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MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

Sent with HHK. BD
ACTION

October 21, 1974

MEMORANDUM FOR: SECRETARY KISSINGER
FROM: RICHARD T. KENNEDY
ROBERT HORMATS
SUBJECT: The Proposed AID Budget Submission
for Fiscal Year 1976

*Action per
taken per
per. Summary*

We have reviewed the AID proposed budget submission and agree with AID's proposal in all cases except:

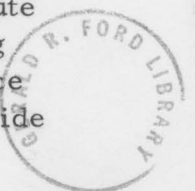
- The Cambodia figure should be increased from \$125 million to \$156 million to accommodate the anticipated cost of shipments of PL-480 commodities to Cambodia estimated at approximately \$31 million. The total of the request therefor for Indochina will be \$853 million and the overall total will be \$2.926 billion.
- The reference in your proposed letter to Roy Ash covering the PL-480 request is totally unsubstantiated by any estimates in the package except in the most gross levels. We urge that you require this to be developed in more detail before requesting the tonnage and dollar totals as now proposed in the draft letter.

In reviewing the recommended levels we took account of the following important considerations:

- AID recommended \$20 million for Indonesia in FY 1976. We believe that this is the maximum that can be supported in the Congress and domestically given Indonesia's growing oil income. To request more would subject the total AID request to a heavier battering by the Congress than it deserves.
- The Vietnam request of \$675 million is lower than the State preference or the Saigon mission's request. The economists, however, including State's own economic bureau, believe that the \$675 million is a hard requirement which is wholly justifiable. Amounts higher than this would be subject to considerable dispute and less justifiable. Supporters on the Hill have been stressing that we should not come up with requests that are "padded" since such figures undercut the very support they are trying to provide for us. We agree and urge acceptance of \$675 million.

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KBH 3/5/93



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- 2 -

-- The Middle East supporting assistance figures are essentially identical to those covered in the current FY 75 request. The purpose in doing this is to avoid any implication being drawn from the request levels. In submitting the request to the Hill they would be footnoted to indicate that these requests should be considered merely illustrative and subject to adjustment by budget amendment as the situation develops.

It should be noted that the total request of \$2.926 billion which we would recommend exceeds the OMB "mark" by \$197 million. We believe that this increase is and can be fully justified.

Bob Oakley agrees with our conclusions on Middle East and Dick Smyser agrees with our conclusions on Indonesia, Cambodia and Vietnam and supports the other East Asia requests.



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16
4952

THE WHITE HOUSE
WASHINGTON
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October 21, 1974

GENERAL SCOWCROFT

BRENT: Re: Proposed AID Budget

The attached memo should get to HAK immediately. He should decide this issue as requested by Parker before he leaves on his trip. AID's submission to OMB must be made within the next 10 days.

Dick Kennedy

Determined to be an administrative marking
Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983

By KSH NARS date 3/5/93



DEPARTMENT OF STATE

Washington, D. C. 20520

Executive Assistant to the Secretary

10/19/74

To NSC - General Scowcroft

Brent:

For information and comment.

LSE



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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

4952 id

OCT 19 1974

THE ADMINISTRATOR

Personal

NOTE FOR THE SECRETARY

OMB expects the FY 1976 Foreign Aid Budget by October 25. Over the past several weeks much work has been done by the interested parties (State and A.I.D. Regional Bureaus). Most differences have been reconciled. The attached FY 1976 budget memorandum lays out all the issues.

The recommended A.I.D. levels reflect our best analysis of specific country program needs and are not based upon any attempt to pre-determine levels which would be acceptable to the Congress. However, in examining alternative positions we did express concern for major program cuts or, on the other hand, very high country levels that could provoke seriously adverse Congressional reaction.

The budget memorandum is lengthy, detailed, and at odds with your schedule. It provides you with options representing fairly each vested interest. You will need time to study it. But we need to send our budget submission to OMB before you return from your forthcoming trip. Therefore, we need your guidance now on key issues including over-all FY 1976 budget levels. You will have further opportunities to review individual country funding levels prior to our final reclama in December to the OMB's recommended level for the President's budget submission to the Congress.

I would like to highlight the key issues.

OMB gave us a "mark"—i.e. the budget ceiling—in July when FY 1976 was presumed to be a tight year but not as stringent as President Ford's goal of a balanced budget.

Allocating with the OMB mark involved many all-around acceptable compromises—and a few differences of major importance. These,

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E.O. 12356, Sec. 3.4.

MR 94-60, #1 AID Mr. 10/12/95

By ICBH NARA, Date 10/30/95



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- 2 -

which are identified below, can be accomplished by a significant, but not major increase over the OMB "mark."

These differences, which are mutually preclusive tradeoffs, cannot be contained within the "mark," without triggering the reallocation of the vast number of lesser compromises already reached.

The key tradeoff issues are—

- South Vietnam: \$550 million within the mark versus \$675 million A.I.D. recommended level or \$725 million EA recommended level.
- Latin America: \$237 million within the mark versus \$279 million at State and A.I.D. recommended level.
- Indonesia: \$20 million within the mark versus \$50 million recommended by EA.
- Mideast: OMB recognized the unusual circumstances and gave us flexibility to exceed the "normal" FY 1974 level of \$75 million. Since the full amounts required for FY 1976 are not yet known, there are three alternatives. One (preferred by PM) is to omit any figures, emphasizing the present uncertainty, explaining that we will seek a budget supplemental as soon as possible. A.I.D. recommends maintaining FY 1975 levels but stating emphatically that you will specify additional needs, as events warrant, in the form of budget supplemental. NEA suggests a \$65 million increase over FY 1975 levels or the PM approach.

Both State and A.I.D. recommend that we go for a higher level above the OMB "mark" but differ as to specific amounts. OMB will resist any increase, citing our ability to reduce elsewhere.

The real crunch points are Vietnam, Indonesia, Latin America and the Middle East involving an increase of \$165 to \$340 million (depending on your decisions on individual issues) over the OMB mark.

The Mideast issue boils down to the question of—do we include specified levels as a major "down payment" for FY 1976 or do we leave it all open with the proviso that in either case a budget supplemental will be submitted later.

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- 3 -

We must move the FY 1976 budget process forward. We need your decision prior your departure and have proposed three draft transmittal letters to Roy Ash covering the three options: (A) A.I.D. recommended level of \$2,895 million, (B) State recommended level of \$3,072 million and (C) A.I.D. recommended level conditioned by your stating that these levels are the minimum levels compatible with U.S. foreign policy commitments and that you are seriously considering a higher request level which will be decided upon your return in early November.

Specific FY 1976 numbers are contained in the attached table.



