....	4,700			
Regional total	101,630	118,630	29,400	165,930
Near East and South Asia:				
India.....	700	600	200	800
Iran.....	73,300	114,400	28,600	214,500
Israel.....	92,100	139,000	34,700	217,200
Jordan.....	100	100		100
Kuwait.....	2,600	5,100	1,300	6,700
Lebanon.....	600	700		700
Libya.....	1,200	1,300		1,300
Morocco.....	40	40		50
Oman.....	40	50		50
Pakistan.....	1,800	1,600	400	2,100
Saudi Arabia.....	35,800	31,400	7,900	59,000
Regional total	208,280	294,290	73,100	502,500
Europe:				
Austria.....	500	500		500
Belgium.....	13,400	11,800	2,900	18,400
Denmark.....	4,900	7,200	1,200	11,200
Finland.....	500	500	100	600
France.....	21,200	18,200	4,600	24,500
Germany.....	67,500	55,600	13,200	76,300
Greece.....	1,900	8,900	2,200	16,700
Italy.....	29,400	25,500	6,500	40,100
Luxembourg.....	1,200	1,000	300	1,400
Netherlands.....	4,500	6,800	1,700	12,700
Norway.....	3,400	3,000	700	5,600
Portugal.....	1,200	1,000	300	1,400
Spain.....	26,900	23,700	5,900	31,100
Sweden.....	10,400	9,200	2,300	12,000
Switzerland.....	5,600	5,000	1,200	6,500
Turkey.....	3,600	18,200	4,600	25,100
United Kingdom.....	19,000	16,500	4,100	21,700
Yugoslavia.....	400	400		400
Regional total	215,500	213,900	53,000	306,200
Africa:				
Ethiopia.....	50	50		50
Kenya.....	2,200	1,700	500	2,500
Nigeria.....	2,400	27,900	7,000	36,700
Uganda.....	300	240	60	300
Zaire.....	200	150	50	300
Regional total	5,150	30,040	7,610	39,850
American Republics:				
Argentina.....	1,040	1,200	300	1,600
Bolivia.....	200	160	40	200
Brazil.....	4,400	17,400	4,300	22,800
Canada.....	85,000	74,800	18,700	98,200
Chile.....	2,000	1,800	400	2,300
Colombia.....	800	700	200	1,000
Costa Rica.....	50	55		60
Dominican Republic.....	100	100		100
Ecuador.....	50	60		60
El Salvador.....	200	160	40	200
Guatemala.....	200	240	60	300
Haiti.....	200	240	60	300

COMMERCIAL SALES DELIVERIES—Continued
 (In thousands of dollars)

Country	Estimated			
	Fiscal year 1975	Fiscal year 1976	Fiscal year 1977	Fiscal year 1977
Honduras.....	300	240	60	400
Jamaica.....	40	40		40
Mexico.....	1,300	1,000	300	1,500
Nicaragua.....	200	160	40	200
Panama.....	2,000	1,700	400	2,300
Paraguay.....	200	160	40	200
Peru.....	400	320	80	500
Uruguay.....	200	240	60	300
Venezuela.....	4,900	8,100	2,000	10,600
Regional total.....	104,140	108,875	27,080	143,160
International organizations.....	1,300	63,100	15,800	82,900
Worldwide total.....	636,000	828,835	205,990	1,240,540

Section 212. Control of Licenses With Respect to Arms Exports and Imports

Section 212 authorizes, and sets forth requirements for, the control of exports and imports of all defense articles and defense services. It replaces section 414 of the Mutual Security Act of 1954, now the basic authority for control of military related exports and imports. This brings the statutory controls on all arms exports and imports, government and commercial, under one act, the new Arms Export Control Act.

In restating former section 414 of the Mutual Security Act of 1954, which is repealed by this section, the new section 38 of the Arms Export Control Act substitutes the term "defense articles and defense services" for "arms, ammunitions, and implements of war." This change is merely intended to conform section 38 to the style of the other sections of the Act. It is not intended to alter the scope of items subject to export control, or the extent of such control, under the regulations authorized by this bill.

Subsection (a) (1) adds a section 38 to the new Arms Export Control Act. This section becomes the basic authority for, and sets forth the new requirements concerning, controls over arms exports and imports.

Subsection (a) of the new section 38 is the basic authority for control of exports and imports of military related materials and services. Paragraph (1) provides that in furtherance of world peace and the security and foreign policy of the United States, the President is authorized to control the import and export of defense articles and defense services, including technical data relating thereto, and to provide foreign policy guidance to persons of the United States involved in the export and import of such articles and services.

The President is authorized to designate those items which shall be considered as defense articles and defense services, including technical data relating thereto, for the purposes of controlling exports and imports and to promulgate regulations for the export of those articles and services. The items so designated shall constitute the United States Munitions List.

Paragraph (2) requires that decisions on the issuance of licenses for the export of articles on the United States Munitions List shall be made in coordination with the Director of the United States Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

Paragraph (1) of the new subsection (b) of section 38 requires that every person, other than an officer or employee of the United States Government acting in an official capacity, who engages in the business of manufacturing, exporting, or importing any defense articles or defense services, including technical data relating thereto, designated by the President under subsection 38(a) shall register with the United States Government Agency charged with administering this section and shall pay a registration fee to be prescribed in regulations issued under section (a).

As now required by existing law, regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under the Act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. The prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

Paragraph (2) provides that, except as otherwise specifically provided in regulations issued under the new subsection 38(a) (1), no defense articles or defense services, including technical data relating thereto, may be exported or imported without a license for such export or import, issued in accordance with the Act and regulations issued under the Act, except that no license shall be required for exports or imports made by or for an agency of the United States Government for official use by a department or agency of the United States Government or for carrying out any foreign assistance or sales program authorized by law and subject to the control of the President by other means.

Exceptions to this requirement may be made by regulation. The purpose of this is to give authority to continue this current exemption from licensing of items such as obsolete small arms, arms and ammunition for personal use, and similar categories now exempt under current International Traffic in Arms Regulations (ITAR).

Paragraph (3) prohibits issuing a license under this Act for the export of any major defense equipment sold under a contract over \$25,000,000 or more to any non-NATO member country unless such major defense equipment was sold under this Act. Sales of major defense equipment over \$25,000,000 must be sold on a government-to-government basis to countries not members of NATO.

The new subsection (c) sets forth the criminal penalties for violation of the section and subsection 36(f). Any person who willfully violates any provisions of this section or section 36(f), the new provi-

sion relative to agents' fees and contributions, or any rule or regulation issued under either section, or who willfully, in a registration or license application or required report, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$100,000 or imprisoned not more than two years, or both.

The new subsection (d) makes the section applicable to and within the Canal Zone.

The new subsection (e) specifies that, in carrying out functions under the section with respect to the export of defense articles and defense services, the President is authorized to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by sections 6 (c), (d), (e), and (f) and 7 (a) and (c) of the Export Administration Act of 1969, as amended, subject to the same terms and conditions as are applicable to such powers under that Act. Nothing in the subsection is to be construed as authorizing the withholding of information from the Congress.

Subsection (a) (2) of section 212 makes technical changes in the Foreign Military Sales Act.

Subsection (b) (1) repeals section 414 of the Mutual Security Act of 1954.

Section 213. Cancellation and Suspension of Licenses and Contracts

Section 213 adds a new subsection (e) to section 42 of the Act which requires that all sales contracts and all export licenses be subject to cancellation or suspension in the national interest.

Under paragraph (1) of the new subsection (e) each contract for sale entered into under sections 21 and 22 of the Act must provide that the contract may be canceled in whole or in part, or its execution suspended, by the United States at any time under unusual or compelling circumstances if the national interest so requires.

Paragraph (2) provides that each export license issued under section 38 of the Act shall provide that the license may be revoked, suspended or amended by the Secretary of State without prior notice whenever the Secretary deems that action to be advisable.

Nothing in paragraph (2) is to be construed as limiting the regulatory authority of the President under the Act.

Paragraph (3) authorizes the appropriation of such sums as may be necessary to refund moneys received from purchasers under contracts of sale entered into under sections 21 and 22 of the Act that are canceled or suspended under this subsection to the extent such moneys have previously been disbursed to private contractors and United States Government agencies for work in progress, and to pay damages and costs that accrue from the corresponding cancellation or suspension of the existing procurement contracts or United States Government agency work orders involved.

Under existing munitions control regulations licenses can be revoked, suspended or denied by the Department of State whenever the Department deems such action to be advisable in furtherance of (1) world peace; (2) the security of the United States; (3) the foreign policy of the United States; or (4) whenever the Department has reason to believe that section 414 of the Mutual Security Act of 1954.

as amended, or any regulation contained in this subchapter has been violated. Similarly, all government military sales contracts contain provisions which reserve to the United States the right to cancel all or part of the order "when in the best interest of the United States."

Section 214. Administrative Expenses

Section 214 amends section 43 of the Act by adding a new subsection (b) which states the policy concerning payment of administrative costs for the arms sales and export control program.

Under the new provision, administrative expenses incurred by any department or agency of the United States Government (including any mission or group) in carrying out functions under this Act which are primarily for the benefit of any foreign country or licensee shall be fully reimbursed from amounts received for sales under sections 21 and 22. The purpose of the provision is to make sales operations self-supporting to the maximum extent possible.

Section 215. Definitions

Section 215 amends section 47 of the Foreign Military Sales Act to define more clearly terms used in the bill.

A new paragraph (3) defines "defense article", except as provided in paragraph (7), as—

"(A) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war,

"(B) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance,

"(C) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this paragraph, and

"(D) any component or part of any article listed in this paragraph,

but does not include merchant vessels or (as defined by the Atomic Energy Act of 1954) source material, byproduct material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data;"

A new paragraph (4) defines "defense service", except as provided in paragraph (7), as including—

any service, test, inspection, repair, training, publication, technical or other assistance, or defense information (as defined in section 644 (e) of the Foreign Assistance Act of 1961), used for the purposes of furnishing military assistance;

A new paragraph (5) defines training to include—

formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, or contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces;



Paragraph (6) defines "major defense equipment" as—
any item of significant combat equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000; and

Paragraph (7) defines "defense articles and services", with respect to commercial exports subject to the provisions of section 38 of this Act, as those items designated by the President pursuant to subsection (a) (1) of such section.

The Committee agreed to the definition of "major defense equipment" in paragraph (6) with the understanding that the designations of "significant combat equipment" on the U.S. Munitions List will be expanded by the Department of State to include electronic equipment, assigned a military designation, which is to be exported for military purposes.

Section 216. Annual Foreign Sales Report

Section 216 amends section 657 of the Foreign Assistance Act which requires an annual report to Congress on foreign assistance data. The purposes of the amendments are to insure that the annual report presents a complete picture of all U.S. arms transfers to foreign countries.

Section 217. Report on Sales of Excess Defense Articles

Section 217 requires a report to the Congress containing information necessary to appraise the Executive Branch's policies concerning the sale of excess defense articles. This report will help to formulate statutory guidelines for sale of materials which are excess to the needs of the U.S. Armed Forces.

Not later than February 28, 1977, the President shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate a report regarding all sales made under the new Arms Export Control Act during the period July 1, 1976, through December 31, 1976, of excess defense articles to foreign governments and international organizations (except articles sold solely for scrap). The report shall set forth—

- (1) The number of sales;
- (2) The total acquisition costs of the articles sold;
- (3) The total gross price paid for the articles exclusive of administrative surcharges and costs of repairing, rehabilitating, or modifying such articles;
- (4) The data set forth under (1), (2), and (3) totaled separately for sales made at less than 33⅓ percent of acquisition cost; and
- (5) The estimated total proceeds of sale of articles included under (4) if the articles had been sold instead through United States Government surplus property disposal operations and the percentage thereof that would have been paid out of the proceeds to meet direct expenses incurred in connection with dispositions pursuant to law.

TITLE III. GENERAL LIMITATIONS

Section 301. Human Rights

This section revises section 502B of the Foreign Assistance Act. The Committee feels strongly that human rights considerations should be a key factor in determining both the recipients and levels of security assistance. While the Committee recognizes that the United States has other national interests that are served by such assistance, it believes that where the proposed recipient is a gross violator of human rights, the burden of proof is on those who wish to provide the assistance, not those who want to terminate it.

Subsection (a) (1) specifies that a principal goal of U.S. foreign policy shall be to promote the increased observance of internationally recognized human rights. Subsection (a) (2) states that it is the policy of the United States that no security assistance be provided to any country the government of which engages in a consistent pattern of gross violations of human rights, except in accordance with provisions stated in this section. In furtherance of this policy subsection (a) (3) directs the President to formulate and conduct international security assistance programs so as to accomplish that objective. This subsection also directs that such programs be conducted in a manner which does not identify the U.S. Government with gross violations of human rights.

The new subsection (b) of Section 502B requires that the Secretary of State, with the assistance of the Coordinator for Human Rights (a new position created by subsection (b) of this section) transmit a full report on the human rights practices of each proposed recipient of security assistance as part of the Congressional presentation materials each year. The Secretary shall take into account findings of international and regional organizations, and the extent of cooperation given such organizations in their investigations, in preparing the report.

Subsection (c) (1) requires that the Secretary of State, upon request of the Senate or House of Representatives, or of the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House, transmit a statement within thirty days after receipt of such request setting forth:

A detailed description of the human rights practices of the recipient.

The steps taken by the United States (1) to discourage practices inimical to human rights and (2) to call attention to and to disassociate any assistance provided from such practices.

Whether, notwithstanding such practices, extraordinary circumstances exist which necessitate that assistance should be continued because it is in the national interest and the reasons therefor.

Subparagraph (2) provides that a resolution to request a report under subparagraph (1) shall be considered in the Senate in accordance with the expedited procedures outlined in Section 601(b) of the bill.

Subparagraph (3) states that if a report requested pursuant to Subparagraph (1) is not transmitted within thirty days of this request, no security assistance shall be delivered to that country except

as may be authorized by law thereafter unless and until such statement is transmitted.

Subparagraph (4) provides that Congress may adopt a joint resolution at any time following receipt of a requested report to terminate or restrict the provision of assistance to such country. Restrictions short of termination may be directed against particular kinds of assistance and may also limit the amount of financial support provided by the United States to such country. Any such resolution shall be considered in the Senate in accordance with the provisions of Section 601. Nothing in this section is intended to limit the scope of Section 617 of the Foreign Assistance Act of 1961, as amended, relating to the termination of assistance.

The new Subsection (d) of Section 502B states the meaning of terms used in this section.

Subsection (b) (1) establishes in the State Department a Coordinator for Human Rights, to be appointed by the President and subject to Senate confirmation. He shall be responsible to the Secretary of State who shall carry out his own responsibilities under this section through the Coordinator.

Subsection (b) (2) outlines the responsibilities of the Coordinator—continuous review of all foreign assistance programs for the purpose of:

Gathering detailed information on the observance of human rights by each recipient of security assistance;

Preparing the annual presentation to Congress required by subsection (b) and reports requested under subsection (c).
annual presentation to Congress required by Subsection (b) and reports requested under Subsection (c).

Determining whether such assistance is being furnished in compliance with this section and Section 116 of the Foreign Assistance Act;

Making recommendations to the Secretary of State, and the Administrator of the Agency for International Development for the correction of any deficiencies in compliance.

Performing other responsibilities which serve to promote increased observance of human rights.

It is the intent of the Committee that the Coordinator would devote full-time to human rights as articulated in this section and in section 116 of the Foreign Assistance Act. The Committee expects the Coordinator to be given sufficient staff to carry out his duties.

Section 302. Prohibition Against Discrimination.

Section 302(a) sponsored by Senators Case, Humphrey, and Javits, adds a new subsection (g) to section 505 of the Foreign Assistance Act.

Paragraph (1) states that the policy of the United States is that no grant military assistance should be furnished to any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States national from participating in the furnishing of defense articles or defense services under this chapter on the basis of race, religion, national origin, or sex.

Paragraph (2) provides that no agency performing military assistance functions shall, in employing or assigning personnel to participate in the performance of any such function whether in the United

States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

It also requires that each contract entered into by any agency for the performance of any military assistance function shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to that contract, shall, in employing or assigning personnel to participate in the performance of any such function whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where those policies or practices are based upon race, religion, national origin, or sex.

Paragraph (3) provides that the President shall promptly transmit reports to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations concerning any transaction in which any person of the United States is prevented by a foreign government on the basis of race, religion, national origin or sex from participating in the furnishing of assistance under this chapter, or education and training under chapter 5 to any foreign country. The report shall include a description of the facts and circumstances of any discrimination, the response on the part of the United States and the result of such response, if any. The intent of this requirement is to establish, in effect, a performance test.

Paragraph (4) provides that upon receipt of reliable information that discrimination by a foreign government reported pursuant to paragraph (3) continues so that such person would be prevented from participating in the furnishing of such military assistance transaction or military education or training transaction under the provisions of this Act, or, upon the request of the Senate Foreign Relations Committee or the House International Relations Committee, the President shall immediately transmit to such committees a report recommending such action as he deems appropriate. If the President does not transmit such a requested report within 60 days, the President shall immediately terminate such assistance or transaction. If a requested report is transmitted, Congress may by joint resolution terminate such transaction, or take any other action it deems appropriate. Any such resolution shall be considered in the Senate in accordance with the expedited procedures of section 601. Nothing in this section is intended to limit the scope of section 617 of the Foreign Assistance Act of 1961 as amended, relating to the termination of assistance.

For the purpose of this section an assistance or training transaction means, in the case of an isolated order for the grant of defense articles or defense services or a training assignment, the order or assignment concerned. However, in the case of discrimination frustrating the participation by a U.S. person in a broader program of a continuing nature, such as organizing MAP material support or training for an entire unit of the armed forces of a foreign country, then the affected program would have to be discontinued.

Subsection (b) contains a comparable provision, applicable to military sales and export licenses.

Section 303. Ineligibility

Section 303(a) amends section 505(d) of the Foreign Assistance Act to establish a procedure to terminate grant military assistance

when a country has violated provisions of military assistance agreements entered into under the Foreign Assistance Act. The section also sets forth criteria and procedures for restoration of a country's eligibility for assistance.

The section amends section 505(d) of the Foreign Assistance Act. Under the new paragraph (2) of 505(d) grant assistance would be terminated if the President so notifies the Congress in writing or by the enactment of a joint resolution. Nothing in this section is intended to limit the scope of section 617 of the Foreign Assistance Act of 1961, as amended, relating to the termination of assistance. This paragraph also requires that the President report to the Congress promptly upon receipt of information that a violation described in paragraph (1) of this subsection may have occurred.

The new paragraph (1) provides that grant military assistance and deliveries of assistance shall be terminated to any country which uses defense articles or defense services furnished under the Act or any predecessor act, in substantial violation (either in terms of quantities, or in terms of the gravity of the consequences regardless of quantities involved) of the provision of any agreements entered into pursuant to any of these Acts, (A) by using the articles or services for a purpose not authorized under section 502, or (B) by transferring the article to, or permitting any use of any of the articles by, anyone not an officer, employee, or agent of the recipient country without the consent of the President, or (C) by failing to maintain the security of the articles.

The new paragraph (3) to be added to 505(d) sets forth a procedure for restoration of assistance to a country. It provides that assistance to a country will remain terminated until the President determines that the violation has ceased and that the country concerned has given assurances satisfactory to the President that the violation will not recur. These requirements are similar to the provisions of section 3(d) of the Foreign Military Sales Act relative to resumption of sales following a suspension.

Use of section 614(a) waiver authority is limited so as to prevent new grants of assistance to a country determined to be ineligible under this section. Under paragraph (4) of the revised section 505(d), the waiver authority could be used only to permit delivery of items previously ordered if the President determined that delivery of such pipeline items was important to the national security.

Subsection (b) is a companion provision to subsection (a). Subsection (b) revises subsection (3)(c) of the Foreign Military Sales Act and repeals subsection (d) of that Act.

The new paragraph (c)(1)(A) provides that no credits (including participations in credits), may be issued nor guarantees extended for any foreign country if that country uses defense articles or defense services furnished under this Act, or any predecessor Act, in substantial violation (either in terms of quantities, or in terms of the gravity of the consequences regardless of quantities involved) of the provision of any agreements entered into pursuant to any of those acts (A) by using defense articles or services for a purpose not authorized, or (B) by transferring defense articles to, or permitting any use of defense articles by, anyone not an officer, employee, or agent of the recip-

ient country without the consent of the President, or (C) by failing to maintain the security of those articles or services.

Subparagraph (B) prohibits cash sales or deliveries to any country committing a substantial violation by using defense articles or defense services for a purpose not authorized by U.S. law, or in substantial violation of an agreement entered into pursuant to law.

Paragraph (2) requires that the President report to the Congress promptly upon receipt of information that a violation described in paragraph (1) may have occurred.

Paragraph (3)(A) states that a country shall be deemed ineligible under subparagraphs (A) and/or (B) of paragraph (1) of this subsection if the President so determines and so reports in writing to the Congress or by joint resolution.

Subparagraph (B) provides that even if the President determines a country to be ineligible under subparagraph (B) of paragraph (1), cash sales and deliveries pursuant to previous cash sales may be made if the President certifies in writing to the Congress that a termination would have significant adverse impact on United States security.

Paragraph (4) states that a country shall remain ineligible until such time as the President determines that such violation has ceased and the country concerned has given assurances satisfactory to the President that the violation will not recur.

Subsection (b)(2) of section 303 repeals subsection 3(d) of the Foreign Military Sales Act relating to ineligibility.