Daniel Parker
Administrator

Attachments



12

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DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

OCT 18 1974

THE ADMINISTRATOR

ACTION MEMORANDUM FOR THE SECRETARY

SUBJECT: A.I.D. 's FY 1976 Budget Request to OMB

A.I.D. has completed its review of FY 1976 budget requirements. The State regional bureaus have participated fully and, with the exceptions discussed below, concur in our proposed submission to OMB. The major remaining issues are:

1. Accept the OMB FY 1976 budget ceiling or submit a State/A.I.D. recommended higher budget level.
2. Determine specific funding levels for South Vietnam, Cambodia, Latin America, Indonesia and the Middle East.

A proposed letter to Roy Ash to transmit the budget submission is attached for your signature.

Background

In July, OMB gave A.I.D. a 1976 ceiling of \$2,254 million. This ceiling includes development assistance and Indochina reconstruction programs. Because of uncertainties in the Middle East, OMB excluded all but \$75 million ("normal levels") for programs in Egypt, Jordan, Syria and Israel. Funds requested for the Middle East over this amount would be additive to the OMB ceiling figure.

Excluding the Middle East, initial A.I.D. and State FY 1976 budget requests exceeded the OMB ceiling by approximately \$550 million. In constructing an FY 1976 budget, we have tried to balance judiciously competing demands from various geographic and functional areas. Numerous funding issues have been satisfactorily resolved and we have substantially narrowed the difference between OMB's ceiling and the State/A.I.D. bureau requests. However, to fund fully requested amounts for South Vietnam, Latin America, Indonesia and Cambodia would require \$166 to \$342 million more than the OMB

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E.O. 12356, Sec. 3.4.

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ML 94-60, #2 AID Hc. 10/12/95
By CBH NARA, Date 10/30/95

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- 2 -

ceiling (see Table I below) depending upon your decision on individual issues detailed below.

Issue No. 1: Accept the OMB mark or submit a request for a higher budget level for 1976.

Options:

1. Accept the OMB mark and include adequate funding for Vietnam, Latin America, Indonesia and Cambodia (the Middle East is discussed separately.)

To absorb amounts for Vietnam, Latin America, Indonesia and Cambodia within the OMB ceiling would necessitate severe cuts up to \$342 million in Asia, Africa, the UNDP and in centrally funded programs for agricultural research and family planning—among the programs most popular with our supporters on the Hill. On the other hand it would be responsive to the President's request for fiscal constraint and dispense with the annual budget debate with OMB.

2. Request a higher FY 1976 budget level to meet essential program requirements

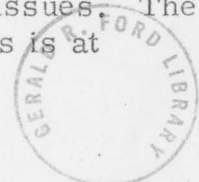
State/A.I.D. regional bureaus and central offices strongly prefer this approach; I support this recommendation as well. Depending upon your decision on each individual issue, the total increase over the OMB ceiling would range between \$166 and \$342 million. If successful, it would enable us to meet our political commitments and also increase the pace of important development programs directed towards increasing food production and reducing population growth. Should additional funds not be forthcoming, we would reexamine proposed country allocations prior to preparation of the Congressional Presentation.

Options:

1. Accept the OMB mark and include amounts for Latin America, Vietnam, Cambodia and Indonesia based on decisions on individual issues set forth below.
2. Request a higher FY 1976 budget level

The table below summarizes the remaining FY 1976 budget issues. The FY 1976 budget proposals compared to levels in recent years is at Attachment A.

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CONFIDENTIAL

- 3 -

	Within OMB Ceiling	(\$ millions) A. I. D. <u>Recommended</u>	State <u>Recommended</u>
<u>Asia</u>	<u>340</u>	<u>340</u>	<u>370</u>
Indonesia	(20)	(20)	(50)
<u>Africa</u>	<u>184</u>	<u>184</u>	<u>184</u>
<u>Latin America</u>	<u>237</u>	<u>279</u>	<u>279</u>
<u>Indochina Re construction</u>	<u>698</u>	<u>822</u>	<u>903</u>
Vietnam	(550) ^{1/}	(675) ^{1/}	(725) ^{1/}
Cambodia	(125)	(125)	(156)
Laos	(42)	(42)	(42)
Other	(6)	(6)	(6)
<u>Supporting Assistance</u>	<u>550</u>	<u>550</u>	<u>615</u>
Egypt	(250)	(250)	(300) ^{2/}
Syria	(75)	(75)	(90) ^{2/}
Jordan	(78)	(78)	(78) ^{2/}
Israel	(100)	(100)	(100) ^{2/}
Special Fund	(25)	(25)	(25)
Other	(22)	(22)	(22)
<u>All Others</u>	<u>720</u>	<u>720</u>	<u>720</u>
(population, research, operating expenses, international organi- zations)			
Total	2,729	2,895	3,071

^{1/} Includes \$25 million in operating expenses excluded from Indochina Reconstruction total.

^{2/} PM recommends no requests for these items at this time.

Issue No. 2: Vietnam. The Vietnam funding level at the recommended high option is the major FY 1976 budget issue. There are two proposals:

State/East Asia \$725 million

A. I. D. \$675 million

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- 4 -

1. State/East Asia position (\$725 million)

In summary, East Asia argues:

- a. The FY 1976 request level should indicate high priority toward Vietnam. The lower A.I.D. level could have serious adverse political and psychological repercussions in Vietnam in the face of DRV capabilities, already present in South Vietnam, for mounting a major offensive.
- b. EA and our Saigon Mission strongly prefer the figure of \$850 million as that which would most fulfill USG policy objectives in Vietnam—particularly in light of what we are likely to get in FY 1975. At the very least, the proposed FY 1976 level should be at the top of the range projected in your July 22 letter to the Congress (\$625 million - \$725 million) in order to reassure the Vietnamese and present a consistent Administration policy to the Congress. Any lower figure would not fulfill USG policy objectives.
- c. Sufficient funds (e.g. \$225 million) are needed for development projects to move swiftly toward economic self sufficiency and away from a maintenance economy.

2. A.I.D. position (\$675 million—we would show \$550 million at the OMB ceiling but indicate that this level is inadequate)

- a. While a \$725 million level for Vietnam may be defensible on political grounds or as "cut insurance" we are not convinced that the economic rationale is compelling. The A.I.D. recommended level would provide \$150 million for development projects.
- b. We need to encourage continuing improvement in GVN monetary and fiscal policies—interest rates, exchange rates, tax policies which are the key determinants for promoting growth and investment and for containing inflation. Failure of effective GVN performance in these policy areas cannot be offset by adding another \$75 million in external resources.

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- 5 -

- c. In FY 1975 we are unlikely to obtain more than \$400 million against a Congressional request of \$750 million. \$725 million is substantially beyond amounts that we can expect the Congress to appropriate in FY 1976. The large divergence between requested amounts and actual appropriations is an inhibiting factor in attempts to improve Congressional relations. Because the Vietnam request level importantly influences the overall tone of the annual foreign aid debate, we believe a more reasonable level is preferable.
- d. The \$675 million figure is the mid-point of the range of requirements forwarded by you to the Congress. As such, it reflects consistent Administration policy while avoiding an unrealistically high Administration request.

Options:

- 1. State/East Asia recommends \$725 million _____

**

- 2. A.I.D. recommends \$675 million _____

Issue No. 3: Cambodia. Requirements for Cambodia are extremely difficult to determine in view of the military situation. State/East Asia concurs with the \$125 million proposed by A.I.D. on the assumption that USDA will be able to pay \$31 million in PL 480 shipping costs. This will depend on favorable Congressional action on USDA's authorizing legislation. If this assumption is not correct, State believes the \$125 million should be raised to \$156 million. A.I.D. believes that \$125 million is adequate regardless of whether USDA can absorb the shipping costs. Moreover, we think favorable Congressional action is likely.

Options:

- 1. State/East Asia recommends an additional \$31 million to cover PL 480 shipping costs. _____
- 2. A.I.D. recommends against budgeting an increase for this purpose. _____

** State/EB concurs in \$675 million level for South Vietnam.

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CONFIDENTIAL

- 6 -

Issue No. 4: Indonesia. There is little present economic justification for continuing large-scale concessional aid to Indonesia. Both State/East Asia and A.I.D. agree that bilateral assistance flows should decline. The issue is how fast and over what period of time. Because the trend in U.S. assistance levels is as important as the request in any one year, levels for both FY 1975 and FY 1976 are involved. A decision on funding levels hinges on a balancing of Indonesian political sensitivities against the potential damage to overall foreign aid levels of continuing high levels of concessional assistance to an oil rich country. Three funding options for both FY 1975 and FY 1976 are as follows:

(\$ millions)

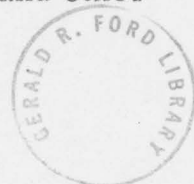
	FY 1975			FY 1976		
	<u>Loans</u>	<u>PL 480</u>	<u>Total</u>	<u>Loans</u>	<u>PL 480</u>	<u>Total</u>
State/East Asia	60	72	132	50	-	50
A.I.D.	40	30	70	20	-	20
State/EB	40	72	112	20	-	20

1. State/East Asia position

State/East Asia argues that:

- a. Indonesia has greater development needs than any other OPEC member and benefits least, on a per capita basis, from its oil earnings; in absolute terms it is by no means "oil rich" and many are beginning to believe it will again need concessional aid before long.
- b. For 1975 the U.S. has publicly pledged \$176 million in concessional assistance; the reduction to \$70 million proposed by A.I.D. could lead Suharto to believe the U.S. had drastically lowered Indonesia in its scale of global priorities.
- c. A.I.D.'s proposed reduction could adversely affect U.S. political and economic relations with Indonesia and could precipitate policy changes harmful to U.S. interests in Indonesia's attitude toward Vietnam, Cambodia, LOS, U.S. private investment, and other issues.

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CONFIDENTIAL

- 7 -

- d. EXIM lending may not materialize in sufficient quantity and it would be unwise to rely too heavily on this source to meet our commitment.

2. A.I.D. position

- a. To meet strong Congressional concerns, we should indicate a decline of about \$9 million in concessional aid to Indonesia in FY 1975 and compared to FY 1974.
- b. In FY 1976, we should continue to reduce our aid levels substantially. The \$20 million in loans proposed by A.I.D. for FY 1976 would show the necessary decline that Congress expects and still retain Indonesia as a significant aid recipient.
- c. To help replace A.I.D. and PL 480, promote major expansion of EXIM Bank lending which Suharto now considers part of the U.S. aid program. Several projects are currently before the EXIM Board and a large program is now being prepared.
- d. Failure to phase Indonesia out quickly, risks inviting large cuts in the total A.I.D. program since it undermines our arguments in support of higher levels for the poor countries, especially the MSA's.

Options:

- 1. East Asia recommends an FY 1975 and FY 1976 loan level of \$60 million and \$50 million respectively coupled with \$72 million in PL 480 in FY 1975
- 2. A.I.D. recommends an FY 1975 and FY 1976 loan level of \$40 million and \$20 million respectively, coupled with \$30 million in PL 480 in FY 1975
- 3. State/EB recommends the same Development Loan levels as A.I.D. of \$40 million in FY 1975 and \$20 million in FY 1976 with \$72 million of PL 480 in FY 1975

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- 8 -

Issue No. 5: Middle East programs.

There are three alternative approaches to budgeting for Middle East requirements:

1. State/PM: Proposes to exclude all programs for the Middle East from the regular FY 1976 budget and handle all needs through an FY 1976 budget amendment.
2. State/NEA: Proposes increased amounts for Egypt, Syria and Israel over the levels in the current FY 1975 request.
3. A.I.D.: Proposes to maintain, for the present, FY 1975 request levels for Egypt, Syria and Jordan and indicate to the OMB that further political developments may make additional funding necessary. Increase Israel to \$100 million.

Funding implications of the three alternatives are:

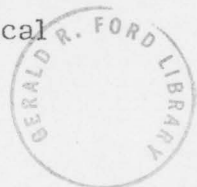
	(\$ millions)				
	FY 1974	FY 1975	FY 1976		
	<u>Request</u>	<u>Request</u>	<u>PM</u>	<u>NEA</u>	<u>A.I.D.</u>
Egypt	-	250	-	300	250
Israel	25	50	-	100	100
Jordan	65	78	-	78	78
Syria	-	(75)	-	90	75
Special Fund	-	<u>100</u>	-	<u>25</u>	<u>25</u>
Total	90	478	-	593	528

1. State/PM position

PM argues that determination of budget levels at this juncture are impossible and that FY 1976 requirements are more appropriately handled through a budget amendment later in the year.

- a. A budget amendment could be timed to coincide with political and diplomatic developments.

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CONFIDENTIAL

- 9 -

- b. It would be more visible and dramatic than incorporation of Middle East programs in the regular budget and provide an excellent opportunity for a public statement (if desirable) on the course of the negotiations.
- c. Requirements are impossible to determine at this time since any estimate is likely to be inaccurate. We should reserve judgment on magnitude and composition of aid until negotiations have proceeded further.

2. NEA position

NEA believes that we should indicate in the FY 1976 budget an increased level of support for Egypt, Israel and Syria in order to:

- a. Sustain the momentum of the Middle East peace initiative.
- b. Respond to substantial economic needs of Egypt and Syria.
- c. Support Sadat's move away from confrontation and toward economic liberalization and development.
- d. Reaffirm our new relationship with Egypt and provide increased assistance to justify this new course.

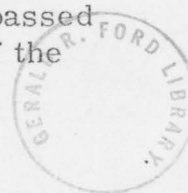
Alternatively, NEA would support the PM position if you believe it would help in the peacemaking negotiations not to have our precise requests on record when the President's budget is submitted to Congress in January.