Section 304. Prohibition of Assistance to Countries Granting Sanctuary to International Terrorists

Section 304 adds and new section 620 A to the Foreign Assistance Act. Subsection (a) requires termination of assistance to any country which aids or abets terrorism by granting sanctuary to international terrorists, except where the President finds national security to require a continuation of assistance. Assistance may not be furnished for a one year period after such termination. If, during its ineligibility, a country once again grants sanctuary to terrorists, its period of ineligibility shall be extended for an additional year.

Subsection (b) provides that if the President finds that national security justifies a continuation of assistance to a government described in subsection (a), he shall promptly report such finding to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

Section 669. Nuclear Transfers

The purpose of Section 669 is to require the termination of economic assistance, military assistance, security supporting assistance, grant military education and training, and military credits or guarantees to any country supplying or receiving nuclear enrichment or reprocessing equipment, materials and technology, unless:

(1) the supplier and recipient agree to place transferred equipment, materials and technology under multilateral auspices and management, when available, to avoid control by the recipient nation alone, and

(2) the recipient agrees to International Atomic Energy Agency (IAEA) safeguards on everything transferred and on all nuclear fuel and facilities.

Upon the motion of Senator Humphrey, the total termination of economic assistance is qualified to allow the continued provision of assistance under Title II of the Agriculture Adjustment Assistance Act in the event of natural disasters or to meet other urgent relief requirements.

By adopting this section, the Committee intends to discourage inadequately controlled and safeguarded arrangements which could give a nation without nuclear weapons uncontrolled access to nuclear enrichment or reprocessing—key elements in the development of nuclear weapons. The Committee intends also that the legislation will further the fullest possible application of IAEA safeguards, which are particularly important in instances involving the transfer of reprocessing and enrichment equipment.

Accordingly, the Committee concludes that it is both reasonable and prudent to seek the application of IAEA safeguards on all the reprocessing materials, equipment and technology transferred as well as to all nuclear fuel and facilities in the receiving country. A purchaser of fuel and enrichment equipment, materials and technology who agreed to these full safeguards would be subjected to the most thorough scrutiny and oversight that the IAEA is capable of providing.

The concepts of a multilateral approach to reprocessing and enrichment and of full safeguards was widely supported in hearings held last year and this year by the Subcommittee on Arms Control, International Organizations and Security Agreements, chaired by Senator Symington. The Committee believes that the goals of this section are consistent with the policy objectives of the executive branch. If properly implemented this section would reinforce Executive Branch efforts to impress upon other governments the United States' desire to control the dangerous spread of nuclear enrichment and reprocessing material. The Committee believes that the consequences of proliferation are so serious that the United States should be willing to impose penalties upon nations proceeding on a possible course to nuclear weapons without taking the reassuring steps this section is designed to promote.

As Senator Symington, the sponsor of this amendment, noted, "In effect, this amendment says to other nations, if you wish to take the dangerous and costly steps necessary to achieve a nuclear weapons option, you cannot expect the United States to help underwrite that effort indirectly or directly."

Since no multilateral auspices and management exist at present, the Members agreed, upon the motion of Senator Javits, that such arrangements should be required "when available." The Members anticipate that there may be attempts to create international and regional auspices and management which could be utilized in transfers. It is the intent of the legislation to bind supplier and recipient nations to avail themselves of any appropriate auspices and management and, when such are not available, to make a strong effort, in good faith, to create multilateral auspices and management. It is recognized, however, that the absence of any appropriate multilateral auspices and management, despite good faith efforts to create them, would not invoke the termination of assistance.

If there is no existing appropriate means and the supplier and the recipient attempt to create, on their own, the called-for auspices and

management, the resulting arrangement should involve fully both principals, as well as providing for full participation in direction and management by other parties. The supplier should take pains to avoid agreement to an essentially uncontrolled arrangement with the form, but not the substance, of multilateral involvement.

The Committee expects further that the executive branch will do its utmost to encourage a multilateral approach to enrichment and reprocessing and that the executive branch will work diligently to plan for and assist in the creation of appropriate auspices and management.

TITLE IV. PROVISIONS RELATED TO SPECIFIC REGIONS OR COUNTRIES

Section 401. Middle East Policy Statement

This section amends section 901 of the Foreign Assistance Act by adding to the existing statement of policy a new paragraph which expresses the sense of Congress with respect to congressional approval of executive branch undertakings to governments in the Middle East.

Specifically, this section states that the United States will continue to determine Middle East policy as circumstances may require. In order to maintain such flexibility, section 401 stipulates that neither the authority contained in the joint resolution to implement the U.S. proposal for the early warning system in the Sinai—Public Law 94-110—nor the authorizations contained in this bill, constitute congressional approval, acceptance, or endorsement of any undertaking by any U.S. official to any government in the Middle East, other than the U.S. proposal for such an early warning system.

Section 402. Aid for Cypriot Refugees

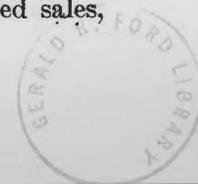
This section amends section 495 of the Foreign Assistance Act, relating to aid for Cypriot refugees, by increasing the existing authorization for fiscal year 1976 (Public Law 94-161) for such aid from \$30 million to \$40 million.

Section 403. Assistance to Turkey

This section modifies for fiscal year 1976 and the interim quarter, existing restrictions on assistance to Turkey. These restrictions began in legislation enacted in October 1974 in response to the Turkish occupation of part of Cyprus using U.S.-supplied arms.

In the foreign assistance authorization bill for fiscal year 1975 those restrictions were made part of the Foreign Assistance Act as section 620(x) under which all forms of military assistance and sales to Turkey were suspended until the President was able to certify to the Congress that Turkey was in compliance with U.S. laws regarding the use of military assistance and that substantial progress had been made regarding an agreement on military forces on Cyprus.

In October 1975, in Public Law 94-104, Congress modified that total prohibition on assistance and sales to Turkey in the hope that this modification would encourage progress in the negotiations on Cyprus. The October legislation: (1) Released military goods and services Turkey had contracted for before the ban went into effect; (2) authorized the issuance of licenses for the export of military goods purchased through commercial channels; and (3) authorized sales,



credits and guaranties under the Foreign Military Sales Act effective upon the enactment of the security assistance authorization legislation for FY 1976.

This section amends the proviso clause of section 620(x)(1) of the Foreign Assistance Act of 1961, as amended, in order to allow certain foreign military sales to Turkey for fiscal year 1976 and the interim quarter. Under this bill, the President will be authorized to suspend, during fiscal year 1976 and the interim quarter, the prohibition of section 620(x) of the Foreign Assistance Act, and section 3(c) of the Foreign Military Sales Act, to the extent of permitting the procurement of \$125 million in defense articles and defense services by Turkey, provided the President determines that such articles and services are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization.

This ceiling applies whether such defense articles or defense services are sold for cash or are financed through credits or guaranties.

The sale, credits and guaranties authorized through September 30, 1976, are subject to the following further conditions:

- (a) Turkey must observe the ceasefire on Cyprus;
- (b) Turkey may not increase either its civilian population or its military forces on Cyprus; and
- (c) Turkey may not transfer to Cyprus any U.S.-supplied arms, ammunition or implements of war.

Any determination to suspend the provisions of section 620(x) with respect to such sales shall be made on a case-by-case basis and shall be reported to the Congress accompanied by a full and complete statement of the reasons supporting the President's determination and a statement containing a brief description of the defense articles or defense services to be sold, the dollar amount of the proposed sale, the United States Armed Force which is making the sale and the date on which the letter of offer is to be issued.

The President may not issue a letter of offer to sell significant combat equipment on the United States Munitions Control List or approve the use of credit or guaranty until the end of the 30-day period beginning on the date on which the report with respect to such letter of offer, credit or guaranty is submitted to the Congress. This requirement is not intended to compel double reporting when a single transaction is the subject of a sale under the Foreign Military Sales Act which is also financed by a credit or guaranteed loan under that act.

Elsewhere in the bill the committee has authorized \$31 million in grant military assistance for Turkey in fiscal year 1976 subject to the restrictions of section 620(x) of the Foreign Assistance Act.

The committee hopes that this authorization of sales, credits and guarantees to Turkey, which specifies and limits the scope of last October's legislation, will encourage that country to seek a prompt and just settlement on Cyprus. The Committee is aware that such a settlement depends equally upon the cooperation of Greece, and of the Greek and Turkish factions on Cyprus. Without the good will of *all* the parties to this tragic dispute, little progress is likely to occur—to the detriment of the suffering refugees on Cyprus, of United States-Turkish and United States-Greek relations, and our military cooperation in NATO. For this reason, having taken the first step to help break the deadlock, the United States should be able to hope that

those parties will move promptly toward a resolution of their differences within a framework of a just and peaceful settlement. It is the intent of the Committee that in the event Congress does not enact further legislation on this subject prior to September 30, 1976, the delivery of defense articles sold under the limited authority of this section, shall not be suspended at the end of the interim quarter, provided that Turkey adheres to the specified conditions contained in

The Committee has deferred action on the authorization of grant military assistance and sales credits for fiscal year 1977 pending its consideration of an implementing joint resolution pursuant to the new Defense Cooperation Agreement with Turkey.

Section 404. Angola

This section is entitled "Limitation on Certain Assistance to and Activities in Angola".

Subsection (a) expresses the sense of Congress that:

The Angolan people should decide their own future without military interference;

Supports efforts by the Organization for African Unity to achieve a settlement and calls upon all countries to cease giving military aid;

A disengagement by foreign countries would reaffirm detente, and that

The President should seek an agreement to end hostilities.

Subsection (b)(1) prohibits U.S. assistance of any kind which would have the effect of promoting or augmenting, directly or indirectly, the capacity of any nation, group, organization, movement, or individual to conduct military or paramilitary operations in Angola unless such assistance is authorized by law enacted subsequent to the enactment of this bill. It is not the committee's intent that this prohibition preclude any assistance program with any country where such program does not serve as a conduit for support of military or paramilitary activities in Angola.

Subsection (b)(2) stipulates that if the President determines that assistance prohibited in subsection (b)(1) should be furnished, he must, in requesting such authority, submit a report to the Congress which contains:

(1) A statement that efforts to obtain a peaceful agreement in Angola have not been successful;

(2) A description of the amounts and categories of assistance to be furnished and the recipients; and

(3) A certification that he has determined that such assistance is important to the national security interests of the United States along with a detailed, unclassified explanation of such determination.

Subsection (b)(3) exempts the furnishing of humanitarian assistance to recipients in Angola from the prohibition contained in subsection (b)(1).

Subsection (b)(4) states that the provisions of section 405 may not be waived under any other provision of law.

Subsection (b)(5) requires the President to report to Congress on the implementation of this subsection within 60 days after the enactment of this act and every 30 days thereafter. Such reports may be terminated only if both the House International Relations Committee

and the Senate Foreign Relations Committee adopt resolutions stating that such reports are no longer necessary.

Section 405. Soviet Intervention in Angola

This section expresses the concern of Congress with the large-scale and continuing Soviet intervention in Angola, including Soviet sponsorship and support for Cuban armed forces there. It states that such intervention is inconsistent with détente, Articles 1 and 2 of the U.N. Charter, the principle of noninterference in the affairs of other countries, and the spirit of recent bilateral United States-Soviet agreements. Accordingly, it concludes that such intervention should be taken explicitly into account in U.S. foreign policy planning and negotiations.

Section 406. Prohibition Against Military Assistance and Sales Credits to Chile

Subsection (a) of section 406 prohibits the furnishing of any grant military assistance, including military education and training or security supporting assistance under the Foreign Assistance Act, and the extension of any credit or the guarantee of any loan under the Foreign Military Sales Act, with respect to the purchase of defense articles and services by Chile. Also prohibited are cash sales under the Foreign Military Sales Act and commercial sales of military equipment. These provisions include the delivery of items currently in the pipeline, and would preclude the conclusion of any new credit agreement or the issuance of any new loan guaranty under the Foreign Military Sales Act.

No grant military assistance, supporting assistance, military credits or guarantee of military loans are programmed for Chile by the Executive Branch in fiscal year 1976 and fiscal year 1977.

Section 407. Control of Military Forces in the Indian Ocean

This provision, sponsored by Senators Kennedy, Cranston, Pell, and Culver, expressed the sense of the Congress that the President should undertake to enter into negotiations with the Soviet Union intended to achieve an agreement limiting the deployment of naval, air, and land forces of the Soviet Union and the United States in the Indian Ocean and littoral countries. It states that negotiations should be convened as soon as possible and should consider, among other things, limitations with respect to—

- (1) The establishment or use of facilities for naval, air, or land forces in the Indian Ocean and littoral countries;
- (2) The number of naval vessels which may be deployed in the Indian Ocean, or the number of "shipdays" allowed therein; and
- (3) The type and number of military forces and facilities allowed therein.

Not later than December 1, 1976, the President must transmit a report to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate detailing the steps he has taken to carry out this provision.

Section 408. United States Citizens Imprisoned in Mexico

Section 408 is designed to alleviate the plight of United States citizens who are being denied basic human rights while in Mexican jails.

Subsection (a) declares the intent of the Congress that efforts to secure stringent international law enforcement measures with respect to dangerous drugs should be combined with efforts to protect the fundamental legal and human rights of all persons.

Subsection (b) (1) attempts to impress upon the Mexican Government, with whom we have friendly and cooperative relations, the seriousness of U.S. concern over the treatment of our citizens by requesting the President to communicate the concern directly to the Mexican President and Government.

Subsection (b) (2) requires the Secretary of State to report periodically to the Congress on progress toward full respect for the human and legal rights of all U.S. citizens detained in Mexico.

While the provisions of this section apply only to U.S. citizens arrested in Mexico, there is widespread concern in Congress that U.S. citizens who have been imprisoned in other countries are not afforded fair and humane treatment while incarcerated. The committee therefore expects the President to communicate the same concerns and desires as embodied in this provision to the governments of other countries, particularly those in which U.S. citizens are known to be under arrest.

Section 409. Emergency Food Needs of Portugal

This section expresses the sense of the Congress that the President evaluate immediately the emergency food needs of Portugal and take timely action to alleviate the situation by providing food aid under pertinent statutes.

Section 410. Strife in Lebanon

Section 410, sponsored by Senator Javits, is a sense of the Congress statement concerning the current situation in Lebanon.

It states the sense of the Congress that the situation in Lebanon poses a serious danger to peace in the Middle East. The Congress deplores the armed civil strife there which threatens to destroy the political and economic fabric of Lebanon, a nation traditionally friendly to the United States, with such tragic impact on all its people. The Congress views with grave concern outside efforts to exploit the current strife for the purpose of transforming Lebanon into a radical state in confrontation with Israel. The Congress requests the President to use his good offices to bring about an end to the strife in Lebanon and to preserve the traditional friendly attitude of Lebanon toward the United States.

Section 411. Report on Korea

This section adds a new section 668 to the Foreign Assistance Act. The new section requires the President to transmit to the Speaker of the House and to the Senate Committees on Foreign Relations and Armed Services a report with respect to the Republic of Korea which:

- (1) Reviews the progress of the Republic of Korea's Armed Forces modernization program;
- (2) Reports on the U.S. role in mutual security efforts in Korea; and

(3) Reports on prospects for or implementation of a phased reduction of U.S. Armed Forces in the Republic of Korea, in coordination with that Government's time table for military self-sufficiency.



Such report must be submitted within 90 days after enactment of this section, and at least once during each of the next 5 years.

It is the committee's intention that such reports should also address such matters as: (1) an evaluation of the military forces of both the Republic of Korea and the Democratic People's Republic of Korea at present and as projected upon completion of the modernization program in the Republic of Korea; (2) an evaluation of the deployment of U.S. forces in relation to their mission in Korea; (3) an examination of the prospects for a nuclear weapon free zone in the context of more durable arrangements for peace and security on the Korean Peninsula; and (4) such other issues as the President may deem relevant. The President may transmit amendments to such report when in his judgment action by the Democratic People's Republic of Korea significantly alters the military balance in a manner which impairs the defense capability of the Republic of Korea.

Section 412. Repeal of Indochina Assistance

Subsection (a) of section 412 repeals part V of the Foreign Assistance Act of 1961 and sections 34 through 40 of the Foreign Assistance Act of 1974 relating to assistance to Indochina. Events in Cambodia, Laos and South Vietnam over the past year have made the provisions of law unnecessary.

Subsection (b) authorizes, but does not require, the President to adopt and assume the liabilities of the South Vietnamese, Cambodian or Laotian Governments under any contract of such government which was financed or approved for financing by the Agency for International Development before the end of fiscal year 1975 or any equitable claims based upon letters of intent issued prior to April 30, 1975. This will permit the Agency for International Development to provide compensation to contractors who have rendered performance or incurred costs in carrying out AID projects under the act or the Foreign Assistance Act of 1974, but have not been paid because of the termination of assistance programs in Indochina.

Subsection (c) authorizes funds appropriated for economic assistance in Indochina to remain available for purposes of subsection (b) and for meeting other costs arising from the termination of the programs for which the funds were appropriated. This subsection does not authorize the appropriation of additional funds for these purposes.

TITLE V. MISCELLANEOUS AUTHORIZATIONS

Section 501. Security Supporting Assistance

This section amends section 532 of the Foreign Assistance Act to authorize the appropriation of \$1,766,200,000 for fiscal year 1976, of which \$65,000,000 is earmarked for Greece, \$730,000,000 for Israel, and \$705,000,000 for Egypt. It also authorizes the appropriation of \$1,836,500,000 for fiscal year 1977 of which \$785,000,000 is earmarked for Israel, \$750,000,000 for Egypt, \$30,000,000 for Zaire, and \$30,000,000 for Zambia.

Subsection (b) authorizes the appropriation of \$25,000,000 for fiscal year 1977 for supporting assistance and economic assistance for countries in southern Africa other than Zaire and Zambia, affected by the crisis in that region, to carry out the proposals made by the Secretary of State in Lusaka, Zambia, on April 27, 1976.

It is the intent of the Committee that the funds authorized for supporting assistance be allocated as follows:

COUNTRY ALLOCATIONS FOR SECURITY SUPPORTING ASSISTANCE

[In millions of dollars]

Country	Fiscal year 1975 actual	1976			1977		
		Admin- istration request	Committee recom- mendation	Reduction from request	Admin- istration request	Committee recom- mendation	Reduction from request
Israel	324.5	755.0	730.0	-25.0	785.0	785.0	-----
Egypt	251.2	750.0	705.0	-45.0	750.0	750.0	-----
Jordan	77.5	77.5	72.5	-5.0	77.5	77.5	-----
Syria	(1)	90.0	80.0	-10.0	90.0	65.0	-25.0
Portugal	(2)	55.0	52.5	-2.5	55.0	55.0	-----
Cyprus	(3)	25.0	(4)	-25.0	10.0	10.0	-----
UNFICYP	9.6	9.6	9.6	-----	9.6	9.6	-----
Bahrain	-----	6	6	-----	4	4	-----
Malta	9.5	9.5	9.5	-----	9.5	9.5	-----
Zaire	(5)	22.8	18.9	-3.9	-----	30.0	+30.0
Greece	-----	65.0	65.0	-----	-----	30.0	+30.0
Zambia	-----	-----	-----	-----	19.6	19.6	-----
Operating expenses	2.2	22.6	22.6	-----	-----	-----	-----
Total	677.7	1,882.6	1,766.2	-116.4	1,806.6	1,841.6	+35.0
Less financing	-17.7	-9.3	-----	-----	-5.1	-5.1	-----
Budget authority	660.0	1,873.3	1,766.2	-107.1	1,801.5	1,836.5	+35.0

- 1 \$3,000,000 financed from Middle East special requirements fund.
 2 \$15,000,000 financed from special assistance accounts for Portugal and its colonies.
 3 \$25,000,000 financed from famine and disaster relief funds.
 4 \$30,000,000 funded in International Development and Food Assistance Act of 1975; this authorization increased to \$40,000,000 by sec. 402 of this bill.
 5 \$1,600,000 financed from development assistance.
 6 Prior to 1976, operating expenses for supporting assistance.

The Committee has generously funded the programs for Middle Eastern countries because it strongly supports the Sinai Agreement and efforts to achieve further disengagement of forces and movement toward peace among all parties to the Middle East conflict.

Section 502. Middle East Special Requirements Fund

This section amends Section 903 of the Foreign Assistance Act to authorize appropriations of \$50,000,000 for fiscal year 1976 and \$35,000,000 for fiscal year 1977, the full amounts requested by the Executive Branch. Subsection (c) of Section 903 is rewritten to clarify the Executive Branch's authority to use these funds to assist Egypt and Israel in carrying out the Sinai Agreement and to pay the costs of the Early Warning Systems in the Sinai. Subsection (a) of section 903 earmarks \$12 million of the amount authorized for the Fund for fiscal year 1976 for a contribution by the United States to the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East (UNRWA), provided that other nations contribute a fair share toward the settlement. This amendment represents a continuation of a similar provision in the Foreign Assistance Act of 1974 which earmarked \$6 million of the Middle East Special Requirements Fund for the same purpose.

Section 503. Contingency Fund

This section changes the heading of Chapter 5 of the Foreign Assistance Act from "Disaster Relief" to "Contingency Fund" and amends Section 451 of the Foreign Assistance Act by deleting the reference to Section 639—famine and disaster relief. A separate authorization for this purpose was established in Public Law 94-161,

the International Development and Food Assistance Act. This section also authorizes the appropriation of \$5,000,000 in 1976 and \$5,000,000 in 1977 to remain available until expended.

Section 504. International Narcotics Control

Subsection (a) amends Section 482 of the Foreign Assistance Act by authorizing the appropriation of \$40,000,000 for fiscal year 1976, a reduction of \$2,500,000 from the request, and by authorizing the appropriation of \$34,000,000 in fiscal year 1977, the full amount requested. None of these funds may be obligated for any country until the President determines and certifies to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate that assistance furnished to such country pursuant to this chapter is significantly reducing the amount of illegal opiates entering the international market.