3. A.I.D. position

We believe it important to budget maintaining present momentum, i.e., the FY 1975 request levels (with the exception of Israel where we agree with State/NEA that an increase is warranted in view of strong Congressional support). We recommend against higher levels for Egypt and Syria at the present time on four grounds:

- a. It will be exceedingly difficult to program effectively an increase in resources in FY 1976 for either Egypt or Syria. FY 1975 obligations will not be possible until a foreign aid bill is passed and will almost certainly not begin until the second half of the fiscal year.

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- 10 -

- b. Although all but \$75 million of the Middle East program is technically outside the OMB ceiling, given budget stringencies the Middle East level will inevitably have an impact on the total A.I.D. budget.
- c. A rising level in the context of the regular budget submission would create expectations for continued increases in future years that would be difficult to accommodate.
- d. To the extent that increased amounts become desirable in the context of specific progress in the peace negotiations, a budget amendment would then be appropriate for reasons put forward by PM.

We recommend against exclusion of Egypt and Syria from the regular budget because:

- a. Both countries could misinterpret this move as an attempt to withhold aid pending movement on the diplomatic front.
- b. In view of extremely tight Federal budget constraints it is desirable to assure an allocation of adequate funds at the planning stage in the budget cycle.
- c. It is desirable to keep the Mideast peace thrust integrated within the overall A.I.D. program.

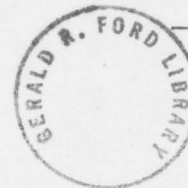
Options:

- 1. PM recommends that no Middle East figures be included in the FY 1976 budget request, making clear that the request will be sent forward as soon as Middle East peace negotiations permit. _____
- 2. NEA recommends an increase over the FY 1975 levels: (\$300 million for Egypt, \$90 million for Syria and \$100 million for Israel). _____

- 3. A.I.D. recommends use of FY 1975 figures (\$250 million for Egypt; \$75 million for Syria and \$78 million for Jordan) and an increase to \$100 million for Israel; this would still permit a budget amendment later, if required.

***State/EB supports this option.

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- 11 -

Issue No. 6: Latin America loan levels.

A.I.D. recommended \$173.5 million in loans for Latin America in FY 1976 within the OMB ceiling. This was based on a country by country assessment of requirements and a review of proposed individual loans.

ARA argues that a proposed loan level measurably above the \$200 million included in the FY 1975 Congressional Presentation is essential to support adequately your commitment to the Latins to maintain our aid levels and examine whether Latin America's share can be increased. Actual and proposed A.I.D. loan levels for Latin America for the past few years are as follows:

	Congressional <u>Request</u>	Actual <u>Commitments</u>
FY 1972	310	242
FY 1973	295	223
FY 1974	200	165
FY 1975	200	-
FY 1976 (A.I.D.)	<u>173.5</u>	-
FY 1976 (LA/ARA)	<u>215</u>	-

We recognize the importance of your commitment to the Latins. Accordingly, we have reached agreement with ARA to include a \$215 million loan request in the State/AID higher recommended level.

FY 1976 PL 480 levels (no funding issue involved).

PL 480 Title I and II commodity requirements as agreed upon by State and A.I.D. bureaus are included in the budget request as indicated in the following table:

	FY 1975		FY 1976	
	State/A.I.D. Proposed		State/A.I.D. Proposed	
	(\$ mil.)	(000 tons/bales)	(\$ mil.)	(000 tons/bales)
Title I	1,012	4,477	921	5,088
Title II	<u>336</u>	<u>1,500</u>	<u>323</u>	<u>1,487</u>
Total	1,347	5,977	1,244	6,575

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- 12 -

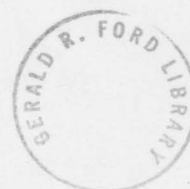
You will note that while we are programming increased commodity levels, the projected dollar budget declines as compared with this year. This is due to lower USDA price estimates than those now prevailing.



Daniel Parker
Administrator

Attachment

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Clearances:

EA - Mr. Habib HB
NEA - Mr. Sober JS
ARA - Mr. Rogers JS
AF - Mr. Easum JS
IO - Mr. Buffum JS
EB - Mr. Enders JS
PM - Mr. Vest JS



FY 1976 Budget Proposals
Comparison of Recent Levels with 1976 Request
(\$ in millions)



	<u>FY 1973</u>		<u>FY 1974</u>		<u>FY 1975</u>	<u>FY 1976</u>		
	<u>Request</u>	<u>Actual</u>	<u>Request</u>	<u>Actual</u>	<u>Request</u>	<u>At OMB Ceiling</u>	<u>AID Recommended</u>	<u>State Recommended</u>
Total	<u>2,551</u>	<u>1,979</u>	<u>2,298</u>	<u>1,828</u>	<u>2,885</u>	<u>2,729^{a/}</u>	<u>2,895</u>	<u>3,072</u>
Development Assistance	1,677	1,357	1,489	1,195	1,490	1,481	1,523	1,553
Indochina Reconstruction (of which Vietnam)	- (313)	- (312)	685 (529)	502 (383)	897 (750)	698 (550)	822 (675)	904 (725)
Supporting Assistance	874	622	124	132	498	550	550	615
(of which Egypt)	-	-	-	-	(250)	(250)	(250)	(300)
(of which Syria)	-	-	-	-	-	(75)	(75)	(90)
(of which M.E. Special Fund)	-	-	-	-	(100)	(25)	(25)	(25)

^{a/} \$2,729 million represents OMB ceiling of \$2,254 million for Development Assistance, Indochina Postwar Reconstruction and \$75 million for "normal" Middle East operations plus an additional \$475 million for the Middle East.

FY 1976 Budget Proposals
and Comparison with Recent Levels
(\$ in millions)

	FY 1974		FY 1975	FY 1976		
	<u>Request</u>	<u>Actual</u>	<u>Request</u>	<u>At OMB Ceiling</u>	<u>AID Recommended</u>	<u>State Recommendation</u>
Total	<u>2,298</u>	<u>1,828</u>	<u>2,885</u>	<u>2,729^{a/}</u>	<u>2,895</u>	<u>3,072</u>
Development Assistance	1,489	1,195	1,490	1,481	1,523	1,553
(of which Latin America)	-	-	-	(237)	(279)	(279)
(of which Indonesia)	-	-	-	(20)	(20)	(50)
Indochina Reconstruction	685	502	897	698	822	904
(of which Vietnam)	(529)	(383)	(750)	(550)	(675)	(725)
(of which Cambodia)				(125)	(125)	(156)
Supporting Assistance	124	132	498	550	550	615
(of which Egypt)	-	-	(250)	(250)	(250)	(300)
(of which Syria)	-	-	-	(75)	(75)	(90)
(of which M.E. Special Fund)	-	-	(100)	(25)	(25)	(25)

^{a/} \$2,729 million represents OMB ceiling of \$2,254 million for Development Assistance, Indochina Postwar Reconstruction and \$75 million for "normal" Middle East operations plus an additional \$475 million for the Middle East.