The following tables provide a detailed fiscal summary for fiscal years 1975 and 1976 and a breakdown by functional activity.

INTERNATIONAL NARCOTICS CONTROL PROGRAM—FISCAL SUMMARY
[In thousands]

Country programs:	Actual fiscal year 1975	Planned fiscal year 1976	Planned interim quarter	Requested fiscal year 1977
Latin America	\$18,680	\$13,849	\$7,873	\$16,040
Andean, regional		3,502	4,310	2,470
Argentina	81	19		
Bolivia	500	427	127	435
Brazil	199	229	6	603
Chile	41	45	9	125
Colombia	552	1,272	209	800
Costa Rica	57	62		38
Ecuador	432	486	125	330
Jamaica	734	25		25
Mexico	15,829	7,362	3,000	10,942
Paraguay	10	15	3	12
Peru	150	405	84	260
Uruguay	72			
Venezuela				
East Asia	2,821	15,930	1,027	3,910
Burma	639	13,950	785	2,500
Indonesia	56	67		75
Laos	924			
Philippines	324	110	20	
Thailand	878	1,803	222	1,335
Near East and South Asia	175	57	2,000	1,800
Jordan	162			
Lebanon	5			
Pakistan	8	57	2,000	1,800
Total, country programs	21,676	29,836	10,900	21,750
International organizations:				
CENTO	8			
Combo Plan	159	500		100
U.N. Fund for Drug Abuse Control	5,000	5,000		4,000
Interpol	135			
Total international organizations	5,302	5,100		4,100
Interregional programs:				
Treatment and rehabilitation		450	100	500
Training	4,927	6,299	1,750	6,750
Total, interregional	4,927	6,749	1,850	7,250
Program support and development	816	815	250	900
Program total	32,721	42,500	13,000	34,000

¹ Excludes \$923,034 of prior year funds available for programming in fiscal year 1976.

INTERNATIONAL NARCOTICS CONTROL PROGRAM, BY FUNCTIONAL ACTIVITY

[Dollar amounts in millions]

	Fiscal year 1975 actual	Percent of total	Fiscal year 1976 estimated	Percent of total	Fiscal year 1977 proposed	Percent of total
Enforcement and control	\$25.9	79	\$33.9	80	\$26.7	79
Crop replacement	.7	2	.6	1	1.5	4
International organizations	4.9	15	6.3	14	4.1	12
Demand reduction	.2	1	.8	2	.7	2
Program development and support	1.0	3	.9	2	1.0	3
Total program	32.7		42.5		34.0	

Subsection (b) amends section 481 of the Foreign Assistance Act relative to the program for control of the international narcotics traffic.

This provision, sponsored by Senator Mansfield, would prohibit U.S. personnel from engaging or participating in any direct police arrest action in any foreign country with respect to narcotics control efforts.

In adopting this provision the committee seeks to insure that U.S. narcotics control efforts abroad are conducted in such a manner as to avoid involvement by U.S. personnel in foreign police operations where violence or the use of force could reasonably be anticipated. By "arrest actions" the committee means any police action which, under normal circumstances, would involve the arrest of individuals whether or not arrests, in fact, are actually made. The committee intends that the U.S. Ambassador in any country where U.S. narcotics control activities are being carried out shall exercise close supervision over such activities to insure that U.S. personnel do not become involved in sensitive, internal law enforcement operations which could adversely affect U.S. relations with that country.

The committee emphasizes that this provision is not intended to prohibit U.S. Government agencies from assisting foreign governments to enforce their own laws on narcotics trafficking by providing such assistance as training, technical equipment, and intelligence.

Paragraph (2) of the new subsection (c) requires the President to make a study of how to internationalize the current U.S. bilateral program of anti-drug traffic assistance to foreign countries. This study is to be transmitted to the Speaker of the House of Representatives and the President of the Senate by June 30, 1977. The drug traffic problem is an international problem, not one solely of concern to the United States. The provision calls only for a study and a report. Congress will have complete flexibility to accept, reject, or modify any recommendations made by the President.

Section 505. Authorization for International Atomic Energy Agency

This section amends section 302 of the Foreign Assistance Act by adding a new subsection (i) which authorizes the appropriation of \$1,000,000 in each of the fiscal years 1976 and 1977 for the International Atomic Energy Agency to be used for the purpose of strengthening safeguards and inspections relating to nuclear missile facilities and materials. These authorizations are in addition to amounts otherwise available under this section.

Section 506. Interim Quarter Authorizations

This section authorizes additional appropriations for the period July 1, 1976, to September 30, 1976, in amounts equal to one-fourth of any amount authorized for fiscal year 1976 in this Act, or in any amendment to any other law made by this Act, unless appropriations for the same purpose are specifically authorized in a law hereinafter enacted. Assistance provided during this period shall be provided in accordance with the authorities applicable to such programs in fiscal year 1976. A ceiling equal to one-fourth of the ceiling on the aggregate total of credits and face value or guarantees established for fiscal year 1976 is established for the interim quarter.

It is the intent of the Committee in adopting this amendment that within authorization categories, specified country programs, including earmarking, could be carried forward into the transition quarter in proportions conforming with FY 1976 country programs including, in the case of the FMS credit program, Congressional presentation allocations, to the extent that subsequent appropriations are provided. Any such transition quarter extensions of FY 1976 programs would be subject, of course, to the provisions of subsequent authorizing legislation.

The Committee expects the Executive Branch, in carrying out operations during the transition quarter, to apply and observe limitations of authority which are applicable during fiscal year 1976 in a manner consistent with the brief duration of the interim quarter and the clear intent of Congress in enacting those limitations.

TITLE VI. MISCELLANEOUS PROVISIONS

Section 601. Expedited Procedure With Respect to Resolutions of Approval or Disapproval of Certain Certifications

Section 601 establishes a procedure for expediting consideration by the Senate of concurrent resolutions of disapproval of certain Presidential certifications under the new Arms Export Control Act.

Section 602. Procurements From Small Businesses

This section, in order to encourage procurements from small businesses, directs the Administrator of the Agency for International Development to report every six months to Congress on the extent small businesses have participated in procurements under chapter 4 of the Foreign Assistance Act and what the Agency is doing to foster such procurements.

Section 603. Payment of Consultants

This section amends section 626(a) of the Foreign Assistance Act to authorize payment of per diem compensation to consultants hired by the Agency for International Development at the same rate which may be paid to consultants hired by other departments and agencies. The justification for this provision is set forth in the following letter to Senator Humphrey, Chairman of the Subcommittee on Foreign Assistance, from Mr. John E. Murphy, Deputy Administrator of the Agency for International Development:

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C.

HON. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Foreign Assistance and Economic Policy,
Senate Foreign Relations Committee, U.S. Senate, Washington,
D.C.

DEAR MR. CHAIRMAN: I would like to call your attention to a problem which the Agency for International Development is presently facing with respect to the hiring of consultants and experts as a result of a recent ruling by the Comptroller General.

The Agency, for several years, has relied in part upon the authority of section 626(a) of the Foreign Assistance Act and upon section 3109 of Title 5 of the United States Code to hire and compensate consultants and experts necessary to carry out the development and economic assistance programs authorized by the Act. Section 626(a) provides that individuals so employed may not be compensated at a rate in excess of \$100 a day. This provision, briefly stated, was in AID's view intended to permit payments at a higher rate than that permitted by the general, government-wide authority of Title 5 (which was linked to the highest rate payable under the General Schedule). As federal general schedule pay rates rose, however, the effect of the \$100 limitation was to prevent AID from compensating consultants and experts at the higher rate which would have been permitted by the general authority. Faced with this anomaly, the AID General Counsel ruled that in light of the Congressional intent to permit a higher than ordinary rate, the limitation of 626(a) became obsolete and should be deemed to have been superseded by the general limitation for pay rates contained in Title 5.

In late December AID received a Comptroller General's Opinion (B-90867, dated December 12, 1975) which took issue with AID's interpretation and concluded that if AID wished to compensate experts and consultants at a rate in excess of \$100 a day, legislative relief would be necessary.

Because of the substantial increase in federal pay schedules in recent years and the likelihood of continuing increments, we are convinced the relief is essential. Absent such relief, it would become increasingly more difficult to hire experts and consultants of the quality and experience required for the successful implementation and design of our economic and development assistance programs. The GAO ruling has placed AID at a competitive disadvantage with respect to both private entities and to other federal government agencies as well. At the current ceiling, AID can compensate experts and consultants only at the equivalent rate of a GS-12 or GS-13 employee in the federal service.

I have enclosed an amendment which would link the permissible compensation to the highest current rate that may be paid to an employee under the General Schedule. Today this would mean an effective ceiling of \$145 a day which is the same as the rate permitted by section 3109 of Title 5. Our budget presentation for fiscal years 1976 and 1977 was calculated on the basis of this higher rate and therefore



no additional authorizations of appropriations would be required. The maximum rate permitted under section 3109 of Title 5 would only be paid, of course, in those cases which are clearly justified. Enclosed for your information, however, is comparison of costs to the Agency based on the two rates.

We would greatly appreciate it if you would introduce this provision as an amendment to the Security Assistance Bill now pending before your committee. We hope that the amendment will be a non-controversial item and in this respect would point out that other agencies confronted with a similar dilemma have encountered no difficulties in amending their statutory authorities to ensure this result. Two that come to mind are the Department of Transportation and the National Aeronautics and Space Administration. (See section 314 of P.L. 92-398, August 22, 1972 and section 6 of P.L. 93-316, June 22, 1974.)

If you require any further information about this problem or our analysis of the situation, we will of course be happy to supply it. My thanks for your continued cooperation and assistance.

Sincerely yours,

JOHN E. MURPHY,
Deputy Administrator.

Section 604. Fees of Military Sales Agents and Other Payments

This section amends section 36 of the Foreign Military Sales Act, relating to reports on military exports, to require these reports to include data on political contributions, gifts, commissions, and fees paid or offered in connection with sales of military equipment. The committee specifically intends that this provision cover direct as well as indirect payments. The amendment is aimed at uncovering all of the facts about this aspect of sales transactions, such as the ultimate recipient of the payment or offer, amount involved, date of the transaction, and name of the person making the payment or offer. The Secretary of State is required to collect information necessary for adequate and timely reporting of these transactions and the ultimate facts involved. The Secretary is also given authority to prescribe appropriate regulations that, for example, guarantee U.S. Government access to agents and consultants and others they employ and their documents and records to insure a complete description of the transactions involved. It is the intent of the committee insofar as it is possible that neither the Secretary of State nor the President classify or declare confidential any sections of this report. However, the President, in reporting to Congress, shall identify any information considered to be confidential business information by the person submitting it. This section is not intended to expose U.S. firms to competitive disadvantage with foreign firms.

The President is given the authority to prohibit, limit or prescribe conditions with respect to these transactions in the furtherance of this act. The committee contemplates that the President will prescribe regulations that insure traceability of the funds.

It is further the expectation of the committee that, upon finding that officials of a foreign nation receiving assistance under this act

have received illegal or improper payments or have extorted such payments in return for—

(1) a contract to purchase military equipment from a U.S. corporation; or

(2) certain actions by such officials that allow a U.S. citizen or U.S. corporation to conduct business in that nation; the President shall submit to the Congress within 60 days a report outlining the circumstances of such illegal or improper payments or extortion. It is further requested that such report contain a recommendation from the President as to whether the United States should continue a security assistance program with that nation.

The need for this provision arose from facts developed during investigations and hearings by the Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee and the International Economic Policy Subcommittee of the International Relations Committee of the House. Uncovered was information that contributions, payments, and gifts were made not only directly, but, more frequently, indirectly, through agents, consultants, their employees and through various shell corporations frequently established in countries with laws prohibiting disclosure of information on corporate operations.

Section 605. Use of Civilian Contract Personnel

Section 605 amends section 42 of the Act by adding at the end a requirement designed to minimize the involvement abroad of military or civilian personnel of the U.S. government in providing defense services to foreign countries. It requires that civilian contract personnel be used to the maximum extent possible, consistent with the purposes of the Act, to perform defense services in a foreign country.

Section 606. Assistance for Productive Enterprises

Section 620(k) of the Foreign Assistance Act prohibits assistance aggregating more than \$100 million for the construction of a productive enterprise without the express approval of Congress. The bill amends this section to permit assistance to continue if the excess is no more than \$10 million and is due to cost overruns or inflation.

The Committee understands that the value of assistance for a relevant project in Egypt may exceed \$100 million for the reasons stated above. The Committee expects AID to consult with it should projects in any other countries threaten to exceed \$100 million.

Section 607. Assistance to Economically Developed Countries

This section amends section 620(m) of the Foreign Assistance Act to permit programs of assistance under Part II to developed countries when such programs are contained in the annual congressional presentation documents. The Committee does not intend this provision to be construed as permitting assistance to Spain until the Senate has acted on the proposed Treaty of Friendship and Cooperation with Spain.

CHANGES IN EXISTING LAWS

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, 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 italic, existing law in which no change is proposed is shown in roman) :

THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

* * * * *

CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SEC. 302. AUTHORIZATION

(i) In addition to amounts otherwise available under this section, there are authorized to be appropriated for fiscal year 1976, \$1,000,000, and for the fiscal year 1977, \$1,000,000, to be available only for the International Atomic Energy Agency to be used for the purpose of strengthening safeguards and inspections relating to nuclear fissile facilities and materials. Such sums are authorized to remain available until expended.

* * * * *

Chapter 5—[Disaster Relief] Contingency Fund

Sec. 451. Contingency Fund.—(a) There is authorized to be appropriated to the President for the fiscal year [1975] 1976 not to exceed \$5,000,000 and for the fiscal year 1977 not to exceed \$5,000,000, to provide assistance authorized by this part [or by section 639] for any emergency purpose only in accordance with the provisions applicable to the furnishing of such assistance.

Amounts appropriated under this section are authorized to remain available until expended.

(b) The President shall submit quarterly reports to the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives on the programming and obligation of funds under this section.

(c) No part of this fund shall be used to pay for any gifts to any officials of any foreign government made heretofore or hereafter.

* * * * *

Chapter 8—International Narcotics Control

Sec. 481. International Narcotics Control.—(a) It is the sense of the Congress that effective international cooperation is necessary to put an end to the illicit production, smuggling, trafficking in, and abuse of dangerous drugs. In order to promote such cooperation, the President is authorized to conclude agreements with other countries to facilitate control of the production, processing, transportation, and distribution of narcotic analgesics, including opium and its derivatives, other narcotic drugs and psychotropics, and other controlled substances as defined in the Comprehensive Drug Abuse Prevention and Control Act of 1970. Notwithstanding any other provision of law,

the President is authorized to furnish assistance to any country or international organization, on such terms and conditions as he may determine, for the control of the production of, processing of, smuggling of, and traffic in, narcotic and psychotropic drugs. The President shall suspend economic and military assistance furnished under this or any other Act, and shall suspend sales under the Foreign Military Sales Act and under title I of the Agricultural Trade Development and Assistance Act of 1954, with respect to any country when the President determines that the government of such country has failed to take adequate steps to prevent narcotic drugs and other controlled substance (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully. Such suspension shall continue until the President determines that the government of such country has taken adequate steps to carry out the purposes of this chapter.

(b) (1) Not 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, on a calendar quarter basis, 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, on calendar quarter basis, prior to such date—

(i) 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 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 cost of United States personnel engaged in carrying out such purposes in the United States.

(c) (1) Notwithstanding any other provision of law, no officer or employee of the United States may engage or participate in any direct police arrest actions in any foreign country with respect to narcotics control efforts.

(2) The President shall carry out a study with respect to methods through which United States narcotics control programs in foreign countries might be placed under the auspices of international or regional organizations. The results of such study shall be transmitted to the Speaker of the House of Representatives and the President of the Senate not later than June 30, 1977.

Sec. 482. Authorization.—To carry out the purposes of section 481, there are authorized to be appropriated to the President \$42,500,000 for each of the fiscal years 1974 and 1975 and \$40,000,000 for the fiscal year 1976 and \$34,000,000 for the fiscal year 1977, no part of which may be obligated for or on behalf of any country where illegal traffic in opiates has been a significant problem unless and until the President determines and certifies in writing to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate that assistance furnished to such country pursuant to the authority in this chapter is significantly reducing the amount of illegal opiates entering the international market.

Amounts appropriated under this section are authorized to remain available until expended.

Sec. 495. Cyprus Relief and Rehabilitation.—The President is authorized to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other needy people in Cyprus. There is authorized to be appropriated for the purposes of this section, in addition to amounts otherwise available for such purposes, ~~[\$30,000,000]~~ \$40,000,000 for the fiscal year 1976." Such amount is authorized to remain available until expended. Assistance under this section shall be provided in accordance with the policy and general authority contained in section 491."

[Sec. 502B. Human Rights.—(a) It is the sense of Congress that, except in extraordinary circumstances, the President shall substantially reduce or terminate security assistance to any government which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhuman or degrading treatment or punishment; prolonged detention without charges; or other flagrant denials of the right to life, liberty, and the security of the person.

(b) Whenever proposing or furnishing security assistance to any government falling within the provisions of paragraph (a), the President shall advise the Congress of the extraordinary circumstances necessitating the assistance.

(c) In determining whether or not a government falls within the provisions of subsection (a), consideration shall be given to the extent of cooperation by such government in permitting an unimpeded investigation of alleged violations of internationally recognized human

rights by appropriate international organizations including the International Committee of the Red Cross and anybody acting under the authority of the United Nations or of the Organization of American States.

(d) For purposes of this section, "security assistance" means assistance under chapter 2 (military assistance) or chapter 4 (security supporting assistance) of this part, assistance under part V (Indochina Postwar Reconstruction) or part VI (Middle East Peace) of this Act, sales under the Foreign Military Sales Act, or assistance for public safety under this or any other Act.]

SEC. 502B. HUMAN RIGHTS.—(a) (1) It is the policy of the United States, in accordance with its international obligations as set forth in the Charter of the United Nations and in keeping with the constitutional heritage and traditions of the United States, to promote and encourage increased respect for human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion. To this end, a principal goal of the foreign policy of the United States is to promote the increased observance of internationally recognized human rights by all countries.

(2) It is further the policy of the United States that, except under circumstances specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights.

(3) In furtherance of the foregoing policy the President is directed to formulate and conduct international security assistance programs of the United States in a manner which will promote and advance human rights and avoid identification of the United States, through such programs, with governments which deny to their people internationally recognized human rights and fundamental freedoms, in violation of international law or in contravention of the policy of the United States as expressed in this section or otherwise.

(b) The Secretary of State shall transmit to the Congress, as part of the presentation materials for security assistance programs proposed for each fiscal year beginning with the fiscal year 1977, full and complete report, prepared with the assistance of the Coordinator for Human Rights, with respect to practices regarding the observance of and respect for internationally recognized human rights in each country proposed as a recipient of security assistance. In determining whether a government falls within the provisions of subsection (a) (3) and in the preparation of any report or statement required under this section, consideration shall be given to—

(1) the relevant findings of appropriate international organizations, including nongovernmental organizations, such as the International Committee of the Red Cross; and

(2) the extent of cooperation by such government in permitting an unimpeded investigation by any such organization of alleged violations of internationally recognized human rights.

(c) (1) Upon the request of the Senate or the House of Representatives by resolution of either such House, or upon the request of the Committee on Foreign Relations of the Senate or the Committee



on International Relations of the House of Representatives, the Secretary of State shall, within thirty days after receipt of such request, transmit to both such committees a statement, prepared with the assistance of the Coordinator for Human Rights, with respect to the country designated in such request, setting forth—

(A) all available information about observance of and respect for human rights and fundamental freedom in that country, and a detailed description of practices by the recipient government with respect thereto;

(B) the steps the United States has taken to—

(i) promote respect for and observance of human rights in that country and discourage any practices which are inimical to internationally recognized human rights, and

(ii) publicly or privately call attention to, and disassociate the United States and any security assistance provided for such country from, such practices;

(C) whether, in the opinion of the Secretary of State, notwithstanding any such practices—

(i) extraordinary circumstances exist which necessitate a continuation of security assistance for such country, and, if so, a description of such circumstances and the extent to which such assistance should be continued (subject to such conditions as Congress may impose under this section), and

(ii) on all the facts it is in the national interest of the United States to provide such assistance; and

(D) such other information as such committee or such House may request.

(2) (A) A resolution of request under paragraph (1) of this subsection shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(B) The term "certification", as used in section 601 of such Act, means, for the purposes of this subsection, a resolution of request of the Senate under paragraph (1) of this subsection.

(3) In the event a statement with respect to a country is requested pursuant to paragraph (1) of this subsection but is not transmitted in accordance therewith within thirty days after receipt of such request, no security assistance shall be delivered to such country except as may thereafter be specifically authorized by law for such country unless and until such statement is transmitted.

(4) (A) In the event a statement with respect to a country is transmitted under paragraph (1) of this subsection, the Congress may at any time thereafter adopt a joint resolution terminating, restricting, or continuing security assistance for such country. In the event such a joint resolution is adopted, such assistance shall be so terminated, so restricted, or so continued, as the case may be.

(B) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(C) The term "certification", as used in section 601 of such Act, means, for the purposes of this paragraph, a statement transmitted under paragraph (1) of this subsection.

(d) For the purposes of this section—

(1) the term "gross violations of internationally recognized human rights" includes torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges and trial, and other flagrant denial of the right to life, liberty, or the security of person; and

(2) the term "security assistance" means—

(A) assistance under chapter 2 (military assistance) or chapter 4 (security supporting assistance) or chapter 5 (military education and training) of this part or part VI (assistance to the Middle East) of this Act;

(B) sales of defense articles or services, extensions of credits (including participations in credits), and guarantees of loans under the Arms Export Control Act; or

(C) any license in effect with respect to the export of defense articles or defense services to or for the armed forces, police, intelligence, or other internal security forces of a foreign country under section 38 of the Arms Export Control Act.

Sec. 504. Authorization.—[(a) There is authorized to be appropriated to the President to carry out the purposes of this part not to exceed \$600,000,000 for the fiscal year 1975; *Provided*, That funds made available for assistance under this chapter (other than (1) training in the United States, or (2) for Western Hemisphere countries, training in the United States or in the Canal Zone) shall not be used to furnish assistance to more than thirty-one 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.]

(a) (1) There is authorized to be appropriated to the President to carry out the purposes of this chapter \$196,700,000 for the fiscal year 1976 and \$75,300,000 for the fiscal year 1977. Not more than the following amounts of funds available for carrying out this chapter may be allocated and made available to each of the following countries for such fiscal years:

Country	Fiscal Year 1976 Amount	Fiscal year 1977 Amount
Greece	\$31,000,000	\$-----
Indonesia	13,000,000	13,000,000
Jordan	50,000,000	40,000,000
Republic of Korea	55,000,000	8,300,000
Philippines	17,000,000	17,000,000
Thailand	16,000,000	15,000,000
Turkey	31,000,000	-----
Ethiopia	6,000,000	5,000,000

The amount specified in this paragraph for military assistance to any such country for fiscal year 1976 or 1977 may be increased by not more than 10 per centum of such amount if the President deems such increase necessary for the purposes of this chapter.

(2) Not to exceed \$6,000,000 of the funds made available for fiscal year 1976 to carry out the purposes of this chapter, and not to exceed \$3,700,000 of the funds made available for fiscal year 1977 to carry out the purposes of this chapter, may be used to provide assistance to international organizations and, subject to the limitations contained in paragraph (3), to countries which are not designated in paragraph (1).

(3) Funds made available for assistance under this chapter may not be used to furnish assistance to more than 20 countries in fiscal year 1976 and to not more than 12 countries during the fiscal year 1977 (including those countries designated in paragraph (1)).

(4) The authority of section 610(a) and of section 614(a) may not be used to increase any amount specified in paragraph (1) or (2). The limitations contained in paragraphs (1), (2), and (3) shall not apply to emergency assistance furnished under section 506(a).

(5) There is authorized to be appropriated to the President, for administrative and other related expenses incurred in carrying out the purposes of this chapter, \$32,000,000 for the fiscal year 1976 and \$70,000,000 for the fiscal year 1977.

(6) None of the funds appropriated under this subsection shall be used to furnish sophisticated weapons systems, such as missile systems or jet aircraft for military purposes, to any less developed country not specified in paragraph (1) 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.

(7) Amounts appropriated under this subsection are authorized to remain available until expended.

(8) Assistance for Turkey under this chapter shall be subject to the requirements of section 620(x) of this Act.

(The following changes in section 505(a) are to be effective July 1, 1976.)

Sec. 505. Conditions of Eligibility.—(a) In addition to such other provisions as the President may require, no defense articles or related training or other defense service shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles or related training or other defense service by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles or related training or other defense service by gift, sale, or otherwise, or

(C) use or permit the use of such articles or related training or other defense service for purposes other than those for which furnished;

(2) it will maintain the security of such articles or related training or other defense service and will provide substantially the same degree of security protection afforded to such articles or related training or other defense service by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles or related training or other defense service; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles or related training or other defense service which are no longer needed for the purposes for which furnished.

(b) No Defense articles shall be furnished on a grant basis to any country at a cost in excess of \$3,000,000 in any fiscal year unless the President determines—

(1) that such country conforms to the purposes and principles of the Charter of the United Nations;

(2) that such defense articles will be utilized by such country for the maintenance of its own defense strength, or the defensive strength of the free world;

(3) that such country is taking all reasonable measures, consistent with its political and economic stability, which may be needed to develop its defense capacities; and

(4) that the increased ability of such country to defend itself is important to the security of the United States.

(c) The President shall regularly reduce and, with such deliberate speed as orderly procedure and other relevant considerations, including prior commitments, will permit, shall terminate all further grants of military equipment and supplies to any country having sufficient wealth to enable it, in the judgment of the President, to maintain and equip its own military forces at adequate strength, without undue burden to its economy.

[(d) Any country which hereafter uses defense articles or defense services furnished such country under this Act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into pursuant to any of such Acts shall be immediately ineligible for further assistance.]

(d) (1) Assistance and deliveries of assistance under this chapter to any country shall be terminated as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, the Mutual Security Act of 1954, or any predecessor Foreign Assistance Act, in substantial violation (either in terms of quantities or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act (A) by using such articles or services for a purpose not authorized under section 502 or, if such agreement provides that such articles

or services may only be used for purposes more limited than those authorized under section 502, for a purpose not authorized under such agreement; (B) by transferring such articles or services to, or permitting any use of such articles or services by, anyone not an officer, employee, or agent of the recipient country without the consent of the President; or (C) by failing to maintain the security of such articles or services;

(2) (A) Assistance and deliveries of assistance shall be terminated pursuant to paragraph (1) of this subsection if the President so determines and so states in writing to the Congress, or if the Congress so finds by joint resolution.

(B) The President shall report to the Congress promptly upon the receipt of information that a violation described in paragraph (1) of this subsection may have occurred.

(3) Assistance to a country shall remain terminated in accordance with paragraph (1) of this subsection until such time as—

(A) the President determines that the violation has ceased; and

(B) the country concerned has given assurances satisfactory to the President that such violation will not recur.

(4) The authority contained in section 614(a) of this Act may not be used to waive the provisions of this section with respect to further assistance under this chapter.

(e) In considering a request for approval of any transfer of any weapon, weapons system, munitions, aircraft, military boat, military vessel, or other implement of war to another country, the President shall not give his consent under subsection (a)(1) or (a)(4) to the transfer unless the United States itself would transfer the defense article under consideration to that country [], and prior to the date he intends to give his consent to the transfer, the President notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended consent, the justification for giving such consent, the defense article for which he intends to give his consent to be so transferred, and the foreign country to which that defense article is to be transferred]. In addition, the President shall not give his consent under subsection (a)(1) or (a)(4) to the transfer of any significant defense articles on the United States Munitions List unless the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles if not demilitarized, to any other foreign country or person without first obtaining the consent of the President.

(f) Effective July 1, 1974, no defense article shall be furnished to any country on a grant basis unless such country shall have agreed that the net proceeds of sale received by such country is disposing of any weapons, weapons system, munition, aircraft, military boat, military vessel, or other implement of war received under this chapter will be paid to the United States Government and shall be available 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.

(g) (1) It is the policy of the United States that no assistance under this chapter should be furnished to any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this chapter on the basis of race, religion, national origin, or sex.

(2) (A) No agency performing functions under this chapter shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(B) Each contract entered into by any such agency for the performance of any function under this chapter shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(3) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any transaction in which any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the furnishing of assistance under this chapter, or education and training under chapter 5, to any foreign country. Such reports shall include (A) a description of the facts and circumstances of any such discrimination, (B) the response thereto on the part of the United States or any agency or employee thereof, and (C) the result of such response, if any.

(4) (A) Upon—

(i) the receipt of reliable information that discrimination by a foreign government reported pursuant to paragraph (3) of this subsection continues so that such person would be prevented from participating in the furnishing of such military assistance transaction, or military education or training transaction, under the provisions of this Act on account of the race, religion, national origin, or sex of such person (or, in the case of a partnership, corporation, association, or other entity, any officer, employee, agent, director, or owner thereof); or

(ii) the request of the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives;

the President shall immediately transmit to such committees a report recommending such action as he deems appropriate.

(B) In the event a report is requested pursuant to subparagraph (A) (ii) of this paragraph but is not transmitted in accordance therewith within sixty days after receipt of such request, then the President shall immediately terminate such assistance or training transaction, as the case may be.

(C) (i) In the event a report is transmitted pursuant to subparagraph (A) of this paragraph, the Congress may at any time thereafter by joint resolution, terminate such transaction, or take any other action with respect to such assistance or training transaction that it deems appropriate.

(ii) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601 (b) of the International Security Assistance and Arms Export Control Act of 1976.

(iii) The term "certification", as used in section 601 of such Act, means, for the purposes of this subparagraph, a report transmitted under subparagraph (A) of this paragraph.

Sec. 506. Special Authority.—[(a) During the fiscal year 1975 the President may, if he determines it to be in the security interests 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 1975 shall not exceed \$150,000,000.]

(a) (1) If the President first determines and reports to Congress in accordance with section 652 of this Act—

(A) that an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization;

(B) that a failure to respond immediately to that emergency will result in serious harm to vital United States security interests; and

(C) that the emergency requirement cannot be met under authority of the Arms Export Control Act or any other law except this section;

he may order defense articles from the Department of Defense and defense services for the purposes of this part, subject to reimbursement from subsequent appropriations made specifically therefor under subsection (b).

(2) The total value of defense articles and defense services ordered under this subsection in any fiscal year may not exceed \$67,500,000. The authority contained in this subsection shall be effective in any fiscal year only to the extent provided in an appropriation Act.

(3) The President shall keep the Congress fully and currently informed of all defense articles and defense services ordered under this subsection.

(b) The Department of Defense is authorized to incur, in applicable appropriations, obligations in anticipation of reimbursements in amounts equivalent to the value of such orders under subsection (a) of this section. Appropriations to the President of such sums as may be

necessary to reimburse the applicable appropriation, fund, or account for such orders are hereby authorized.

* * * * *
[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. 511. Considerations in Furnishing Military Assistance.—Decisions to furnish military assistance made under this part shall take into account whether such assistance will—

- (1) contribute to an arms race;
- (2) increase the possibility of outbreak or escalation of conflict; or
- (3) prejudice the development of bilateral or multilateral arms control arrangements.

Sec. 512. Military Assistance Advisory Groups and Missions.—* * * [Repealed—1973]

Sec. 513. Military Assistance Authorizations for Thailand and Laos, and South 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 directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.

(c) After June 30, 1976, no military assistance shall be furnished by the United States to South Vietnam directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.

[Sec. 514. Stockpiling of Defense Articles for Foreign Countries.]—(a) Notwithstanding any other provision of law, no funds, other than funds made available under this chapter or section 401 (a) of Public Law 89-367 (80 Stat. 37), or any subsequent corresponding legislation, may be obligated for the purpose of stockpiling any defense article or war reserve material, including the acquisition, storage, or maintenance of any war reserve equipment, secondary items, or munitions, if such article or material is set aside, reserved, or in any way earmarked or intended for future use by any foreign country under this Act or such section.]

[(b) The cost of any such article or material set aside, reserved, or in any way earmarked or intended by the Department of Defense for future use by, for or on behalf of the country referred to in section 401 (a) (1) of Public Law 89-367 (80 Stat. 37) shall be charged against the limitation specified in such section or any subsequent corresponding legislation, for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked or intended; and the cost of any such article or material set aside, reserved or in any way ear-



marked or intended for future use by, for, or on behalf of any other foreign country shall be charged against funds authorized under this chapter for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked. No such article or material may be made available to or for use by any foreign country unless such article or material has been charged against the limitation specified in such section, or any subsequent corresponding legislation or against funds authorized under this chapter, as appropriate.】

SEC. 514. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES.—(a) No defense article in the inventory of the Department of Defense which is set aside, reserved, or in any way earmarked or intended for future use by any foreign country may be made available to or for use by any foreign country unless such transfer is authorized under this Act or the Arms Export Control Act, or any subsequent corresponding legislation, and the value of such transfer is charged against funds authorized under such legislation or against the limitations specified in such legislation, as appropriate, for the fiscal period in which such defense article is transferred. For purposes of this subsection, 'value' means the acquisition cost plus crating, packing, handling, and transportation costs incurred in carrying out this section.

(b) (1) The value of defense articles to be set aside earmarked, reserved, or intended for use as war reserve stocks for applied or other foreign countries (other than for purposes of the North Atlantic Treaty Organization) in stockpiles located in foreign countries may not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for that fiscal year.

(2) The value of such additions to stockpiles in foreign countries shall not exceed \$75,000,000 for the fiscal year 1976, \$18,750,000 for the period beginning July 1, 1976, and ending September 30, 1976, and \$50,000,000 for the fiscal year 1977.

(c) Except for stockpiles in existence on the date of enactment of the International Security Assistance and Arms Export Control Act of 1976 and for stockpiles located in countries which are members of the North Atlantic Treaty Organization, no stockpile may be located outside the boundaries of a United States military base or a military base used primarily by the United States.

(d) No defense article transferred from any stockpile which is made available to or for use by any foreign country may be considered an excess defense article for the purpose of determining the value thereof.

(e) The President shall promptly report to the Congress each new stockpile, or addition to an existing stockpile, described in this section of defense articles valued in excess of \$10,000,000 in any fiscal year.

Sec. 515. Military Assistance Advisory Groups and Missions.—

(a) [Effective July 1, 1976.] During the period beginning July 1, 1976, and ending September 30, 1977, an amount equal to each sum expended under any provision of law, other than section 504 of this Act, with respect to any military assistance advisory group, military mission, or other organization of the United States performing activities similar to such group or mission, shall be deducted from the funds made available under such section 504, and (1) if reimbursement of such amount is requested by the agency of the United States Govern-

ment making the expenditure, reimbursed to that agency, or (2) if no such reimbursement is requested, deposited in the Treasury as miscellaneous receipts.

(b) (1) After September 30, 1977, no military assistance advisory group, military mission, or other organization of United States military personnel performing similar military advisory functions under this Act may operate in any foreign country unless specifically authorized by the Congress.

(2) The President may assign not more than three members of the Armed Forces of the United States to the Chief of each United States Diplomatic Mission to perform such functions as such Chief of Mission determines necessary with respect to international military education and training provided under chapter 5 of this part, to sales of defense articles and services under the Arms Export Control Act, or to such other international security assistance programs as the President may designate. After September 30, 1977, no such functions or related activities may be performed by any defense attachés assigned, detailed, or attached to the United States Diplomatic Mission in any foreign country.

(c) After September 30, 1976, the number of military missions, groups, and similar organizations may not exceed 34.

(d) As used in this section, the term "military assistance advisory group, military mission, or other organization of United States military personnel performing similar military advisory functions under this Act" does not include regular units of the Armed Forces of the United States engaged in routine functions designed to bring about the standardization of military operations and procedures between the Armed Forces of the United States and allies of the United States.

* * * * *

SEC. 516. TERMINATION OF AUTHORITY.—(a) Except to the extent that the Congress may, subsequent to the enactment of this section, authorize the furnishing of military assistance in accordance with this chapter to specified countries in specified amounts, the authorities contained in this chapter (other than the authorities contained in sections 506, 514, and 515(b)(2)) may not be exercised after September 30, 1977, except that such authorities shall remain available until September 30, 1980, to the extent necessary to carry out obligations incurred under this chapter on or before September 30, 1977.

(b) Funds available to carry out this chapter shall be available notwithstanding the limitations contained in paragraphs (2) and (3) of section 504(a) of this Act—

(1) for the winding up of military assistance programs under this chapter, including payment of the costs of packing, crating, handling, and transporting defense articles furnished under this chapter and of related administrative costs; and

(2) for costs incurred under section 503(c) with respect to defense articles on loan to countries no longer eligible under section 504(a) for military assistance.

* * * * *

Chapter 4—Security Supporting Assistance

Sec. 531. General Authority.—The President is authorized to furnish assistance to friendly countries, organizations, and bodies eligible to receive assistance under this Act on such terms and conditions as he may determine, in order to support or promote economic or political stability. The authority of this chapter shall not be used to furnish assistance to more than twelve countries in any fiscal year.

[Sec. 532. Authorization.—There is authorized to be appropriated to the President to carry out the purposes of this chapter for the fiscal year 1975 not to exceed \$660,000,000: *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 determine 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.]

SEC. 532. AUTHORIZATION.—*There is authorized to be appropriated to the President to carry out the purposes of this chapter for the fiscal year 1976, \$1,766,200,000, of which not less than \$65,000,000 shall be available only for Greece, \$730,000,000 shall be available only for Israel, and \$705,000,000 shall be available only for Egypt, and for the fiscal year 1977 not to exceed \$1,836,500,000, of which not less than \$785,000,000 shall be available only for Israel, \$750,000,000 shall be available only for Egypt, \$30,000,000 shall be available only for Zaire, and \$30,000,000 shall be available only for Zambia. Amounts appropriated under this section are authorized to remain available until expended.*

(b) There is authorized to be appropriated to the President for the fiscal year 1977, to carry out the proposals made by the Secretary of State in Lusaka, Zambia on April 27, 1976, \$25,000,000 for security supporting assistance and economic assistance for countries in southern Africa other than Zaire and Zambia affected by the crisis in that region. Such sums are authorized to remain available until expended.

CHAPTER 5—INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 541. GENERAL AUTHORITY.—*The President is authorized to furnish, on such terms and conditions consistent with this Act as the President may determine (but whenever feasible on a reimbursable basis), military education and training to military and related civilian personnel of foreign countries. Such training and education may be provided through—*

- (1) attendance at military educational and training facilities in the United States (other than Service academies) and abroad;*
- (2) attendance in special courses of instruction at schools and institutions of learning or research in the United States and abroad; and*
- (3) observation and orientation visits to military facilities and related activities in the United States and abroad.*

SEC. 542. AUTHORIZATION.—*There are authorized to be appropriated to the President to carry out the purposes of this chapter \$27,000,000 for the fiscal year 1976 and \$28,000,000 for the fiscal year 1977. After June 30, 1976, no training under this section may be conducted outside the United States unless the President has reported and justified such training to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.*

SEC. 543. PURPOSES.—*Education and training activities conducted under this chapter shall be designed—*

- (1) to encourage effective and mutually beneficial relations and increased understanding between the United States and foreign countries in furtherance of the goals of international peace and security; and*
- (2) to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the United States, with maximum effectiveness, thereby contributing to greater self-reliance by such countries.*

* * * * *

Sec. 620. Prohibitions Against Furnishing Assistance.—

(k) Without the express approval of Congress, no assistance shall be furnished under this Act to any country for construction of any productive enterprise with respect to which the aggregate value of assistance to be furnished by the United States will exceed \$100,000,000. Except as otherwise provided in section 506, no military assistance shall be furnished to any country under this Act for carrying out any program, with respect to which the aggregate value of assistance to be furnished beginning July 1, 1966, by the United States will exceed \$100,000,000. [unless such program] *This subsection shall not apply with respect to a project for the construction of a productive enterprise (except such a project to which the aggregate value of assistance furnished by the United States exceeds \$110,000,000 as the result of inflation or of cost overruns) or to a program of military assistance which has been included in the presentation to the Congress during its consideration of authorizations for appropriations under this Act or of appropriations pursuant to authorizations contained in this Act. No provision of this or any other Act shall be construed to authorize the President to waive the provisions of this subsection.*

(m) No assistance shall be furnished on a grant basis under this Act to any economically developed nation capable of sustaining its own defense burden and economic growth, except (1) to fulfill firm commitments made prior to July 1, 1963, [or (2)] (2) *to carry out*



programs of assistance under part II of this Act which are contained in the annual presentation materials justifying such programs to the Congress, or (3) additional orientation and training expenses under part II hereof during each fiscal year in amount not to exceed \$500,000.

(x)(1) All military assistance, all sales of defense articles and services (whether for cash or by credit, guaranty, or any other means), and all licenses with respect to the transportation of arms, ammunitions, and implements of war (including technical data relating thereto) to the Government of Turkey, shall be suspended on the date of enactment of this subsection unless and until the President determines and certifies to the Congress that the Government of Turkey is in compliance with the Foreign Assistance Act of 1961, the Foreign Military Sales Act, and any agreement entered into under such Acts, and that substantial progress toward agreement has been made regarding military forces in Cyprus: [Provided,] [That the President is authorized to suspend the provisions of this section and such acts if he determines that such suspension will further negotiations for a peaceful solution of the Cyprus conflict. Any such suspension shall be effective only until February 5, 1975, and only if, during that time, Turkey shall observe the ceasefire and shall neither increase its forces on Cyprus nor transfer to Cyprus any U.S. supplied implements of war.]

(NOTE.—The proviso was repealed by P.L. 94-104, to be effective upon enactment of security assistance legislation for FY 1976.)

[That the President is authorized to suspend the provisions of this section and of section 3(c) of the Foreign Military Sales Act only with respect to sales, credits, and guaranties under the Foreign Military Sales Act, as amended, for the procurement of such defense articles and defense services as the President determines and certifies to the Congress are necessary in order to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization.

Any such suspension shall be effective only while Turkey shall observe the cease-fire and shall neither increase its forces on Cyprus nor transfer to Cyprus any United States supplied arms, ammunition, and implements of war.

(2) The President shall submit to the Congress within sixty days after the enactment of this paragraph, and at the end of each succeeding sixty-day period, a report on progress made during such period toward the conclusion of a negotiated solution of the Cyprus conflict.]

(NOTE.—Paragraph (2) was to become effective upon enactment of security assistance legislation for fiscal year 1976.)