Dear Roy:

I appreciate the extremely difficult fiscal situation we face and in reviewing FY 1976 A.I.D. program requirements a concerted effort has been made to keep spending down. Substantial reductions have been made in the levels originally proposed by our field missions and bureaus. We do, however, require a modest degree of relief from the OMB guidance level of \$2,254 million (excluding the Middle East) if we are to meet our highest priority foreign policy objectives. I am particularly concerned that OMB's level would not permit us to provide adequate levels of assistance to Vietnam and Latin America and meet minimal needs for other priority areas and functions--such as increasing food production.

I have carefully reviewed the budget proposals set forth in Dan Parker's letter to you of _____ and conditionally endorse the request for \$2,895 million. While it is probably adequate to meet our anticipated commitments (excluding new and extraordinary Middle East peace requirements), I am still concerned that we may be cutting the numbers too fine. When I return from Asia in early November I would like to raise this subject with you again as I am giving serious consideration to the need for slightly higher request levels.

The Honorable
Roy L. Ash,
Director,
Office of Management and Budget
Washington, D.C.



We are engaged in serious debate about the minimum level for Vietnam. We believe \$675 million is an absolute minimum requirement for Vietnam. This level is at the midpoint in the range of projections for fiscal year 1976 that I provided to the Congress. A lower level could have serious adverse political and economic repercussions in South Vietnam.

Our aid levels to Latin America should be maintained and, if possible, increased especially in the light of our lagging IDB contributions. Major advances have occurred in our relations with the Latin America countries; a reduction in the bilateral assistance program would undermine our improved relationship. Proposed FY 1976 levels are approximately the same as those proposed for fiscal year 1975.

Expanded Middle East programs were excluded from the OMB planning ceiling in view of uncertainties regarding the progress of the Middle East negotiations. At this juncture, I believe it prudent to include in the fiscal year 1976 budget the same levels of assistance we are proposing in fiscal year 1975 with the exception of Israel which should be increased to \$100 million. The imperatives of the further peace negotiations in the Middle East will require that the U.S. be in a position to play a constructive role which could involve additional assistance via a budget supplemental.



The A.I.D. budget presentation includes amounts for Public Law 480 commodities. I have reviewed the PL 480 budget request and strongly endorse the levels proposed by A.I.D. It is extremely important that we make very effort to maximize U.S. agricultural production so as to reduce current high food prices and to enable us to continue a well balanced food aid program. The PL 480 level must be adequate to enable us to meet both our political/economic commitments to key countries and to help alleviate hunger and food deficits in the poorest countries. As a first step I urge that provision be made in the FY 1976 budget for the 6,575,000 tons proposed for PL 480 Title I and II projected to cost \$1,244 million.

Henry A. Kissinger



Option B

State Proposal

Dear Roy:

I have carefully reviewed the fiscal year 1976 budget proposals set forth in Dan Parker's letter to you of _____.

I support fully his recommendations and urge that the budget include the full \$3,072 million requested.

I appreciate the extremely difficult fiscal situation we face and in reviewing FY 1976 AID program requirements a concerted effort has been made to keep spending down. Substantial reductions have been made in the levels originally proposed by our field missions and bureaus, but it is clear to me that the OMB guidance level of \$2,254 million (excluding the Middle East) is inadequate if we are to meet our highest priority foreign policy objectives. I am particularly concerned that OMB's level would not permit us to provide adequate levels of assistance to Vietnam and Latin America and meet minimal needs for other priority areas and functions--such as increasing food production.

\$725 million is an absolute minimum requirement for Vietnam. This level is consistent with the projections for fiscal year 1976 that I provided to the Congress. A lower level could have serious adverse political and economic repercussions in South Vietnam.

The Honorable

Roy L. Ash,

Director,

Office of Management and Budget

Washington, D. C.



Our aid levels to Latin America should be maintained and, if possible, increased especially in the light of our lagging IDB contributions. Major advances have occurred in our relations with the Latin America countries; a reduction in the bilateral assistance program would undermine our improved relationship. Proposed FY 1976 levels are approximately the same as those proposed for fiscal year 1975.

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The A.I.D. budget presentation includes amounts for Public Law 480 commodities. I have reviewed the PL 480 budget request and strongly endorse the levels proposed by A.I.D. It is extremely important that we make every effort to maximize U.S. agricultural production so as to reduce current high food prices and to enable us



to continue a well balanced food aid program. The PL 480 level must be adequate to enable us to meet both our political/economic commitments to key countries and to help alleviate hunger and food deficits in the poorest countries. As a first step I urge that provision be made in the FY 1976 budget for the 6,575,000 tons proposed for PL 480 Title I and II projected to cost \$1,244 million.

Henry A. Kissinger



Option A

A.I.D. Proposal

Dear Roy:

I have carefully reviewed the fiscal year 1976 budget proposals set forth in Dan Parker's letter to you of _____.

I support fully his recommendations and urge that the budget include the full \$2,895 million requested.

I appreciate the extremely difficult fiscal situation we face and in reviewing FY 1976 A.I.D. program requirements a concerted effort has been made to keep spending down. Substantial reductions have been made in the levels originally proposed by our field missions and bureaus. We do, however, require a modest but crucial degree of relief from the OMB guidance level of \$2,254 million if we are to meet our priority foreign policy objectives. I am particularly concerned that OMB's level would not permit us to provide adequate levels of assistance to Vietnam and Latin America and meet minimal needs for other priority areas and functions—such as increasing food production.

We are engaged in serious debate about the minimum level for Vietnam. We believe \$675 million is an absolute minimum requirement for Vietnam. This level is at the midpoint in the range of projections for fiscal year 1976 that I provided to the Congress. A lower level

The Honorable
Roy L. Ash,
Director,
Office of Management
and Budget
Washington, D. C.



could have serious adverse political and economic repercussions in South Vietnam.

Our aid levels to Latin America should be maintained and, if possible, increased especially in the light of our lagging IDB contributions. Major advances have occurred in our relations with the Latin America countries; a reduction in the bilateral assistance program would undermine our improved relationship. Proposed FY 1976 levels are approximately the same as those proposed for fiscal year 1975.

Expanded Middle East programs were excluded from the OMB planning ceiling in view of uncertainties regarding the progress of the Middle East negotiations. At this juncture, I believe it prudent to include in the fiscal year 1976 budget the same levels of assistance we are proposing in fiscal year 1975 with the exception of Israel which should be increased to \$100 million. The imperatives of the further peace negotiations in the Middle East will require that the U.S. be in a position to play a constructive role which could involve additional assistance via a budget supplemental.