Provided, That for the fiscal year 1976 and the period beginning July 1, 1976, and ending September 30, 1976, the President may suspend the provisions of this subsection and of section 3(c) of the Arms Export Control Act with respect to cash sales and extensions of credits and guaranties under such Act for the procurement of such defense articles and defense services as the President determines are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization, except that during the fiscal year 1976 and the period beginning July 1, 1976, and ending September 30, 1976, the total value of defense articles and defense services sold to Turkey under such Act, either for cash or financed

by credits and guaranties, shall not exceed \$125,000,000. Any such suspension shall be effective only so long as Turkey observes the cease-fire on Cyprus, does not increase its military forces or its civilian population on Cyprus, and does not transfer to Cyprus any United States supplied arms, ammunition, or implements of war. The determination required by the proviso in the first sentence of this paragraph shall be made, on a case-by-case basis, with respect to each cash sale, each approval for use of credits, and each approval for use of a guaranty for Turkey. Each such determination shall be reported to the Congress and shall be accompanied by a full and complete statement of the reasons supporting the President's determination and a statement containing the information specified in clauses (A) through (D) of section 2(c)(4) of the Act of October 6, 1975 (Public Law 94-104). In any case involving the sale of significant combat equipment on the United States Munitions List in which the congressional review provisions of section 36(b) of the Arms Export Control Act do not apply, the President may not issue the letter of offer or approve the use of the credits or guaranty, as the case may be, until the end of the thirty-day period, beginning on the date on which the report required by the preceding sentence is submitted to the Congress.

(Note: Paragraph (4) of Public Law 94-104 is as follows:)

(4) Pursuant to the provisions of this section, in the case of any letter of offer to sell any defense article or defense service pursuant to the Foreign Military Sales Act for \$25,000,000 or more, the President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a statement containing (A) a brief description of the defense article or defense service to be offered, (B) the dollar amount of the proposed sale, (C) the United States Armed Force which is making the sale, and (D) the date on which any letter of offer to sell is to be issued. The letter of offer shall not be issued if the Congress, within twenty calendar days after receiving any such statement, adopts a concurrent resolution stating in effect that it objects to such proposed sale.

SEC. 620A. PROHIBITION AGAINST FURNISHING ASSISTANCE TO COUNTRIES WHICH GRANT SANCTUARY TO INTERNATIONAL TERRORISTS.—(a) Except where the President finds national security to require otherwise, the President shall terminate all assistance under this Act to any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism and the President may not thereafter furnish assistance to such government until the end of the one-year period beginning on the date of such termination, except that if during its period of ineligibility for assistance under this section such government aids or abets, by granting sanctuary from prosecution to, any other individual or group which has committed an act of international terrorism, such government's period of ineligibility shall be extended for an additional year for each such individual or group.

(b) If the President finds that national security justifies a continuation of assistance to any government described in subsection (a), he shall report such finding promptly to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

Sec. 622. Coordination With Foreign Policy.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(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 military assistance (including civic action) and military education and training programs are coordinated with political and economic considerations, 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 military assistance programs, including but not limited to determining whether there shall be a military assistance (including civic action) 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.]

(c) *Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance, military assistance, and military education and training programs, including but not limited to determining whether there shall be 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 assistance 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.—

(f) (1) *There is established in the Department of State a Coordinator for Human Rights. The Coordinator shall be appointed by the President with the advice and consent of the Senate. He shall be responsible to the Secretary of State for matters pertaining to*

human rights in the conduct of foreign policy. The Secretary of State shall carry out his responsibility under section 502B of this Act through the Coordinator of Human Rights.

(2) *The Coordinator for Human Rights shall maintain continuous observation and review of all matters pertaining to human rights in the conduct of foreign policy including—*

(A) *gathering detailed information regarding the observance of and respect for internationally recognized human rights in each country to which requirements of sections 116 and 502B of this Act are relevant;*

(B) *preparing the statements and reports to Congress required under section 502B of this Act; and*

(C) *making recommendations to the Secretary of State and the Administrator of the Agency for International Development regarding compliance with sections 116 and 502B of this Act; and*

(D) *performing other responsibilities which serve to promote increased observance of internationally recognized human rights by all countries.*

Sec. 626. Experts, Consultants, and Retired Officers.—(a) Experts and consultants or organizations thereof may, as authorized by section 3109 of title 5 of the United States Code, be employed for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess [of \$100 per diem] of the highest rate that may be paid to an employee under the General Schedule established by section 5332 of title 5 of the United States Code, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence at the applicable rate prescribed in the standardized Government travel regulations, as amended from time to time. Contracts for such employment with such organizations, employment of personnel as experts and consultants, not to exceed ten in number, contracts for such employment of retired military personnel with specialized research and development experience, not to exceed ten in number, and contracts for such employment of retired military personnel with specialized experience of a broad politico-military nature, not to exceed five in number, may be renewed annually.

* * * * *

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 carrying 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 serv-

ices) and facilities of, or procure commodities [and defense articles], *defense articles or 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.

(c) In the case of any commodity, service, or facility procured from any agency of the United States Government to carry out part I, reimbursement or repayment shall be made to such agency from funds available to carry out such part. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposing agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts, from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning or disposing agency determines that such replacement is not necessary, any funds received in payment therefor shall be deposited into the Treasury as miscellaneous receipts.

(d) Except as otherwise provided in section 506, reimbursement shall be made to any United States Government agency, from funds available for use under part II, for any assistance furnished under part II from, by, or through such agency. Such reimbursement shall be in an amount equal to the value (as defined in section 644(m)) of the defense articles or of the defense services (other than salaries of members of the Armed Forces of the United States), or other assistance furnished, plus expenses arising from or incident to operations under part II. The amount of such reimbursement shall be credited to the current applicable appropriations, funds, or accounts of such agency.

(e) In furnishing assistance under this Act, accounts may be established on the books of any agency of the United States Government or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States, (1) against which letters of commitment may be issued which shall constitute recordable obligations of the United States Government, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended (second and third vargraphs of 31 U.S.C. 203 and 41 (U.S.C. 15)), and (2) from which disbursements may be made to, or withdrawals may be made by, recipient countries or agencies, organizations, or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of funds of the United States Government: *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. 636. Provisions on Uses of Funds.—(a) Appropriations for the purposes of or pursuant to this Act (except for Part II), allocations to any agency of the United States Government, from other appropriations, for functions directly related to the purposes of this Act, and funds made available for other purposes to the agency primarily responsible for administering part I, shall be available for:

(1) rent of buildings and space in buildings in the United States, and for repair, alteration, and improvements of such leased properties;

(2) expenses of attendance at meetings concerned with the purposes of such appropriations of this Act, including (notwithstanding the provisions of section 9 of Public Law 60-328 (31 U.S.C. 673)) expenses in connection with meetings and persons whose employment is authorized by section 626;

(3) contracting with individuals for personal service abroad: *Provided*, That such individuals shall not be regarded as employees of the United States Government for the purpose of any law administered by the Civil Service Commission;

(4) purchase, maintenance, operation, and hire of aircraft: *Provided*, That aircraft for administrative purposes may be purchased only as specifically provided for in an appropriation or other Act;

(5) purchase and hire of passenger motor vehicle: *Provided*, That, except as may otherwise be provided in an appropriation or other Act, passenger motor vehicles for administrative purposes outside the United States may be purchased for replacement only, and such vehicles may be exchanged or sold and replaced by an equal number of such vehicles and the cost, including exchange allowance, of each such replacement shall not exceed \$3,500 in the case of an automobile for the chief of any special mission or staff outside the United States established under section 631: *Provided further*, That passenger motor vehicles other than one for the official use (without regard to the limitations contained in section 5 of Public Law 63-127, as amended (31 U.S.C. 638a (c) (2)), and section 201 of Public Law 85-468 (31 U.S.C. 638(c)) of the head of the agency primarily responsible for administering part I, may be purchased for use in the United States only as may be specifically provided in an appropriation or other Act;

(6) entertainment (not to exceed \$25,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act);

(7) exchange of funds without regard to section 3651 of the Revised Statutes (31 U.S.C. 543) and loss by exchange;

(8) expenditures (not to exceed \$50,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act) of a confidential character other than entertainment: *Provided*, That a certificate of the amount of such expenditure, the nature of which it is considered inadvisable to specify, shall be made by the head of the agency primarily responsible for administering part I or such person as he may designate, and every such certificate shall be deemed a sufficient voucher for the amount therein specified;

(9) insurance of official motor vehicles or aircraft acquired for use in foreign countries;

(10) rent or lease outside the United States for not to exceed ten years of offices, buildings, grounds, and quarters, including living quarters to house personnel, and payments therefor in advance; maintenance, furnishings, necessary repairs, improvements, and alterations to properties owned or rented by the United States Government or made available for use to the United States Government outside the United States; and costs of fuel, water, and utilities for such properties;

(11) expenses of preparing and transporting to their former homes, or, with respect to foreign participants engaged in any program under part I, to their former homes or places of burial, and of care and disposition of, the remains of persons or members of the families of persons who may die while such persons are away from their homes participating in activities carried out with funds covered by this subsection;

(12) purchase of uniforms;

(13) payment or per diem in lieu of subsistence to foreign participants engaged in any program under part I while such participants are away from their homes in countries other than the United States, at rates not in excess of those prescribed by the standardized Government travel regulations, not withstanding any other provision of law;

(14) use in accordance with authorities of the Foreign Service Act of 1946, as amended (22 U.S.C. 801 et seq.), not otherwise provided for;

(15) ice and drinking water for use outside the United States;

(16) services of commissioned officers of the Environmental Science Services Administration and for the purposes of providing such services the Environmental Science Services Administration may appoint not to exceed twenty commissioned officers in addition to those otherwise authorized;

(17) expenses in connection with travel of personnel outside the United States, including travel expenses of dependents (including expenses during necessary stopovers while engaged in such travel), and transportation of personal effects, household goods, and automobiles of such personnel when any part of such travel or transportation begins in one fiscal year pursuant to travel orders issued in that fiscal year, notwithstanding the fact that such travel or transportation may not be completed during the same fiscal year, and cost of transporting automobiles to and from a place of storage, and the cost of storing automobiles of such personnel when it is in the public interest or more economical to authorize storage.

(b) Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, for printing and binding without regard to the provisions of any other law, and for expenditures outside the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of

personnel) without regard to such laws and regulations governing the obligation and expenditure of funds of the United States Government as may be necessary to accomplish the purposes of this Act.

(c) Notwithstanding any other law, not to exceed \$3,000,000 of the funds available for assistance under this Act (other than title I of chapter 2 of part I) may be used in any fiscal year (in addition to funds available for such use under other authorities in this Act) to construct or otherwise acquire outside the United States (1) essential living quarters, office space, and necessary supporting facilities for use of personnel carrying out activities authorized by this Act, and (2) schools (including dormitories and boarding facilities) and hospitals for use of personnel carrying out activities authorized by this Act, United States Government personnel, and their dependents. In addition, funds made available for assistance under this Act (other than title I of chapter 2 of part I) may be used, notwithstanding any other law, to equip, staff, operate, and maintain such schools and hospitals.

(d) Not to exceed \$2,500,000 of funds available for assistance under this Act (other than title I of chapter 2 of part I) may be used in any fiscal year to provide assistance, on such terms and conditions as are deemed appropriate, to schools established, or to be established, outside the United States whenever it is determined that such action would be more economical or would best serve the interests of the United States in providing for the education of dependents of personnel carrying out activities authorized by this Act and dependents of United States Government personnel, in lieu of acquisition or construction pursuant to subsection (c) of this section.

(e) Funds available under this Act (other than title I of chapter 2 of part I) may be used to pay costs of training United States citizen personnel employed or assigned pursuant to section 625(d)(2) (through interchange or otherwise) at any State or local unit of government, public or private nonprofit institution, trade, labor, agricultural, or scientific association or organization, or commercial firm; and the provisions of Public Law 84-918 (7 U.S.C. 1881 et seq.) may be used to carry out the foregoing authority notwithstanding that interchange of personnel may not be involved or that the training may not take place at the institutions specified in that Act. Such training shall not be considered employment or holding of office under section 5533 of title 5 of the United States Code, and any payments or contributions in connection therewith may, as deemed appropriate by the head of the agency of the United States Government authorizing such training, be made by private or public sources and be accepted by any trainee, or may be accepted by and credited to the current applicable appropriation of such agency: *Provided, however*, That any such payments to any employee in the nature of compensation shall be in lieu or in reduction, of compensation received from the United States Government.

(f) Funds made available under section 212 may be used for expenses (other than those provided for under section 637(a) to assist in carrying out functions under title I of chapter 2 of part 5, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691 et seq.), and under the Latin American De-

velopment Act, as amended (22 U.S.C. 1942 et seq.), performed by the agency primarily responsible for administering part I or by the Corporation established under title IV of chapter 2 of part I with respect to loan activities which it carries out under the provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended.

(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 [personnel] 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] and related civilian 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. 644. Definitions.—As used in this Act—

(a) "Agency of the United States Government" includes any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment of the United States Government.

(b) "Armed Forces" of the United States means the Army, Navy, Air Force, Marine Corps, and Coast Guard.

(c) "Commodity" includes any material, articles, supply, goods, or equipment used for the purposes of furnishing nonmilitary assistance.

(d) "Defense article" includes—

(1) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war;

(2) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance;

(3) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this subsection; or

(4) any component or part of any article listed in this subsection; but

shall not include merchant vessels or, as defined by the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011), source material, byproduct

material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data.

(e) "Defense information" includes any document, writing, sketch, photograph, plan, model, specification, design, prototype, or other recorded or oral information relating to any defense article or defense service, but shall not include Restricted Data as defined by the Atomic Energy Act of 1954, as amended, and data removed from the Restricted Data category under section 142d of that Act.

[(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 aid, orientation, training exercise, and military advice to foreign military units and forces.]

(f) "Defense service" includes any service, test, inspection, repair, publication, or technical or other assistance or defense information used for the purposes of furnishing military assistance, but does not include military educational and training activities under chapter 5 of part II.

* * * * *

(n) "Military education and 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, and military advice to foreign military units and forces.

* * * * *

Sec. 657. Annual Foreign Assistance and Military Exports Report.—(a) In order that the Congress and the American people may be better and more currently informed regarding the volume and cost of assistance extended by the United States Government to foreign countries and international organizations, and in order that the Congress and the American people may be better informed regarding the sale of arms to foreign countries and international organizations by private industry of the United States, not later than December 31 of each year the President shall transmit to the Congress an annual report, for the fiscal year in which the report is transmitted, showing—

[(1) the aggregate dollar value of all foreign assistance provided by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance by category provided by the United States Government to each such country and organization, during that fiscal year;]

(1) the aggregate dollar value of all foreign assistance (including military education and training), foreign military sales, sales



credits, and guaranties provided or made by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance sales, sales credits, and guaranties, by category, provided or made by the United States Government to or for each such country or organization during that fiscal year;

(2) the total amounts of foreign currency paid by each foreign country or international organization to the United States Government in such fiscal year, what each payment was made for, whether any portion of such payment was returned by the United States Government to the country or organization from which the payment was obtained or whether any such portion was transferred by the United States Government to another foreign country or international organization, and, if so returned or transferred, the kind of assistance obtained by that country or organization with those foreign currencies and the dollar value of such kind of assistance;

[(3) the aggregate dollar value of all weapons, weapons systems, munitions, aircraft, military boats, military vessels, and other implements of war, and the aggregate dollar value of each category of such implements of war, exported under any export license, to all foreign countries and international organizations and to each such country and organization, during that fiscal year.

(3) the aggregate dollar value and quantity of defense articles and defense services, and of military education and training, exported to each foreign country and international organization, by category, specifying whether the export was made by grant under chapter 2 or chapter 5 of part II of this Act, by sale under chapter 2 of the Arms Export Control Act by commercial sale licensed under chapter 3 of that Act, or by other authority; and

[(4) all exports of significant defense articles on the United States Munitions List to any foreign government, international organization, or other foreign recipient or purchaser, by the United States under this Act or any other authority, or by any individual corporation, partnership, or other association doing business in the United States, including but not limited to, full information as to the particular defense articles so exported, the particular recipient or purchaser, the terms of the export, including the selling price, if any, and such other information as may be appropriate to enable the Congress to evaluate the distribution of United States defense articles abroad; and

[(5)](4) such other matters relating to foreign assistance provided by the United States Government as the President considers appropriate, including explanations of the information required under clauses (1) through [(4)] (3) of this subsection.

(b) All information contained in any report transmitted under this section shall be public information. However, in the case of any item of information to be included in any such report that the President, on an extraordinary basis, determines is clearly detrimental to the security of the United States, he shall explain in a supplemental report why publication of each specific item would be detrimental to the security

of the United States. A supplemental report shall be transmitted to the Congress at the same time that the report is transmitted.

(c) If the Congress is not in session at the time a report or supplemental report is transmitted to the Congress, the Secretary of the Senate and the Clerk of the House of Representatives shall accept the report or supplemental report on behalf of their respective Houses of Congress and present the report or supplemental report to the two Houses immediately upon their convening.

* * * * *

SEC. 608. REPORT ON KOREA.—Within ninety days after the enactment of this section, and at least once during each of the next five years, the President shall transmit to the Speaker of the House of Representatives and to the Committees on Foreign Relations and Armed Services of the Senate a report which (1) reviews the progress made under the announced program of the Republic of Korea to modernize its armed forces so as to achieve military self-sufficiency by 1980, (2) reports on the role of the United States in mutual security efforts in the Republic of Korea, and (3) reports on the prospects for or implementation of phased reduction of United States Armed Forces assigned to duty in the Republic of Korea, in coordination with the timetable of the Republic of Korea for military self-sufficiency.

SEC. 669. NUCLEAR TRANSFERS.—No funds authorized or appropriated under this Act, the Arms Export Control Act, or any other Act (other than title II of the Agricultural Trade Development and Assistance Act of 1954 for disasters, famine, or other urgent or extraordinary relief requirements) may be used for the purpose of—

- (1) providing economic assistance;
- (2) providing military or security supporting assistance or grant military education and training; or
- (3) extending military credits or making guarantees;
 - to any country which
 - (A) delivers nuclear reprocessing or enrichment equipment, materials, or technology to any other country; or
 - (B) receive such equipment, materials, or technology from any other country;
 - unless before such delivery—
 - (i) the supplying country and receiving country have reached agreement to place all such equipment, materials, and technology, upon delivery, under multilateral auspices and management when available; and
 - (ii) the recipient country has entered into an agreement with the International Atomic Energy Agency to place all such equipment, materials, technology, and all nuclear fuel and facilities in such country under the safeguards system of such Agency.

[PART V—Indochina Postwar Reconstruction]

[Sec. 801. 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 of police, or prison construction and administration, within South Vietnam.]

[Sec. 802. 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 1974 not to exceed \$504,000,000, which amount is authorized to remain available until expended.]

[Sec. 803. 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, orphanages, hotels, 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 are orphaned or abandoned, or whose parents or sole surviving parent, as the case may be, has irrevocably relinquished all parental rights, particularly children fathered by United States citizens.

(b) The President is, therefore, authorized to provide assistance, on terms and conditions he considers appropriate, for the purposes described in clauses (1) and (2) of subsection (a) of this section. Of the funds appropriated pursuant to section 802 for fiscal year 1974, \$5,000,000, or its equivalent in local currency, shall be available until expended solely to carry out this section. Not more than 10 per centum of the funds made available to carry out this section may be expended for the purposes referred to in clause (2) of subsection (a). Assistance provided under this section shall be furnished, to the maximum extent practicable, under the auspices of and by international agencies or private voluntary agencies.]

[Sec. 804. Center for Plastic and Reconstructive Surgery in Saigon.]—Of the funds appropriated pursuant to section 802 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 Saigon.]

[Sec. 805. Authority.]—All references to part I whether heretofore or hereafter enacted, shall be deemed to be references also to this part unless otherwise specifically provided. The authorities available to administer part I of this Act shall be available to administer programs authorized in this Part.]

[Sec. 806. Population, Narcotics, International Humanitarian and Regional Programs.]—The provisions of sections (36c), 38, 39, and 40 of the Foreign Assistance Act of 1974 shall not apply to: (1) funds obligated for purposes of title X of chapter 2 of part I (programs relating to population growth); (2) funds made available under section 482 (programs relating to narcotics control); (3) funds

made available for humanitarian assistance through international organizations; or (4) funds obligated for regional programs.]

* * * * *

PART VI—Assistance to the Middle East

Sec. 901. Statement of Policy.—The Congress recognizes that a peaceful and lasting resolution of the divisive issues that have contributed to tension and conflict between nations in the Middle East is essential to the security of the United States and the cause of world peace. The Congress declares and finds that the United States can and should play a constructive role in securing a just and durable peace in the Middle East by facilitating increased understanding between the Arab nations and Israel, and by assisting the nations in the area in their efforts to achieve economic progress and political stability, which are the essential foundations for a just and durable peace. It is the sense of Congress that United States assistance programs in the Middle East should be designated to promote mutual respect and security among the nations in the area and to foster a climate conducive to increase economic development, thereby contributing to a community of free, secure, and prospering nations in the Middle East.

It is further the sense of Congress that none of the funds authorized by this Act should be provided to any nation which denies its citizens the right or opportunity to emigrate.

It is the sense of Congress that the United States will continue to determine Middle East Policy as circumstances may require and that the authority contained in the joint resolution entitled 'Joint resolution to implement the United States proposal for the early-warning system in Sinai', approved October 13, 1975 (Public Law 94-110), and the authorizations contained in the amendments made by the International Security Assistance and Arms Export Control Act of 1976 do not, and shall not in any way be construed to, constitute congressional approval, acceptance, or endorsement (1) of any oral or written commitment, understanding, assurance, promise, or agreement, whether expressed or implied, or any other expression, oral or written (other than the 'United States Proposal for the Early Warning System in Sinai'), made by any official of the United States which Israel, Egypt, or any other nation or organization might construe or interpret as a basis on which it could rely or act, or (2) of any characterization of any such commitment, understanding, assurance, promise, or agreement, or other expression, as constituting a 'codification' of existing, congressionally approved United States policy.

Sec. 902. Allocations.—(a) Of the funds appropriated to carry out chapter 2 of part II of this Act during the fiscal year 1975, not to exceed \$100,000,000 may be made available for military assistance in the Middle East.

(b) Of the funds appropriated to carry out chapter 4 of part II of this Act during the fiscal year 1975, not to exceed \$652,000,000 may be made available for security supporting assistance in the Middle East.

(c) Of the aggregate ceiling on credits and guaranties established

by section 31(b) of the Foreign Military Sales Act during the fiscal year 1975, not to exceed \$330,000,000 shall be available for countries in the Middle East.

Sec. 903. (a) Special Requirement Fund.—There are authorized to be appropriated to the President [for the fiscal year 1975 not to exceed \$100,000,000] for the fiscal year 1976 not to exceed \$50,000,000 and for the fiscal year 1977 not to exceed \$35,000,000 to furnish assistance under part I of this Act to meet special requirements arising from time to time in carrying out the purposes of this part, in addition to funds otherwise available for such purposes. The funds authorized to be appropriated by this section shall be available for use by the President for assistance authorized by such part in accordance with the provisions applicable to the furnishing of such assistance. Such funds are authorized to remain available until expended.

(b) The President may only obligate or expend, for each foreign country or international organizations, funds authorized under this section—

(1) after he reports to the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate concerning (A) the name of such foreign country or international organizations, (B) the amount of such funds to be made available to such country or organization, and (C) the purpose for which such funds are to be made available to such country or organization; and

(2) unless the Congress, within thirty calendar days after receiving any report under paragraph (1), adopts a concurrent resolution stating in substance that it does not favor the provisions of the report provided by clauses (A), (B), and (C) of paragraph (1).

[(c) Of the amount authorized under subsection (a), not less than \$6,000,000 shall constitute a contribution by the United States toward the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East, if the President determines that a reasonable number of other countries will contribute a fair share toward the settlement of such deficit within a reasonable period of time after the date of enactment of the Foreign Assistance Act of 1974. In determining such fair share, the President shall take into consideration the economic position of each such country. Such \$6,000,000 shall be in addition to any other contribution to such Agency by the United States pursuant to any other provision of law.]

(c) Funds appropriated under subsection (a) shall be available to assist the Governments of Egypt and Israel in carrying out activities under the Agreement of October 10, 1975, and to pay the costs of implementing the United States Proposal for the Early Warning System in Sinai. Such funds may be obligated without regard to the provisions of subsection (b) of this section, to the extent that the proposed obligation has been justified to the Congress prior to the enactment of this subsection.

(d) Of the amount authorized to be appropriated in subsection (a) for the fiscal year 1976, not less than \$12,000,000 shall constitute a contribution by the United States toward the settlement of the deficit

of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East, if the President determines that a reasonable number of other countries will contribute a fair share toward the settlement of such deficit within a reasonable period of time after the date of enactment of the International Security Assistance and Arms Export Control Act of 1976. In determining such fair share, the President shall take into consideration the economic position of each such country. Such \$12,000,000 shall be in addition to any other contribution to such Agency by the United States pursuant to any other provision of law.

(e) Funds made available under this section may be obligated without regard to the provisions of subsection (b) of this section for programs contained in the presentation materials submitted to Congress for the fiscal year 1977.

* * * * *

[The Foreign Military Sales Act, as amended]

Arms Export Control Act

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 Military Sales Act] The Arms Export Control Act."

Chapter 1—Foreign and National Security Policy Objectives and Restraints

Sec. 1. The Need for International Defense Cooperation and Military Export Controls.—As declared by the Congress in the Arms Control and Disarmament Act, an ultimate goal of the United States continues to be a world which is free from the scourge of war and the dangers and burdens of armaments; in which the use of force has been subordinated to the rule of law; and in which international adjustments to a changing world are achieved peacefully. In furtherance of that goal, it remains the policy of the United States to encourage regional arms control and disarmament agreements and to discourage arms races.

The Congress recognizes, however, that the United States and other free and independent countries continue to have valid requirements for effective and mutually beneficial defense relationships in order to maintain and foster the environment of international peace and security essential to social, economic, and political progress. Because of the growing cost and complexity of defense equipment, it is increasingly difficult and uneconomic for any country, particularly a developing country, to fill all of its legitimate defense requirements from its own design and production base. The need for international defense cooperation among the United States and those friendly countries to which it is allied by mutual defense treaties is especially important, since the effectiveness of their armed forces to act in concert to deter or defeat aggression is directly related to the operational compatibility of their defense equipment.



Accordingly, it remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistics of mutual concern. To this end, this Act authorizes sales by the United States Government to friendly countries having sufficient wealth to maintain and equip their own military forces at adequate strength, or to assume progressively larger shares of the costs thereof, without undue burden to their economies, in accordance with the restraints and control measures specified herein and in furtherance of the security objectives of the United States and of the purposes and principles of the United Nations Charter.

It is the sense of the Congress that all such sales be approved only when they are consistent with the foreign policy interests of the United States, the purposes of the foreign assistance program of the United States as embodied in the Foreign Assistance Act of 1961, as amended,² the extent and character of the military requirement, and the economic and financial capability of the recipient country, with particular regard being given, where appropriate, to proper balance among such sales, grant military assistance, and economic assistance as well as to the impact of the sales on programs of social and economic development and on existing or incipient arms races.

It is further the sense of Congress that sales and guaranties under sections 21, 22, 23, and 24, shall not be approved where they would have the effect of arming military dictators who are denying the growth of fundamental rights or social progress to their own people: *Provided*, That the President may waive this limitation when he determines it would be important to the security of the United States, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations in the Senate.

[In order to reduce the role of the United States Government in the furnishing of defense articles and defense services to foreign countries and international organizations, and return such transactions to commercial channels, the United States Government shall reduce its sales, credit sales, and guaranties of such articles, and defense services as soon as, and to the maximum extent, practicable.]

It shall be the policy of the United States to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war and to lessen the danger of outbreak of regional conflict and the burdens of armaments. United States programs for or procedures governing the export, sale, and grant of arms and munitions to foreign countries and international organizations shall be administered in a manner which will carry out this policy.

It is the sense of the Congress that the President should seek to initiate multilateral discussions for the purpose of reaching agreements among the principal arms suppliers and arms purchasers and other countries with respect to the control of the international trade in armaments. It is further the sense of Congress that the President should work actively with all nations to check and control the international sale and distribution of conventional weapons of death and

destruction and to encourage regional arms control arrangements. In furtherance of this policy, the President shall undertake a concerted effort to convene an international conference of major arms-supplying and arms-purchasing nations which shall consider measures to limit conventional arms transfers in the interest of international peace and stability.

* * * * *

Sec. 2. Coordination With Foreign Policy.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) Under the direction of the President, the Secretary of State, taking into account other United States activities abroad, such as military assistance, economic assistance, and food for freedom, shall be responsible for the continuous supervision and general direction of sales and exports under this Act, including, but not limited to, determining whether there shall be a sale to a country and the amount thereof, and whether there shall be delivery or other performance by the United States under such sale or export, to the end that sales and exports are integrated with other United States activities and the foreign policy of the United States is best served thereby.

(c) 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 sales are coordinated with political and economic considerations, and his comments shall accompany such recommendations if he so desires.

* * * * *

Note: Effective July 1, 1976 Sections 3 and 4 of the Foreign Military Sales Act are amended as follows:

Sec. 3. Eligibility.—(a) No defense article or defense service shall be sold by the United States Government under this Act to any country or international organization, and no license issued under section 38 of this Act to or for the armed forces of such country or international organization shall be effective, unless—

(1) the President finds that the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title to, or possession of, any defense article or related training or other defense service so furnished to it to anyone not an officer, employee, or agent of that country or international organization and not to use or permit the use of such article or related training or other defense service for purposes other than those for which furnished unless the consent of the President has first been obtained;

(3) the country or international organization shall have agreed that it will maintain the security of such article and will provide

substantially the same degree of security protection afforded to such article by the United States Government; and

(4) the country or international organization is otherwise eligible to purchase defense articles or defense services.

In considering a request for approval of any transfer of any weapon, weapons system, munitions, aircraft, military boat, military vessel, or other implement of war to another country, the President shall not give his consent under paragraph (2) to the transfer unless the United States itself would transfer the defense article under consideration to that country, and prior to the date he intends to give his consent to the transfer, the President notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended consent, the justification for giving such consent, the defense article for which he intends to give his consent to be so transferred, and the foreign country to which that defense article is to be transferred. In addition, the President shall not give his consent under paragraph (2) to the transfer of any significant defense articles on the United States Munitions List unless the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President. The President shall promptly submit a report to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate on the implementation of each agreement entered into pursuant to clause (2) of this subsection.

(b) No sales, credits, or guaranties shall be made or extended under this Act to any country, *and no license issued under section 38 of this Act for export to any country or international organization shall be effective*, during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country. The President may waive the provisions of this subsection when he determines it to be important to the security of the United States or he receives reasonable assurances from the country involved that future violations will not occur, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. The provisions of this subsection shall not be applicable in any case governed by any international agreement to which the United States is a party.

* * * * *

Sec. 4. Purposes for Which Military Sales by the United States Are Authorized.—Defense articles and defense services shall be sold by the United States Government under this Act to friendly countries, *and licenses shall be issued under section 38 of this Act for export to or for the armed forces of such countries*, solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient

country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort: *Provided*, That none of the funds contained in this authorization shall be used to guarantee, or extend credit, or participate in an extension of credit in connection with any sale of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, to any underdeveloped country other than Greece, Turkey, Iran, Israel, the Republic of China, the Philippines and Korea unless the President determines that such financing is important to the national security of the United States and reports within thirty days each such determination to the Congress.

Note: End of changes to be effective July 1, 1976.

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Sec. 3. Eligibility.—(a) No defense article or defense service shall be sold by the United States Government under this Act to any country or international organization unless—

(1) the President finds that the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title to, or possession of, any defense article so furnished to it to anyone not an officer, employee, or agent of that country or international organization and not to use or permit the use of such article for purposes other than those for which furnished unless the consent of the President has first been obtained;

(3) the country or international organization shall have agreed that it will maintain the security of such article and will provide substantially the same degree of security protection afforded to such article by the United States Government; and

(4) the country or international organization is otherwise eligible to purchase defense articles or defense services.

In considering a request for approval of any transfer of any weapon, weapons system, munitions, aircraft, military boat, military vessel, or other implement of war to another country, the President shall not give his consent under paragraph (2) to the transfer unless the United States itself would transfer the defense article under consideration to that country, and prior to the date he intends to give his consent to the transfer, the President notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the

Senate in writing of each such intended consent, the justification for giving such consent, the defense article for which he intends to give his consent to be so transferred, and the foreign country to which that defense article is to be transferred. In addition, the President shall not give his consent under paragraph (2) to the transfer of any significant defense articles on the United States Munitions List unless the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President. The President shall promptly submit a report to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate on the implementation of each agreement entered into pursuant to clause (2) of this subsection.

(b) No sales, credits, or guaranties shall be made or extended under this Act to any country during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country. The President may waive the provisions of this subsection when he determines it to be important to the security of the United States or he receives reasonable assurances from the country involved that future violations will not occur, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. The provisions of this subsection shall not be applicable in any case governed by any international agreement to which the United States is a party.

[(c) Except as otherwise provided in subsection (d), any foreign country which hereafter uses defense articles or defense services furnished such country under this Act, in substantial violation of any provision of this Act or any agreement entered into under this Act, shall be immediately ineligible for further cash sales, credits, or guaranties.]

(e) (1) (A) *No credits (including participations in credits) may be issued and no guaranties may be extended for any foreign country under this Act as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, or any predecessor Act, in substantial violation (either in terms of quantities or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act (i) by using such articles or services for a purpose not authorized under section 4 or, if such agreement provides that such articles or services may only be used for purposes more limited than those authorized under section 4, for a purpose not authorized under such agreement; (ii) by transferring such articles or services to, or permitting any use of such articles or services by, anyone not an officer, employee, or agent of the recipient country without the consent of the President; or (iii) by failing to maintain the security of such articles or services.*

(B) *No cash sales or deliveries pursuant to previous sales may be made with respect to any foreign country under this Act as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, or any predecessor Act, in substantial*

violation (either in terms of quantity or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act by using such articles or services for a purpose not authorized under section 4 or, if such agreement provides that such articles or services may only be used for purposes more limited than those authorized under section 4, for a purpose not authorized under such agreement.

(2) *The President shall report to the Congress promptly upon the receipt of information that a violation described in paragraph (1) of this subsection may have occurred.*

(3) (A) *A country shall be deemed to be ineligible under subparagraph (A) of paragraph (1) of this subsection, or both subparagraphs (A) and (B) of such paragraph in the case of a violation described in both such paragraphs, if the President so determines and so reports in writing to the Congress, or if the Congress so determines by joint resolution.*

(B) *Notwithstanding a determination by the President of ineligibility under subparagraph (B) of paragraph (1) of this subsection, cash sales and deliveries pursuant to previous sales may be made if the President certifies in writing to the Congress that a termination thereof would have significant adverse impact on United States security, unless the Congress adopts or has adopted a joint resolution pursuant to subparagraph (A) of this paragraph with respect to such ineligibility.*

(4) *A country shall remain ineligible in accordance with paragraph (1) of this subsection until such time as—*

(A) *the President determines that the violation has ceased; and*

(B) *the country concerned has given assurances satisfactory to the President that such violation will not recur.*

[(d) A country shall remain ineligible in accordance with subsection (c) of this section until such time as the President determines that such violation has ceased, that the country concerned has given assurances satisfactory to the President that such violation will not recur, and that, if such violation involved the transfer of sophisticated weapons without the consent of the President, such weapons have been returned to the country concerned.]

(d) *The President may not give his consent under paragraph (2) of subsection (a) or under the third sentence of such subsection to a transfer of a defense article, or related training or other defense service, sold under this Act and may not give his consent to such a transfer under section 505(a)(1) or 505(a)(4) of the Foreign Assistance Act of 1961 unless the President submits to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate, thirty days prior to giving such consent, a written certification with respect to such proposed transfer containing—*

(1) *the name of the country or international organization proposing to make such transfer;*

(2) *a description of the defense article or related training or other defense service proposed to be transferred, including the*

original acquisition cost of such defense article or related training or other defense service;

(3) the name of the proposed recipient of such defense article or related training or other defense service;

(4) the reasons for such proposed transfer; and

(5) the date on which such transfer is proposed to be made.

(e) If the President receives any information that a transfer of any defense article, or related training or other defense service, has been made without his consent as required under this section or under section 505 of the Foreign Assistance Act of 1961, he shall report such information immediately to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

Sec. 4. Purposes for Which Military Sales by the United States Are Authorized.—Defense articles and defense services shall be sold by the United States Government under this Act to friendly countries solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civil action activities and that such civil action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort: *Provided*, That none of the funds contained in this authorization shall be used to guarantee, or extend credit, or participate in an extension of credit in connection with any sale of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, to any underdeveloped country other than Greece, Turkey, Iran, Israel, the Republic of China, the Philippines and Korea unless the President determines that such financing is important to the national security of the United States and reports within thirty days each such determination to the Congress. *The President shall, to the maximum extent possible and consistent with the purposes of this Act, use civilian contract personnel in any foreign country to perform defense services sold under this Act.*

SEC. 5. PROHIBITION AGAINST DISCRIMINATION.—*(a) It is the policy of the United States that no sales should be made, and no credits (including participations in credits) or guaranties extended to or for any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States persons (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this Act on the basis of race, religion, national origin, or sex.*

(b) (1) No agency performing functions under this Act shall, in employing or assigning personnel to participate in the performance of

any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(2) Each contract entered into by any such agency for the performance of any function under this Act shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

(c) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any instance in which any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the performance of any sale or licensed transaction under this Act. Such reports shall include (1) a description of the facts and circumstances of any such discrimination, (2) the response thereto on the part of the United States or any agency or employee thereof, and (3) the result of such response, if any.

(d) (1) Upon—

(A) the receipt of reliable information that discrimination by a foreign government reported pursuant to subsection (c) of this subsection continues so that such person would be prevented from participating in the performance of any sale or licensed transaction, under the provisions of this Act on account of the race, religion, national origin, or sex of such person (or, in the case of a partnership, corporation, association, or other entity, any officer, employee, agent, director, or owner thereof); or

(B) the request of the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives;

the President shall immediately transmit to such committees a report recommending such action as he deems appropriate.

(2) In the event a report is requested pursuant to subparagraph (B) of this paragraph (1) but is not transmitted in accordance therewith within sixty days after receipt of such request, then the President shall immediately cancel such sale or suspend such license, as the case may be.

(3) (A) In the event a report is transmitted pursuant to paragraph (1) of this subsection, the Congress may at any time thereafter by joint resolution cancel such sale, suspend such license, or take any other action with respect to such sale or licensed transaction that it deems appropriate.

(B) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(C) The term "certification", as used in section 601 of such Act, means, for the purposes of this paragraph, a report transmitted under paragraph (1) of this subsection.

Chapter 2—Foreign Military Sales Authorizations

[Sec. 21. Cash Sales From Stock.—The President may sell defense articles from the stocks of the Department of Defense and defense services of the Department of Defense to any friendly country or international organization if such country or international organization agrees to pay not less than the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed one hundred and twenty days after the delivery of the defense articles or the rendering of the defense services.]

SEC. 21. SALES FROM STOCKS.—(a) The President may sell defense articles and defense services from the stocks of the Department of Defense to any eligible country or international organization if such country or international organization agrees to pay in United States dollars—

(1) in the case of a defense article not intended to be replaced at the time such agreement is entered into, not less than the actual value thereof;

(2) in the case of a defense article intended to be replaced at the time such agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or

(3) in the case of the sale of a defense service, the full cost to the United States Government of furnishing such service.

(b) Except as provided by subsection (d) of this subsection, payment shall be made in advance or, if the President determines it to be in the national interest, upon delivery of the defense article or rendering of the defense service.

(c) Personnel performing defense services sold under this Act may not perform any duties of a combatant nature, including any duties related to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of those defense services.

(d) If the President determines it to be in the national interest pursuant to subsection (b) of this section, billings for sales made under letters of offer issued under this section after the enactment of this subsection may be dated and issued upon delivery of the defense article or rendering of the defense service and shall be due and payable upon receipt thereof by the purchasing country or international organization. Interest shall be charged on any net amount due and payable which is not paid within sixty days after the date of such billing. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the billing and

shall be computed from the date of billing. The President may extend such sixty-day period to one hundred and twenty days if he determines that emergency requirements of the purchaser for acquisition of such defense articles or defense services exceed the ready availability to the purchaser of funds sufficient to pay the United States in full for them within such sixty-day period and submits that determination to the Congress together with a special emergency request for the authorization and appropriation of additional funds to finance such purchases under this Act.

(e) (1) After September 30, 1976, letters of offer for the sale of defense articles or for the sale of defense services that are issued pursuant to this section or pursuant to section 22 of this Act shall include appropriate charges for—

(A) administrative services, calculated on an average percentage basis to recover the full estimated costs of administration of sales made under this Act to all purchasers of such articles and services;

(B) any use of plant and production equipment in connection with such defense articles; and

(C) a proportionate amount of any nonrecurring costs of research, development, and production of major defense equipment.

(2) The President may reduce or waive the charge or charges which would otherwise be considered appropriate under subparagraphs (1) (B) and (1) (C) for particular sales that would, if made, significantly advance United States Government interests in North Atlantic Treaty Organization standardization, or foreign procurement in the United States under coproduction arrangements.

(f) Any contracts entered into between the United States and a foreign country under the authority of this section or section 22 of this Act shall be prepared in a manner which will permit them to be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

(g) In carrying out section 814 of the Act of October 7, 1975 (Public Law 94-106), the President may enter into North Atlantic Treaty Organization standardization agreements for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each such agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate.

(h) (1) Sales of defense articles and defense services which could have significant adverse effect on the combat readiness of the Armed Forces of the United States shall be kept to an absolute minimum. The President shall transmit to the Speaker of the House of Representatives and the Committees on Armed Services and Foreign Relations of the Senate on the same day a written statement giving a complete ex-



planation with respect to any proposal to sell, under this section, any defense articles or defense services if such sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States. Each such statement shall be unclassified except to the extent that public disclosure of any item of information contained therein would be clearly detrimental to the security of the United States. Any necessarily classified information shall be confined to a supplemental report. Each such statement shall include an explanation relating to only one such proposal to sell and shall set forth—

(A) the country or international organization to which the sale is proposed to be made;

(B) the amount of the proposed sale;

(C) a description of the defense article or service proposed to be sold;

(D) a full description of the impact which the proposed sale will have on the Armed Forces of the United States; and

(E) a justification for such proposed sale, including a certification that such sale is important to the security of the United States.

A certification described in subparagraph (E) shall take effect on the date on which such certification is transmitted and shall remain in effect for not to exceed one year.

(2) No delivery may be made under any sale which is required to be reported under paragraph (1) of this subsection unless the certification required to be transmitted by paragraph (E) of paragraph (1) is in effect.

Sec. 22. Procurement for Cash Sales.—(a) Except as otherwise provided in this section, the President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale for United States dollars to any foreign country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due. Interest shall be charged on any net amount by which any such country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings, considered collectively. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

[(b) The President may, when he determines it to be in the national interest, accept a dependable undertaking of a foreign country or international organization with respect to any such sale, to make full payment within 120 days after delivery of the defense

articles or the rendering of the defense services.] The President may, if he determines it to be in the national interest, issue letters of offer under this section which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within one hundred and twenty days after the date of billing. This authority may be exercised, however, only if the President also determines that the emergency requirements of the purchaser for acquisition of such defense articles and services exceed the ready availability to the purchaser of funds sufficient to make payments on a dependable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under this Act. Appropriations available to the Department of Defense may be used to meet the payments required by the contracts for the procurement of defense articles and defense services and shall be reimbursed by the amounts subsequently received from the country or international organization to whom articles or services are sold.