The A.I.D. budget presentation includes amounts for Public Law 480 commodities. I have reviewed the PL 480 budget request and strongly endorse the levels proposed by A.I.D. It is extremely important that we make every effort to maximize U.S. agricultural production so as to reduce current high food prices and to enable us



to continue a well balanced food aid program. The PL 480 level must be adequate to enable us to meet both our political/economic commitments to key countries and to help alleviate hunger and food deficits in the poorest countries. As a first step I urge that provision be made in the FY 1976 budget for the 6,575,000 tons proposed for PL 480 Title I and II projected to cost \$1,244 million.

Henry A. Kissinger



NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NBR	INITIAL ACTION O
MO	DA	MO	DA	HR		
10	21	10	21	12	7404952	Kennedy

SOURCE/CLASS/DESCRIPTION

TO: PRES X
KISSINGER _____
SCOWCROFT _____
DAVIS _____FROM: KISSINGER, H PARKER, D
COLBY, W _____
SCHLESINGER, J _____
ST EX SEC _____

REFERENCE:

CIRCLE AS APPROPRIATE

S/S _____
OTHER _____UNCLAS LOG IN/OUT
LQU NO FORN NODIS
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S CODEWORD
TS SENSITIVE

SUBJECT:

AID ~~CONF~~ recom on Ly 76 AID Budget

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION

	ACTION	INFO
ADVANCE CYS TO HAK/SCOWCROFT		
STAFF SECRETARY		
FAR EAST		
SUB-SAHARAN AFRICA		
MID EAST / NO. AFRICA / SO. ASIA		
EUROPE / CANADA		
LATIN AMERICA		
UNITED NATIONS		
ECONOMIC <u>concerns</u>	X	
SCIENTIFIC		
PROGRAM ANALYSIS		
NSC PLANNING <u>Prime</u>	X	
CONGRESSIONAL		
OCEANS POLICY		
INTELLIGENCE		

REC
CY
FOR

ACTION REQUIRED

MEMO FOR HAK Scowcroft (X)
MEMO FOR PRES _____
REPLY FOR _____
APPROPRIATE ACTION _____
MEMO _____ TO _____
RECOMMENDATIONS _____
JOINT MEMO _____
REFER TO _____ FOR: _____
ANY ACTION NECESSARY? _____
CONCURRENCE _____
DUE DATE Asap

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
10/21/74	Kennedy	Scowcroft		Memo for HAK	
10/21		HAK	X	Decision	10-23 Horvats*
11/16				Action taken per Scowcroft	
11/16			C	Action completed per Scowcroft	

NSC/S DISP INSTR

DISPATCH _____
CY RQMTS: SEE ABOVE PLUS: _____
NOTIFY _____ & DATE _____ BY _____
SPECIAL DISPOSITION: _____
CROSS REF W/ _____
SUSPENSE CY ATTACHED: _____ FOLDER: _____

MICROFILM & FILE RQMTS:

M/F'D _____ BY _____
NOV 18 1974
CRT ID: _____ SA SF
OPEN _____ HP NS
CLOSE m22 WH EP
PA DY



DEPARTMENT OF STATE
BRIEFING MEMORANDUM

7423512 H^{2a}

S/S *M*

CONFIDENTIAL

Date 11/30/74

TO: The Secretary

FROM: H - Linwood Holton *LB*

Foreign Aid Bill

Attached is a comparative breakdown of the provisions of the Foreign Assistance Act approved by the Senate Foreign Relations Committee on November 26.

Senator Humphrey, who will manage the Bill, would like to "blitz" it through the Senate floor, just as he had through the Committee. He would like to schedule floor action for the latter part of next week. To do so, he needs:

- a) Administration support for Senate passage of the Bill "as is", reserving to the conference those issues which we want adjusted; and
- b) some sort of arrangement with Eagleton on Turkey to forestall a fatal floor fight on this issue.

Without these, he believes the Bill will be defeated and he would, therefore, be reluctant to take it to the floor. At the same time, he feels that if he does not move quickly, momentum will be lost, the Bill will be scheduled after

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DECLASSIFIED
E.O. 12356, Sec. 3.4

NR 94-60, # 3 State Ltr. 7/26/99
By *KBH* NARA, Date 8/15/99



the Trade Bill and the Rockefeller nomination at best, and opponents will have time to marshal forces for obstructionist floor amendments.

We believe that Senator Humphrey's tactics are sound and that our best course is to support him at this juncture.

Note: Since committee markup was in closed session, our knowledge of the provisions of the Bill should not be made known until the committee report is released -- probably on Monday, December 2.

Attachment:

Senate Foreign Relations Committee Action
on Foreign Assistance Bill

Clearance: AID - Mr. C. Russell (draft *SC*)

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T:JMichael/H:SGoldberg:tmp
11/30/74 x29352 *SC*

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26

SENATE FOREIGN RELATIONS COMMITTEE ACTION ON
FOREIGN ASSISTANCE BILL

INTRODUCTION

Approval by the Senate Foreign Relations Committee of a revised foreign assistance bill on November 26 is an important first step toward enactment of legislation needed to support a variety of U.S. foreign policy interests. Foreign assistance legislation is especially needed to carry out planned activities in the Middle East, to provide increased funding for Indochina postwar reconstruction, to help Cambodia meet an intense military threat to its survival, and to resolve lingering questions of Turkish eligibility for military assistance and sales.

The bill approved by the Foreign Relations Committee is a distinct improvement over the legislation recommitted by the Senate in October. Funding levels have been increased in several categories; some restrictions on Presidential authorities have been eliminated or modified; some desirable provisions from the House bill have been added; and numerous technical improvements have been made. A number of problems remain, although opportunities will exist for solving some of them at later stages in the legislative process. On balance, it would appear that the prospects for acceptable legislation are sufficient to warrant Administration support for Senate passage of the Committee's bill. The alternative, a continuing resolution for the remainder of the fiscal year, would be difficult to attain, would not provide needed new authority and increased funding, and would not avoid policy restrictions which Congress might wish to impose.

This memorandum describes the provisions of the Committee bill and compares those provisions with the earlier Senate bill as well as Administration objectives. Comments on prospects for achieving Administration objectives not met by the Senate bill are offered on important issues. In this regard, although the Committee did not approve all of the changes from its earlier bill that we had requested, we have received assurances that at least some of our major concerns will be satisfied in conference with the House.

LIMITED OFFICIAL USE



ECONOMIC ASSISTANCE

A. Development Assistance

1. Food and Nutrition. The Committee bill authorizes \$530 million. The Committee had earlier approved \$491 million, which had been increased to \$526 million on the Senate floor. The Administration originally requested \$546 million.

2. Population and Health. The Committee bill authorizes \$165 million, as did the earlier Senate bill. This \$20 million increase from the existing authorization was not requested by the Administration.

3. Education and Human Resources. The Committee bill authorizes \$92 million. This is unchanged from the earlier Senate bill.

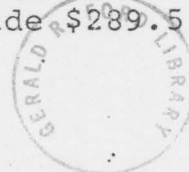
4. Housing and Other Credit Guaranty Programs. The face amount of housing loans which may be guaranteed is increased from \$305 million to \$405 million. This provision is the same as the earlier Senate bill. The increase, intended primarily for Israel, was not requested by the Administration.