Sec. 23. Credit Sales.—The President is authorized to finance procurements of defense articles and defense services by friendly foreign countries and international organizations on terms requiring the payment to the United States Government in United States dollars of—

(1) the value of such articles or services within a period not to exceed [ten years] *twelve years* after the delivery of such articles or the rendering of such services; and

(2) interest on the unpaid balance of that obligation for payment of the value of such articles or services, at a rate equivalent to the current average interest rate, as of the last day of the month preceding the financing of such procurement, that the United States Government pays on outstanding marketable obligations of comparable maturity, unless the President certifies to Congress that the national interest requires a lesser rate of interest and states in the certification the lesser rate so required and the justification therefor.

Sec. 24. Guaranties.—(a) The President may guarantee any individual, corporation, partnership, or other juridical entity doing business in the United States (excluding United States Government agencies other than the Federal Financing Bank) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense services to friendly countries and international organizations. Fees shall be charged for such guaranties.

(b) The President may sell to any individual, corporation, partnership, or other juridical entity (excluding United States Government agencies other than the Federal Financing Bank) promissory notes issued by friendly countries and international organizations as evidence of their obligations to make repayments to the United States on account of credit sales financed under section 23, and may guarantee payment thereof.

(c) Funds made available to carry out this Act shall be obligated in an amount equal to 10 per centum of the principal amount of²¹ contractual liability related to any guaranty issued under this section, and all the funds so obligated shall constitute a single reserve for the

payment of claims under such guaranties. Any funds so obligated which are deobligated from time to time during any current fiscal year as being in excess of the amount necessary to maintain a fractional reserve of 10 per centum of the principal amount of contractual liability under outstanding guaranties shall be transferred to the general fund of the Treasury. Any guaranties issued hereunder shall be backed by the full faith and credit of the United States.

SEC. 25 ANNUAL ESTIMATE AND JUSTIFICATION FOR SALES PROGRAM.—

(a) *The President shall transmit to the Congress, as a part of the presentation materials for security assistance programs proposed for each fiscal year, a report which sets forth—*

(1) *an estimate of the amount of sales expected to be made to each country under sections 21 and 22 of this Act, including a detailed explanation of the foreign policy and United States national security considerations involved in expected sales to each country;*

(2) *an estimate of the amount of credits and guaranties expected to be extended to each country under sections 23 and 24 of this Act;*

(3) *a list of all findings which are in effect on the date of such transmission made by the President pursuant to section 3(a) (1) of this Act, together with a full and complete justification for each such finding, explaining how sales to each country with respect to which such finding has been made will strengthen the security of the United States and promote world peace; and*

(4) *an arms control impact statement for each purchasing country, including (A) an analysis of the relationship between expected sales to each country and arms control efforts relating to that country, and (B) the impact of such expected sales on the stability of the region that includes the purchasing country.*

(b) *Not later than thirty days following the receipt of a request made by the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives for additional information with respect to any estimate submitted pursuant to subsection (a), the President shall submit such information to such committee.*

(c) *The President shall make every effort to submit all of the information required by this section wholly in unclassified form. In the event the President submits any such information in classified form, he shall submit such classified information in an addendum and shall also submit simultaneously a detailed summary, in unclassified form, of such classified information.*

* * * * *

Foreign Assistance Act of 1961, as amended

Sec. 634. Reports and Information.

(d) When requests are presented to the Congress for appropriations for fiscal year 1969 to carry out programs under this Act, the programs to be carried out with the funds appropriated for that fiscal year shall

also be presented to the Committee on Foreign Relations of the Senate, if requested by the chairman of that committee, and to the Committee on Foreign Affairs of the House of Representatives, if requested by the chairman of that committee. At the end of each fiscal year, the President shall notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of all actions taken during the fiscal year under this Act which resulted in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act or any Act appropriating funds pursuant to authorizations contained in this Act, or which resulted in obligations or reservations greater by 50 per centum or more than the proposed obligations or reservations included in such presentation for the program concerned, and in his notification the President shall state the justification for such changes. There shall also be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, a comparison of the current fiscal year programs and activities with those presented to the Congress in the previous year and an explanation of any substantial changes. Any such presentation material shall also include (1) a chart showing on a country-by-country basis the full extent of all United States assistance planned or expected for each such country for the next fiscal year, including economic assistance, military grants (and including for any such grant of any excess defense article, the value of such article expressed in terms of its acquisition cost to the United States, [and military sales under this or any other Act] and sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, (2) details of proposed contributions by the United States to multilateral financial agencies, for the next fiscal year, and (3) a statement of projects, on a country-by-country basis for which financing was supplied during the last fiscal year through the Export-Import Bank. In addition, the President shall promptly notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of any determination under section 303, 610(b), or 614(b) and of any findings, including his reasons therefor, under section 503 or 521(c).

Chapter 3—Military Export Controls

Sec. 31. Authorization and Aggregate Ceiling on Foreign Military Sales Credits.—(a) There is hereby authorized to be appropriated to the President to carry out this Act [not to exceed \$405,000,000 for the fiscal year 1975] not to exceed \$1,039,000,000 for the fiscal year 1976 and not to exceed \$680,000,000 for the fiscal year 1977. Unobligated balances of funds made available pursuant to this section are hereby authorized to be continued available by appropriations legislation to carry out this Act.

[(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act and of the principal amount of loans guaranteed pursuant to section 24(a) shall not exceed \$872,500,000 for

the fiscal year 1975 of which amount not less than \$300,000,000 shall be available to Israel only. Of the funds made available under subsection (a) of this section, \$100,000,000 shall first be obligated with respect to financing the procurement of defense articles and defense services by Israel under section 23 of this Act, except that Israel shall be released from contractual liability to repay the United States Government for the defense articles and defense services so financed.】

(b) *The aggregate total of credits, or participations in credits, extended pursuant to this Act and of the principal amounts of loans guaranteed pursuant to section 24(a) shall not exceed \$2,374,700,000 for the fiscal year 1976, of which not less than \$1,500,000,000 shall be available only for Israel, and shall not exceed \$1,732,600,000 for the fiscal year 1977 of which not less than \$1,000,000,000 shall be available only for Israel.*

(c) *Funds made available under subsection (a) of this section shall be obligated to finance the procurement of defense articles and defense services by Israel on a long-term repayment basis either by the extension of credits, without regard to the limitations contained in section 23, or by the issuance of guaranties under section 24. Repayment shall be in not less than twenty years, following a grace period of ten years on repayment of principal. Israel shall be released from one-half of its contractual liability to repay the United States Government with respect to defense articles and defense services so financed in each fiscal year.*

(d) *The aggregate acquisition cost to the United States of excess defense articles ordered by the President in any fiscal year after fiscal year 1976 for delivery to foreign countries or international organizations under the authority of chapter 2 of part II of the Foreign Assistance Act of 1961 or pursuant to sales under this Act may not exceed \$100,000,000 (exclusive of ships and their on-board stores and supplies transferred in accordance with law).*

* * * * *

Effective July 1, 1976, the following provisions of Pub. L. 91-672 are repealed:

Foreign Military Sales Act Amendments, 1971, as amended

* * * * *

SEC. 8.【(a) Subject to the provisions of subsection (b), the value of any excess defense article granted to a foreign country or international organization by any department, agency, or independent establishment of the United States Government (other than the Agency for International Development) shall be considered to be an expenditure made from funds appropriated under the Foreign Assistance Act of 1961 for military assistance. Unless such department, agency, or establishment certifies to the Comptroller General of the United States that the excess defense article it is ordering is not to be transferred by any means to a foreign country or international organization, when an order is placed for a defense article whose stock status is excess at the time ordered, a sum equal to the value thereof shall (less amounts to be transferred under section 632(d) of the Foreign Assistance Act of

1961) (1) be reserved and transferred to a suspense account, (2) remain in the suspense account until the excess defense article is either delivered to a foreign country or international organization or the order therefor is cancelled, and (3) be transferred from the suspense account to (A) the general fund of the Treasury upon delivery of such article, or (B) to the military assistance appropriation for the current fiscal year upon cancellation of the order. Such sum shall be transferred to the military assistance appropriation for the current fiscal year upon delivery of such article if at the time of delivery the stock status of the article is determined, in accordance with section 644 (g) and (m) of the Foreign Assistance Act of 1961, to be nonexcess.

【(b) In the case of excess defense articles which are generated abroad, the provisions of subsection (a) shall apply during any fiscal year only to the extent that the aggregate value of excess defense articles ordered during that year exceeds \$100,000,000.

【(c) For purposes of this section, the term "value" has the same meaning as given it in section 644(m) of the Foreign Assistance Act of 1961; except that for any excess defense article such term shall not include a value for any such article which is less than 33⅓ percent of the amount the United States paid for such article when the United States acquired it.】

(d) The President shall promptly and fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each decision to furnish on a grant basis to any country excess defense articles which are major weapons systems to the extent such major weapons system was not included in the presentation material previously submitted to the Congress. Additionally, the President shall also submit a quarterly report to the Congress listing by country the total value of all deliveries of excess defense articles, disclosing both the aggregate original acquisition cost and the aggregate value at the time of delivery.

【(e) Except for excess defense articles granted under part II of the Foreign Assistance Act of 1961, the provisions of this section shall not apply to any excess defense article granted to South Vietnam prior to July 1, 1972.】

End of changes effective July 1, 1976.

* * * * *

Sec. 36. Reports on Commercial and Governmental Military Exports; Payment of Fees and Contributions.—

【(a) The President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate quarterly reports containing—

【(1) a listing of all letters of offer to sell any defense articles or services under this Act, if such offer has not been accepted or canceled;

【(2) a cumulative listing of all such letters of offer to sell that have been accepted during the fiscal year in which such report is submitted;

【(3) the cumulative dollar amounts, by foreign country and international organization, of credit sales under section 23 and guaranty agreements under section 24 made before the submission

of such quarterly report and during the fiscal year in which such report is submitted; and

[(4) projections of the cumulative dollar amounts, by foreign country and international organization, of credit sales under section 23 and guaranty agreements under section 24 to be made in the quarter of the fiscal year immediately following the quarter for which such report is submitted.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify (A) the foreign country or international organization to which the defense article or service is offered, (B) the dollar amount of the offer to sell under paragraph (1) or of the completed sale under paragraph (2), (C) a brief description of the defense article or service offered, (D) the United States armed force which is making the offer to sell, (E) the date of such offer, and (F) the date of any acceptance under paragraph (2).

[(b) In the case of any letter of offer to sell any defense articles or services under this Act for \$25,000,000 or more, before issuing such letter of offer the President shall submit to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate a statement with respect to such offer to sell containing the information specified in subparagraphs (A) through (E) in subsection (a). The letter of offer shall not be issued if the Congress, within twenty calendar days after receiving any such statement, adopts a concurrent resolution stating in effect that it objects to such proposed sale, unless the President in his statement certifies that an emergency exists which requires such sale in the national security interests of the United States.

[(c) Nothing in this section shall be construed as modifying in any way the provisions of section 414 of the Mutual Security Act of 1954, as amended, relating to munitions control.]

SEC. 36. REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS; CONGRESSIONAL ACTION.—(a) The President shall transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate not more than thirty days after the end of each quarter an unclassified report (except that any material which was transmitted in classified form under subsection (b) (1) of this section may be contained in a classified addendum to such report, and any letter of offer referred to in paragraph (1) of this subsection may be listed in such addendum unless such letter of offer has been the subject of an unclassified certification pursuant to subsection (b) (1) of this section) containing—

(1) a listing of all letters of offer to sell any major defense equipment to be sold for \$1,000,000 or more under this Act to each foreign country and international organization, by category, if such letters of offer have not been accepted or canceled;

(2) a listing of all such letters of offer that have been accepted during the fiscal year in which such report is submitted, together with the total value of all defense articles and defense services sold to each foreign country and international organization during such fiscal year;

(3) the cumulative dollar amounts, by foreign country and international organization, of sales credit agreements under sec-

tion 23 and guaranty agreements under section 24 made during the fiscal year in which such report is submitted;

(4) a numbered listing of all licenses and approvals for the export to each foreign country and international organization during such fiscal year of commercially sold major defense equipment, by category, sold for \$1,000,000 or more, together with the total value of all defense articles and defense services so licensed for each foreign country and international organization, setting forth with respect to the listed major defense equipment—

(A) the items to be exported under the license,

(B) the quantity and contract price of each such item to be furnished, and

(C) the name and address of the ultimate user of each such item;

(5) projections of the dollar amounts, by foreign country and international organization, of cash sales expected to be made under sections 21 and 22, credits to be extended under section 23, and guaranty agreements to be made under section 24 in the quarter of the fiscal year immediately following the quarter for which such report is submitted;

(6) a projection with respect to all cash sales expected to be made and credits expected to be extended to each country and organization for the remainder of the fiscal year in which such report is transmitted;

(7) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of sales and commercial exports under the Act;

(8) a description of each payment, contribution, gift, commission or fee reported to the Secretary of State under subsection (e), including (A) the name of the person who made such payment, contribution, gift, commission or fee; (B) the name of any sales agent or other person to whom such payment, contribution, gift, commission or fee was paid; (C) the date and amount of such payment, contribution, gift, commission or fee; (D) a description of the sale in connection with which such payment, contribution, gift, commission or fee was paid; and (E) the identification of any business information considered confidential by the person submitting it which is included in the report; and

(9) an analysis and description of the services being performed by officers and employees of the United States Government under section 21(a) of this Act, including the number of personnel so employed.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify (i) the foreign country or international organization to which the defense article or service is offered or was sold, as the case may be; (ii) the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold, as the case may be; (iii) a description of the defense article or service offered or sold, as the case may be; and (iv) the United States Armed Forces



or other agency of the United States which is making the offer to sell or the sale, as the case may be.

(b) (1) In the case of any letter of offer to sell any defense articles or services under this Act for \$25,000,000 or more, or any major defense equipment for \$7,000,000 or more, before such letter of offer is issued, the President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a numbered certification with respect to such offer to sell containing the information specified in clauses (i) through (iv) of subsection (a) and a description, containing the information specified in paragraph (8) of subsection (a), of any contribution, gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such letter of offer. In addition, the President shall, upon the request of such committee or the Committee on International Relations of the House of Representatives, transmit promptly to both such committees a statement setting forth, to the extent specified in such request—

(A) a detailed description of the defense articles or services to be offered, including a brief description of the capabilities of any defense article to be offered;

(B) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

(C) the name of each contractor expected to provide the defense article or defense service proposed to be sold (if known on the date of transmittal of such report);

(D) an analysis of the arms control impact pertinent to such offer to sell, prepared in consultation with the Secretary of Defense;

(E) the reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles or services which are the subject of such sale and a description of how such country or organization intends to use such defense articles or services;

(F) an analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

(G) the reasons why the proposed sale is in the national interest of the United States;

(H) an analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

(I) an analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles or services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles or services;

(J) an estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and

available to utilize effectively the defense articles or services proposed to be sold;

(K) an analysis of the extent to which comparable kinds and amounts of defense articles or services are available from other countries; and

(L) an analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles or services which are the subject of such sale would be delivered.

A certification transmitted pursuant to this subsection shall be classified, except that information specified in clause (ii) and the details of the description specified in clause (iii) of subsection (a) may be classified if the public disclosure thereof would be clearly detrimental to the security of the United States. The letter of offer shall not be issued if the Congress, within thirty calendar days after receiving such certification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the United States.

(2) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(3) For the purpose of expediting the consideration and adoption of concurrent resolutions under this subsection, a motion to proceed to the consideration of any such resolution after it has been reported by the appropriate committee shall be treated as highly privileged in the House of Representatives.

(c) (1) In the case of an application by a person (other than with regard to a sale under section 21 or section 22 of this Act) for a license for the export of any major defense equipment sold under a contract in the amount of \$7,000,000 or more or of defense articles or defense services sold under a contract in the amount of \$25,000,000 or more, before issuing such license the President shall transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate an unclassified numbered certification with respect to such application specifying (A) the foreign country or international organization to which such export will be made, (B) the dollar amount of the items to be exported, and (C) a description of the items to be exported. In addition, the President shall, upon the request of such committee or the Committee on International Relations of the House of Representatives, transmit promptly to both such committees a statement setting forth, to the extent specified in such request, a description of the capabilities of the items to be exported, an estimate of the total number of United States personnel expected to be needed in the foreign country concerned in connection with the items to be exported and an analysis of the arms control impact pertinent to such application, prepared in consultation with the Secretary of Defense. A certification transmitted pursuant to this subsection shall be unclassified, except that the information specified in subparagraph (B) and the details of the description specified in subparagraph (C) may be classified if the public disclosure

thereof would be clearly detrimental to the security of the United States. No license for the export of any major defense equipment sold for \$7,000,000 or more may be issued if the Congress, within thirty calendar days after receiving the certification with respect to such license, adopts a concurrent resolution stating that it objects to the issuance of such license, unless the President states in his certification that an emergency exists which requires the issuance of such license in the national security interests of the United States.

(2) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

(3) For the purpose of expediting the consideration and adoption of concurrent resolutions under this section, a motion to proceed to the consideration of any such resolution after it has been reported by the appropriate committee shall be treated as highly privileged in the House of Representatives.

(d) In the case of an approval under section 38 of this Act of a United States commercial technical assistance or manufacturing licensing agreement for or in a country not a member of the North Atlantic Treaty Organization which involves the manufacture abroad of any item of significant combat equipment on the United States Munitions List, before such approval is given, the President shall submit a certification with respect to such proposed commercial agreement in a manner similar to the certification required under paragraph (1) of subsection (c) containing comparable information.

(e) (1) In accordance with such regulations as he may prescribe, the Secretary of State shall require adequate and timely reporting on political contributions, gifts, commissions, and fees paid, or offered or agreed to be paid, by any person in connection with—

(A) sales of defense articles or defense services under section 22 of this Act; or

(B) commercial sales of defense articles or defense services licensed or approved under section 38 of this Act;

to or for the armed forces of a foreign country or international organization in order to solicit, promote, or otherwise to secure the conclusion of such sales. Such regulations shall specify the amounts and the kinds of payments, offers, and agreements to be reported, and the form and timing of reports, and shall require reports on the names of sales agents and other persons receiving such payments. The Secretary of State shall by regulation require such recordkeeping as he determines is necessary.

(2) The President may, by regulation, prohibit, limit, or prescribe conditions with respect to such contributions, gifts, commissions, and fees as he determines will be in furtherance of the purposes of this Act.

(3) No such contribution, gift, commission, or fee may be included, in whole or in part, in the amount paid under any procurement contract entered into under section 22 of this Act, unless the amount thereof is reasonable, allocable to such contract, and not made to a person who has solicited, promoted, or otherwise secured such sale, or has held himself out as being able to do so, through improper influence. For the

purposes of this subsection, "improper influence" means influence, direct or indirect, which induces or attempts to induce consideration or action by any employee or officer of a purchasing foreign government or international organization with respect to such purchase on any basis other than such considerations of merit as are involved in comparable United States procurements.

(4) (A) All information reported to the Secretary of State and all records maintained by any person pursuant to regulations prescribed under this subsection shall be available, upon request, to any standing committee of the Congress or any subcommittee thereof and to any agency of the United States Government authorized by law to have access to the books and records of the person required to submit reports or to maintain records under this subsection.

(B) Access by an agency of the United States Government to records maintained under this subsection shall be on the same terms and conditions which govern the access by such agency to the books and records of the person concerned.

SEC. 38. CONTROL OF ARMS EXPORTS AND IMPORTS.—(a) (1) In furtherance of world peace and the security and foreign policy of the United States, the President is authorized to control the import and the export of defense articles and defense services and to provide foreign policy guidance to persons of the United States involved in the export and import of such articles and services. The President is authorized to designate those items which shall be considered as defense articles and defense services for the purposes of this section and to promulgate regulations for the import and export of such articles and services. The items so designated shall constitute the United States Munitions List.

(2) Decisions on issuing export licenses under this section shall be made in coordination with the Director of the United States Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

(b) (1) As prescribed in regulations issued under this section, every person (other than an officer or employee of the United States Government acting in an official capacity) who engages in the business of manufacturing, exporting, or importing any defense articles or defense services designated by the President under subsection (a) (1) shall register with the United States Government agency charged with the administration of this section, and shall pay a registration fee which shall be prescribed by such regulations. Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

(2) Except as otherwise specifically provided in regulations issued subsection (a) (1), no defense articles or defense services designated by the President under subsection (a) (1) may be exported or imported without a license for such export or import, issued in accordance with this Act and regulations issued under this Act, except that no license shall be required for exports or imports made by or for an agency of the United States Government (A) for official use by a department or agency of the United States Government, or (B) for carrying out any foreign assistance or sales program authorized by law and subject to the control of the President by other means.

(3) No license may be issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this Act.

(c) Any person who willfully violates any provision of this section or section 36(f), or any rule or regulation issued under either section, or who willfully, in a registration or license application or required report, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$100,000 or imprisoned not more than two years, or both.

(d) This section applies to and within the Canal Zone.

(e) In carrying out functions under this section with respect to the export of defense articles and defense services, the President is authorized to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by sections 6 (c), (d), (e), and (f) and 7 (a) and (c) of the Export Administration Act of 1969, subject to the same terms and conditions as are applicable to such powers under such Act. Nothing in this subsection shall be construed as authorizing the withholding of information from the Congress.

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Chapter 4—General, Administrative, and Miscellaneous Provisions

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Sec. 42. General Provisions.—(a) In carrying out this Act, special emphasis shall be placed on procurement in the United States, but, subject to the provisions of subsection (b) of this section, consideration shall also be given to coproduction or licensed production outside the United States of defense articles of United States origin when such production best serves the foreign policy, national security, and economy of the United States. In evaluating any sale proposed to be made pursuant to this Act, there shall be taken into consideration (1) the extent to which the proposed sale damages or infringes upon licensing arrangements whereby United States entities have granted licenses for the manufacture of the defense articles selected by the purchasing

country to entities located in friendly foreign countries, which licenses result in financial returns to the United States, (2) the portion of the defense articles so manufactured which is of United States origin, and (3) the extent to which such sale might contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

(b) No credit shall be extended under section 23, and no guarantee shall be issued under section 24, in any case involving coproduction or licensed, production outside the United States of any defense article of United States origin unless the Secretary of State shall, in advance of any such transaction, advise the appropriate committees of the Congress and furnish the Speaker of the House of Representatives and the President of the Senate with full information regarding the proposed transaction, including, but not limited to, a description of the particular defense article or articles which would be produced under license or coproduced outside the United States, the estimated value of such production or coproduction, and the probable impact of the proposed transaction on employment and production within the United States.

(c) Funds made available under this Act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States.

(d) (1) With respect to sales and guaranties under sections 21, 22, 23, and 24, the Secretary of Defense shall, under the direction of the President, have primary responsibility for—

- (A) the determination of military end-item requirements;
- (B) the procurement of military equipment in a manner which permits its integration with service programs;
- (C) the supervision of the training of foreign military personnel;
- (D) the movement and delivery of military end-items; and
- (E) within the Department of Defense, the performance of any other functions with respect to sales and guaranties.

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

(e) (1) Each contract for sale entered into under sections 21 and 22 of this Act shall provide that such contract may be canceled in whole or in part, or its execution suspended by the United States at any time under unusual or compelling circumstances if the national interest so requires.

(2) (A) Each export license issued under section 38 of this Act shall provide that such license may be revoked, suspended or amended by the Secretary of State without prior notice whenever the Secretary deems such action to be advisable.

(B) Nothing in this paragraph may be construed as limiting the regulatory authority of the President under this Act.

(3) There are authorized to be appropriated from time to time such sums as may be necessary (A) to refund moneys received from purchasers under contract of sale entered into under sections 21 and 22 of this Act that are canceled or suspended under this subsection to the extent such moneys have previously been disbursed to private contractors and United States Government agencies for work in progress, and (B) to pay such damages and costs that accrue from the corresponding cancellation or suspension of the existing procurement contracts or United States Government agency work orders involved.

(f) The President shall, to the maximum extent possible and consistent with the purposes of this Act, use civilian contract personnel in any foreign country to perform defense services sold under this Act.

Sec. 43. Administrative Expenses.—(a) Funds made available under other law for the operations of United States Government agencies carrying out functions under this Act shall be available for the administrative expenses incurred by such agencies under this Act.

(b) Administrative expenses incurred by any department or agency of the United States Government (including any mission or group) in carrying out functions under this Act which are primarily for the benefit of any foreign country shall be fully reimbursed from amounts received for sales under sections 21 and 22.

* * * * *

Sec. 45. Statutes Repealed and Amended.—(a) Sections 521, 522, 523, 524(b)(3), 525, 634(g), and 640 of the Foreign Assistance Act of 1961, as amended, and section 414 of the Mutual Security Act of 1954 (Public Law 83-665, 68 Stat. 832), are hereby repealed.

(b) Part III of the Foreign Assistance Act of 1961, as amended, is amended as follows:

(1) Section 622(b) is amended by striking out "or sales".

(2) Section 622(c) is amended by striking out "and sales" and "or sales".

(3) Section 632(d) is amended by striking out "section 506, 522, and 523," in the first sentence and inserting in lieu thereof "section 506".

(4) Section 634(d) is amended by inserting "or any other" between "under this" and "Act" in the fourth sentence.

(5) Section 644(m) is amended by striking out "and sales" in the first sentence of the paragraph following numbered paragraph (3).

(c) References in law to the provisions of law repealed by subsection (a) of this section shall hereafter be deemed to be references to this Act or appropriate provisions of this Act. Except for the laws specified in section 44, no other provision of law shall be deemed to apply to this Act unless it refers specifically to this Act or refers generally to sales of defense articles and defense services under any Act.

* * * * *

Sec. 47. Definitions.—For purposes of this Act, the term—

(1) "excess defense article" has the meaning provided by section 644(g) of the Foreign Assistance Act of 1961; [and]

(2) "value" means, in the case of an excess defense article, not less than the greater of—

(A) the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying such article, plus the scrap value; or

(B) the market value, if ascertainable [.] ;

(3) "defense article", except as provided in paragraph (7) of this section, includes—

(A) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war,

(B) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance,

(C) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this paragraph, and

(D) Any component or part of any article listed in this paragraph,

but does not include merchant vessels or (as defined by the Atomic Energy Act of 1954) source material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data;

(4) "defense service", except as provided in paragraph (7) of this section, includes any service, test, inspection, repair, training, publication, technical or other assistance, or defense information (as defined in section 644(e) of the Foreign Assistance Act of 1961), used for the purposes of furnishing military assistance;

(5) "training" includes formal or informal instruction of foreign students in the United States or overseas by officers of the United States, contract technicians, or contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise and military advice to foreign military units and forces;

(6) "major defense equipment" means any item of significant combat equipment on the United States Munitions List having a non-recurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000; and

(7) "defense articles and defense services" means, with respect to commercial exports subject to the provisions of section 38 of this Act, those items designated by the President pursuant to subsection (a)(1) of such section.

Foreign Assistance Act of 1974

POLICY WITH RESPECT TO INDOCHINA

[Sec. 34. (a) The Congress finds that the cease-fire provided for in the Paris Agreement on Ending the War and Restoring Peace in Vietnam has not been observed by any of the Vietnamese parties to

the conflict. Military operations of an offensive and defensive nature continue throughout South Vietnam. In Cambodia, the civil war between insurgent forces and the Lon Nol government has intensified, resulting in widespread human suffering and the virtual destruction of the Cambodian economy.

[(b) The Congress further finds that continuation of the military struggles in South Vietnam and Cambodia are not in the interest of the parties directly engaged in the conflicts, the people of Indochina or world peace. In order to lessen the human suffering in Indochina and to bring about a genuine peace there, the Congress urges and requests the President and the Secretary of State to undertake the following measures;

[(1) to initiate negotiations with representatives of the Soviet Union and the People's Republic of China to arrange a mutually agreed-upon and rapid de-escalation of military assistance on the part of the three principal suppliers of arms and material to all Vietnamese and Cambodian parties engaged in conflict;

[(2) to urge by all available means that the Government of the Khmer Republic enter in negotiations with representatives of the Khmer Government of National Union for the purpose of arranging an immediate cease-fire and political settlement of the conflict; and to use all available means to establish contact with the Khmer Government of National Union, and to urge them to participate in such negotiations. The United States should urge all Cambodian parties to use the good offices of the United Nations or a respected third country for the purpose of bringing an end to hostilities and reaching a political settlement;

[(3) to utilize any public or private forum to negotiate directly with representatives of the Democratic Republic of Vietnam, the Provisional Revolutionary Government, and the Republic of Vietnam to seek a new cease-fire in Vietnam and full compliance with the provisions of the Paris Agreement on Ending the War and Restoring Peace in Vietnam, including a full accounting for Americans missing in Indochina;

[(4) to reconvene the Paris Conference to seek full implementation of the provisions of the Agreement of January 27, 1973, on the part of all Vietnamese parties to the conflict; and

[(5) to maintain regular and full consultation with the appropriate committees of the Congress and report to the Congress and the Nation at regular intervals on the progress toward obtaining a total cessation of hostilities in Indochina and a mutual reduction of military assistance to that area.

[PRINCIPLES GOVERNING ECONOMIC AID TO INDOCHINA

[SEC. 35. (a) Congress calls upon the President and Secretary of State to take the following actions designed to maximize the benefit of United States economic assistance:

[(1) to organize a consortium to include multilateral financial institutions to help plan for Indochina reconstruction and development; to coordinate multilateral and bilateral contributions to the area's economic recovery; and to provide continuing advice

to the recipient nations on the use of their own and outside resources;

[(2) to develop, in coordination with the recipient governments, other donors, and the multilateral financial institutions, a comprehensive plan for Indochina reconstruction and economic development;

[(3) to develop country-by-country reconstruction and development plans, including detailed plans for the development of individual economic sectors, that can be used to identify and coordinate specific economic development projects and programs and to direct United States resources into areas of maximum benefits;

[(4) to shift the emphasis of United States aid programs from consumption-oriented expenditures to economic development;

[(5) to identify possible structural economic reforms in areas such as taxation, exchange rates, savings mechanisms, internal pricing, income distribution, land tenure, budgetary allocations and corruption, which should be undertaken if Indochinese economic developments is to progress;

[(6) to include in Indochina economic planning and programing specific performance criteria and standards which will enable the Congress and the executive branch to judge the adequacy of the recipient's efforts and to determine whether, and what amounts of, continued United States funding is justified; and

[(7) to provide humanitarian assistance to Indochina wherever practicable under the auspices of and by the United Nations and its specialized agencies, other international organizations or arrangements, multilateral institutions, and private voluntary agencies with a minimum presence and activity of United States Government personnel.

[(b) This section shall not be construed to imply continuation of a United States financial commitment beyond the authorization provided for in this Act or amendments made by this Act.]

[INDOCHINA POSTWAR RECONSTRUCTION

[SEC. 36. (a) There are authorized to be appropriated to the President to furnish assistance for the relief and reconstruction of South Vietnam, Cambodia, and Laos, in addition to funds otherwise available for such purposes, for the fiscal year 1975 not to exceed \$617,000,000. Of the amount appropriated for fiscal year 1975—

[(1) \$449,900,000 shall be available only for the relief and reconstruction of South Vietnam in accordance with section 38 of this Act;

[(2) \$100,000,000 shall be available only for the relief and reconstruction of Cambodia in accordance with section 39 of this Act;

[(3) \$40,000,000 shall be available only for the relief and reconstruction of Laos in accordance with section 40 of this Act;

[(4) \$4,100,000 shall be available only for the regional development program;

[(5) \$16,000,000 shall be available only for support costs for the agency primarily responsible for carrying out this part; and

[(6) \$7,000,000 shall be available only for humanitarian assistance through international organizations.

Such amounts are authorized to remain available until expended.

[(b) The authority of section 610(a) of the Foreign Assistance Act of 1961 may not be used in fiscal year 1975 to transfer funds made available for any provision of such Act of 1961 into funds made available for part V of such Act for South Vietnam, Cambodia, or Laos under this section.

[(c) No assistance may be provided to South Vietnam, Cambodia, or Laos in fiscal year 1975 under part I (including chapter 4 of part II) of the Foreign Assistance Act of 1961. This prohibition may not be waived under section 614(a) of such Act of 1961 or any other provision of law.

[(d) Notwithstanding subsection (b) of this section, funds made available under any provision of this or any other law for the purpose of providing military assistance for South Vietnam, Laos, or Cambodia during fiscal year 1975 may be transferred to, and consolidated with, any funds made available to that country for war relief, reconstruction, or general economic development, if such transfer does not result in a greater amount than is allocated for such country under paragraph (1), (2), or (3) of subsection (a).

[(e) To the extent not inconsistent with the provisions of this Act, all prohibitions, restrictions, limitations and authorities contained in the Foreign Assistance Act of 1961 which are applicable to part V of such Act of 1961 shall apply with respect to the assistance authorized by this section.]

[ASSISTANCE TO SOUTH VIETNAMESE CHILDREN

[SEC. 37. (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, orphanages, 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 are orphaned or abandoned, or whose parents or sole surviving parent, as the case may be, has irrevocably relinquished all parental rights, particularly children fathered by United States citizens.

[(b) The President is, therefore, authorized to provide assistance, on terms and conditions he considers appropriate, for the purposes described in clauses (1) and (2) of subsection (a) of this section. Of the funds appropriated pursuant to section 36(a) of this Act, \$10,000,000, or its equivalent in local currency, shall be available until expended solely to carry out this section. Not more than 10 per centum of the funds made available to carry out this section may be expended for the purposes referred to in clause (2) of subsection (a). Assistance provided under this section shall be furnished, to the maximum extent

practicable, under the auspices of and by international agencies or private voluntary agencies.]

[LIMITATIONS WITH RESPECT TO SOUTH VIETNAM

[SEC. 38. (a) The \$449,900,000 made available in accordance with section 36(a)(1) of this Act shall be allocated as follows:

[(1) \$90,000,000 for humanitarian assistance, of which there shall be available—

- [(A) \$70,000,000 for refugee relief;
- [(B) \$10,000,000 for child care; and
- [(C) \$10,000,000 for health care;

[(2) \$154,500,000 for agricultural assistance, of which there shall be available—

- [(A) \$85,000,000 for fertilizer;
- [(B) \$12,000,000 for POL (for agriculture);
- [(C) \$6,000,000 for insecticides and pesticides;
- [(D) \$10,000,000 for agricultural machinery and equipment (including spare parts);

- [(E) \$3,500,000 for agricultural advisory services;
- [(F) \$20,000,000 for rural credit;
- [(G) \$10,000,000 for canal dredging;
- [(H) \$4,000,000 for low-lift pumps; and
- [(I) \$4,000,000 for fish farm development;

[(3) \$139,800,000 for industrial development assistance of which there shall be available—

- [(A) \$124,000,000 for commodities;
- [(B) \$10,000,000 for industrial credit; and
- [(C) \$5,800,000 for industrial advisory services (including feasibility studies);

[(4) \$65,600,000 for miscellaneous assistance, of which there shall be available—

- [(A) \$47,900,000 for the service sector (including POL, machinery equipment, and spare parts); and
- [(B) \$17,700,000 for technical services and operating expenses.

[(b) (1) No funds made available in accordance with section 36(a)(1) may be transferred to, or consolidated with, the funds made available for military assistance, nor may more than 20 per centum of the funds made available under paragraphs (1), (2), (3), or (4) of subsection (a) of this section be transferred to, or consolidated with, the funds made available under any other such paragraph.

[(2) Whenever the President determines it to be necessary in carrying out this section, any funds made available under any subparagraph of paragraph (1), (2), (3), or (4) of subsection (a) of this section may be transferred to, and consolidated with, the funds made available under any other subparagraph of that same paragraph.

[(3) The President shall fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate of each transfer he intends to make under paragraph (1) or (2) of this subsection prior to making such transfer.

[(c) No funds may be obligated for any of the purposes described in subsection (a) of this section in, to, for, or on behalf of South Vietnam in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(d) After the date of enactment of this section, whenever any request is made to the Congress for the appropriation of funds for use in, to, for, or on behalf of South Vietnam for any fiscal year the President shall furnish a written report to the Congress explaining the purpose for which such funds are to be used in such fiscal year.

[(e) The President shall submit to the Congress within thirty days after the end of each quarter of each fiscal year, beginning with the fiscal year which begins July 1, 1974, a written report showing the total amount of funds obligated in, to, for, or on behalf of South Vietnam during the preceding quarter by the United States Government, and shall include in such report a general breakdown of the total amount obligated, describing the different purposes for which such funds were obligated and the total amount obligated for such purpose.

[(f) (1) Effective six months after the date of enactment of this section the total number of civilian officers and employees, including contract employees, of executive agencies of the United States Government who are citizens of the United States and of members of the Armed Forces of the United States present in South Vietnam shall not at any one time exceed four thousand, not more than two thousand five hundred of whom shall be members of such armed forces and direct hire and contract employees of the Department of Defense. Effective one year after the date of enactment of this section, such total number shall not exceed at any one time three thousand, not more than one thousand five hundred of whom shall be members of such armed forces and direct hire and contract employees of the Department of Defense.

[(2) Effective six months after the date of enactment of this section, the United States shall not, at any one time, pay in whole or in part, directly or indirectly, the compensation or allowances of more than eight hundred individuals in South Vietnam who are citizens of countries other than South Vietnam or the United States. Effective one year after the date of enactment of this section, the total number of individuals whose compensation or allowance is so paid shall not exceed at any one time five hundred.

[(3) For purposes of this subsection, "executive agency of the United States Government" means any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment within the executive branch of the United States Government.

[(4) This subsection shall not be construed to apply with respect to any individual in South Vietnam who (A) is an employee or volunteer worker of a voluntary private, nonprofit relief organization or is an employee or volunteer worker of the International Commit-

tee of the Red Cross, and (B) engages only in activities providing humanitarian assistance in South Vietnam.

[(g) This section shall not be construed as a commitment by the United States to South Vietnam for its defense.]

[LIMITATIONS WITH RESPECT TO CAMBODIA

[SEC. 39. (a) * * *

[(b) * * *

[(c) The \$100,000,000 made available in accordance with section 36(a)(2) of this Act shall be allocated as follows:

[(1) \$20,000,000 for humanitarian assistance;

[(2) \$63,000,000 for commodity import assistance;

[(3) \$15,000,000 for multilateral stabilization assistance; and

[(4) \$2,000,000 for technical support and participant training.

[(d) No funds made available in accordance with section 36(a)(2) may be transferred to, or consolidated with, the funds allocated for military assistance to Cambodia under section 655(a) of the Foreign Assistance Act of 1961, nor may more than 20 per centum of the funds made available under any paragraph of subsection (c) of this section be transferred to, or consolidated with, the funds made available under any other such paragraph.

[(e) No funds may be obligated for any of the purposes described in section 655(a) of the Foreign Assistance Act of 1961 in, to, for, or on behalf of Cambodia in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(f) This section shall not be construed as a commitment by the United States to Cambodia for its defense.]

[LIMITATIONS WITH RESPECT TO LAOS

[SEC. 40. (a) Notwithstanding any other provision of law, no funds authorized to be appropriated by this or any other law may be obligated in any amount in excess of \$70,000,000 during the fiscal year ending June 30, 1975, for the purpose of carrying out directly or indirectly any economic or military assistance, or any operation, project, or program of any kind, or for providing any goods, supplies, materials, equipment, services, personnel, or advisers in, to, for, or on behalf of Laos. Of that amount, there shall be available—

[(1) \$30,000,000 for military assistance; and

[(2) \$40,000,000 only for economic assistance, of which there shall be available—

[(A) \$11,000,000 for humanitarian assistance;

[(B) \$6,500,000 for reconstruction and development assistance;

[(C) \$16,000,000 for stabilization assistance; and

[(D) \$6,400,000 for technical support.

[(b) No funds made available under paragraph (2) of subsection (a) of this section may be transferred to, or consolidated with, the funds made available under paragraph (1) of such subsection, nor may more than 20 per centum of the funds made available under any subparagraph of paragraph (2) be transferred to, or consolidated with, the funds made available under any other such subparagraph.

[(c) In computing the limitations on obligation authority under subsection (a) of this section with respect to such fiscal year, there shall be included in the computation the value of any goods, supplies, materials, equipment, services, personnel, or advisers provided, to, for, or on behalf of Laos in such fiscal year by gift, donation, loan, lease or otherwise. For the purpose of this subsection, "value" means the fair market value of any goods, supplies, materials, or equipment provided to, for, or on behalf of Laos but in no case less than 33 $\frac{1}{3}$ per centum of the amount the United States paid at the time such goods, supplies, materials or equipment were acquired by the United States.

[(d) No funds may be obligated for any of the purposes described in subsection (a) of this section in, to, for, or on behalf of Laos in any fiscal year beginning after June 30, 1975, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

[(e) After the date of enactment of this section, whenever any request is made to the Congress for the appropriation of funds for use in, to, for, or on behalf of Laos, for any fiscal year, the President shall furnish a written report to the Congress explaining the purpose for which such funds are to be used in such fiscal year.

[(f) The President shall submit to the Congress within thirty days after the end of each quarter of each fiscal year beginning with the fiscal year which begins July 1, 1974, a written report showing the total amount of funds obligated in, to, for, or on behalf of Laos during the preceding quarter by the United States Government and shall include in such report a general breakdown of the total amount obligated, described the different purposes for which such funds were obligated and the total amount obligated for such purposes.

[(g) This section shall not be construed as a commitment by the United States to Laos for its defense.]

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Mutual Security Act of 1954, as Amended

* * * * *

[Sec. 414.⁴ Munitions Control.—(a) The President is authorized to control, in furtherance of world peace and the security and foreign policy of the United States, the export and import of arms, ammunition, and implements of war, including technical data relating thereto, other than by a United States Government agency. The President is authorized to designate those articles which shall be considered as

arms, ammunition, and implements of war, including technical data relating thereto, for the purposes of this section.

(b) As prescribed in regulations issued under this section, every person who engages in the business of manufacturing, exporting, or importing any arms, ammunition, or implements of war, including technical data relating thereto, designated by the President under subsection (a) shall register with the United States Government agency charged with the administration of this section, and, in addition, shall pay a registration fee which shall be prescribed by such regulations. Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance program of the United States, whether or not advanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

(c) Any person who willfully violates any provision of this section or any rule or regulation issued under this section, or who willfully, in a registration or license application, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more \$25,000 or imprisoned not more than two years, or both.

(d) This section applies to and within the Canal Zone.

(e) Licenses issued for the export of articles on the United States Munitions List in excess of \$100,000 shall be reported promptly to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, which report shall contain—

- (1) the items to be exported under the license;
- (2) the quantity of each such item to be furnished;
- (3) the name and address of the consignee and of the ultimate user of each such item, and
- (4) an injunction whenever appropriate, concerning the necessity to protect the confidentiality of the information provided.]

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