In addition, the Committee adopted a desirable House bill provision, not included in the earlier Senate bill, which transfers responsibility for certain guaranty programs from OPIC to AID. This will reduce the number of issues to be resolved in conference.

5. International Organizations and Programs. The Committee retained the provision in the earlier Senate bill, which increases the existing authorization from \$150 million to \$186.9 million to provide additional funds for UNWRA, UNDP and UNICEF. The Administration had requested an increase of only \$3.9 million.

B. Security Supporting Assistance

The Committee has approved a level of \$675 million, which is \$89.5 million more than the earlier Senate bill. It includes \$250 million for Egypt, \$339.5 million for Israel, and \$77.5 million for Jordan. The Administration had requested \$385.5 million. The increases provide \$289.5 million in additional funds for Israel.



C. Disaster Relief

The Committee bill incorporates a desirable floor amendment to the earlier Senate bill which makes \$110 million in loan repayments available for use in Bangladesh, Cyprus, and the drought stricken nations of Africa. Any remaining balance of the \$110 million will be available for future large scale disasters. In the absence of this amendment, the loan repayments would have to be deposited in the miscellaneous receipts of the Treasury.

D. Indochina

1. Indochina Postwar Reconstruction (IPR). The Committee has approved an authorization of \$617 million. It had earlier authorized \$550 million, which had been reduced on the floor to \$515 million. The Administration had originally requested \$939.8 million, and more recently had established an objective of \$650 million.

The prospects for retaining the \$617 million level in conference are uncertain as the House bill provides for \$573.4. A conference result of approximately \$600 million seems likely. There is a provision in the House bill which, unlike the Senate bill, permits other development funds to be used in Indochina.

2. Country Ceilings. The Committee has retained the ceilings on economic, military and food assistance set out in the earlier bill, although the amounts are increased to provide for the increased IPR level. The figures in the Senate bill are \$1.27 billion for Vietnam, \$337 million for Cambodia; and, \$70 million for Laos.

A provision has been adopted which excludes population, narcotics, and certain other programs from the ceilings. There is a good chance that ceilings on military assistance to Vietnam and on PL 480 assistance to Vietnam, Laos and Cambodia will be eliminated in conference. The House is expected to be sensitive to these intrusions into the jurisdiction of other committees. The special problems caused by the \$200 million ceiling on military assistance to Cambodia are discussed below in the section dealing with military assistance.



The Committee has also retained the earlier personnel ceilings for Vietnam and Cambodia. Personnel, including contract employees, in Vietnam must be reduced to 3,000 within one year, and the ceiling of 200 Americans and 85 third country nationals in Cambodia is retained.

The bill modifies those ceilings so as to exclude from them voluntary agency personnel in both countries and also to exclude contractor personnel in Cambodia. In addition, earlier approved provisions requiring future personnel reductions in Cambodia have been deleted.

3. Allocations. Like the earlier Senate bill, the new Committee bill allocates specific amounts within each economic assistance ceiling to particular kinds of activities and projects. However, the Committee has provided authority for transfer of funds between projects and activities. This change, together with the increased IPR level, makes the allocations far less troublesome.

E. Middle East

1. Special Requirements Fund. Like the earlier Senate bill, the Committee has authorized \$100 million for a Special Requirements Fund and has required uses of that Fund involving obligations in excess of \$1 million to be reported to Congress. The Fund will be available for economic assistance needs arising from time to time in the Middle East. However, the earlier Senate bill had provided that such proposed obligations could be disapproved by resolution of either House within thirty days of continuous session of Congress. The Committee's revision requires a concurrent resolution of both Houses within thirty calendar days to effect disapproval of proposed obligations. This improvement is expected to be retained in conference.

2. Miscellaneous. Other essential elements of the Administration's legislative request have been retained. Technical improvements have been made in the general authority section and the supporting assistance allocation has been adjusted to reflect the additional amount provided for Israel.



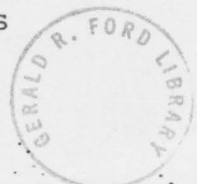
MILITARY ASSISTANCE AND SALESA. Military Assistance Program (MAP)

1. Map Authorization. Like the earlier Senate bill, the Committee revision authorizes \$550 million. The Administration originally requested \$985 million. It has been concluded that an additional \$150 million will be the minimum required to meet Cambodian needs and still carry out an effective grant program for other countries. The House bill authorizes \$645 million (excluding a special House provision for Israel). Thus, a conference result in excess of \$600 million is unlikely. The best chance for overcoming the \$100 million shortfall is to obtain Congressional approval for use of the drawdown authority in Cambodia. This is discussed in the following paragraph.

2. Draw Down Authority. The Committee revision follows the earlier Senate bill in repealing the draw down authority, which the Administration had requested be renewed for FY 1975.

Senate staffers had been persuaded to recommend an exception of up to \$150 million to the Cambodia ceiling for military assistance under the draw down authority. Senator Humphrey declined to accept this recommendation in Committee because he felt it would jeopardize Senate passage of the bill. He has assured us, however, that he will restore the draw down in conference. Because the House opposes use of the draw down authority in Cambodia, it may be difficult to achieve the desired result in conference.

3. Military Assistance for Vietnam. The Committee bill retains the requirement for transfer of military assistance for Vietnam from the DOD budget to MAP, beginning in FY 1976. Because the House bill contains an identical provision, deletion of this requirement in conference is unlikely. Secretary Schlesinger has talked to Senator Stennis on this score but received no encouragement. It appears that only strong intervention by the President with Senator Stennis and with the Foreign Relations Committee offers hope of preventing enactment of this provision. Unless Congress is responsive to such requests from the President, it is unlikely that this program will not be included in the DOD budget next year whether or not the foreign assistance bill is enacted.



4. MAP Phaseout. The Committee revision retains the provision in the earlier Senate bill requiring a phaseout of the MAP materiel program over the next three years. Senate staffers have assured us this requirement will not be pressed by the Senate in conference.

5. Payment of MAAG costs by MAP. The Committee has retained the requirement in the earlier Senate bill that MAAG costs be paid by MAP. However, the Committee has deferred the effective date of this provision until FY 1976. This results in a saving to MAP in excess of \$75.3 million for FY 1975.

6. Stockpiling. The Committee revision retains the prohibition against the use of funds other than those for military assistance to stockpile for military assistance purposes.

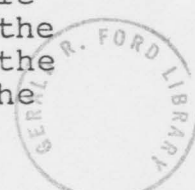
B. Foreign Military Sales (FMS)

1. General. The Committee revision contains without change the clarification of eligibility. The limitation on sales of commercially available items to developed countries, the criteria for credits and guaranties, the authority to guarantee Federal Financing Bank loans, and program ceiling of \$872.5 million which were included in the earlier Senate bill.

2. FMS Authorization and Guaranty Reserve. The Committee has adopted the Administration's request for a reduction in the guaranty reserve requirement from 25% to 10% of each guaranteed loan. This was not included in the earlier Senate bill or in the House bill. The authorization has been reduced from \$455 million to \$405 to reflect the lower cost of guaranties. The net result is a slight increase in the Executive Branch flexibility in determining the appropriate mix of direct credits and guaranteed private loans.

C. Human Rights

1. General. The Committee bill retains the earlier Senate requirement for an annual report on Administration implementation of aid cutoffs to countries with political prisoners. We have been assured that this objectionable provision can be eliminated in conference in favor of the acceptable House provision. It is also possible that the House provision might be added to the Senate bill on the floor.



2. Korea. The Committee bill retains the provisions of the original Senate bill calling for MAP and FMS ceilings for Korea and a phaseout of both MAP and FMS for that country over the next three years. We have staff level assurances that these restrictions can be modified in conference to eliminate the ceiling and phaseout for FMS. This understanding should be confirmed with members of the Committee as a condition of Administration support for the bill. The House bill contains only a MAP ceiling for FY 1975. However, floor action by Congressman Fraser to add an FMS ceiling is possible. Unless we are able to persuade Mr. Fraser to refrain from this course of action, the differences between the House and Senate bills on this issue might be minimized to the point where a favorable conference outcome would be difficult.

3. Chile. The Senate bill retains the Kennedy amendment, limiting economic assistance to Chile to \$55 million in FY 1975 and prohibiting military grants or credits. Prior to markup, Senator Kennedy had informed Senator Humphrey, who will be the floor manager of the bill, that he (Kennedy) would vigorously oppose the bill unless this provision was retained.

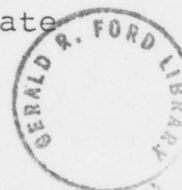
The House bill permits MAP training but prohibits FMS sales and credits as well as the issuance of export licenses for commercial military sales, unless the President certifies that Chile is making fundamental improvements in the field of human rights. Even then, FMS credits and guarantees are limited to \$10 million for FY 1975.

It may be possible in conference to eliminate commercial sales from the purview of the Chile restriction and to obtain authority to make up to \$10 million in FMS credits available, subject to certification that human rights improvements are being made. However, this will require a determined effort by the Administration at the highest levels.

GENERAL PROVISIONS

A. Restrictions on Assistance to Certain Countries

1. South Asia. The Committee bill eliminates the restriction on military assistance and sales to South Asia contained in the original Senate bill. This will facilitate efforts in conference to eliminate the House provision limiting economic assistance to India.



2. Turkey. The Committee bill is silent with respect to Turkey. However, Senator Humphrey is reluctant to bring the bill to the floor until an effort is made to resolve this issue with Senator Eagleton. Senator Humphrey has offered to be helpful in proposing an acceptable provision on Turkey if it is impossible to reach an accommodation with Senator Eagleton.

The provision in the House bill conditions assistance and sales to Turkey upon a Presidential determination that Turkey is making substantial good faith efforts to achieve a negotiated solution. This would be acceptable to us. However, it will be necessary to seek to accommodate Congressmen Brademas, Rosenthal and others on this issue.

3. Greece, North Vietnam and Cuba. The Committee bill adopts a House provision which repeals the limitation on assistance to Greece. It also provides Presidential waiver authority to permit assistance to countries engaged in trade with North Vietnam or Cuba. These provisions provide greater authority to the Executive Branch and reduces the number of conference issues.

B. Prohibiting Police Training

The Committee has retained the prohibition against the use of foreign assistance funds for police training contained in the original Senate bill. However, it has adopted clarifying language requested by the Executive Branch.

C. Transfers and Waivers

1. Transfer between accounts. The Committee bill retains the prohibition against the use of section 610 transfer authority to augment MAP appropriations. The legislative intent will be clarified in the Committee report in accordance with an Executive Branch request.

2. Section 614, Waiver Authority. The Committee bill restores the President's waiver authority which had been repealed by the original Senate bill. The authority is limited so that it may not be used to exceed certain fund transfer limitations. However, this is not a significant restriction.



D. Limiting Intelligence Activities

The Committee bill retains the requirement for Presidential authorization of covert operations and reports thereon to Congress. However, the language adopted by the Committee incorporates all of the technical changes requested by CIA. It would appear likely that this formulation will be retained in conference because of comparable provisions in the House bill. The constitutional issue would appear to be capable of being dealt with in a signing statement.

E. Miscellaneous

1. ICCS Vietnam. The Committee has retained the authorization for ICCS funding contained in the original Senate bill. This provision is identical to the authorization request submitted to Congress by the Executive Branch.

2. \$5 Billion Foreign Assistance Ceiling. The Committee bill eliminates the ceiling contained in the original Senate bill and will participate in efforts to avoid reinstitution of this provision on the Senate floor.

3. Other Floor Amendments Omitted. The Committee has omitted from its bill floor amendments relating to appointments of ambassadors, political contributions, PL-480 limitations and foreign gifts. None of these amendments was favored by the Executive Branch.





DEPARTMENT OF STATE

Washington, D.C. 20520

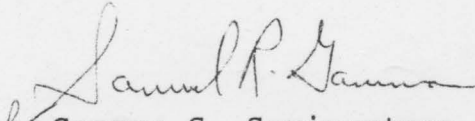
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February 10, 1975

MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Issue Paper on Foreign Aid

Enclosed is an issue paper on foreign aid for the Secretary of State to use in his briefing with the President.


George S. Springsteen
Executive Secretary

Enclosure



FOREIGN AID

IMMEDIATE CONGRESSIONAL ISSUES

BACKGROUND

During the last two years, Congress has substantially restructured the U.S. foreign assistance program.

- In the 1973 Foreign Assistance Act, Congress initiated new directions for development assistance programs and authorized funds for programs in Food Production and Nutrition, Population, Health, Education.
- The 1974 Authorization Act reflects broad consensus supporting not only traditional humanitarian concerns but also heightened awareness of world food and population problems. Traditional hostility to the development program diminished markedly, with relatively minor funding cuts. Few legislative restrictions were attached to that portion of the Bill. At the same time, there was an erosion of support for Indochina and Military Assistance Programs. Both were sharply cut and a number of onerous restrictions and Congressional directives were added.

It is important to promote a comprehensive Congressional support for both the Security/Military and development aspects of the program in order to achieve the Administration's foreign policy objective.

The following three issues deal with immediate practical legislative problems that arise in this context and need to be resolved effectively in order to build a broader base of Congressional support.

CONGRESSIONAL ACTION ON FY 1975 APPROPRIATIONS

ISSUES AND CHOICES

Authorizing legislation for foreign aid was signed into law December 30. An Appropriation has not been enacted and A.I.D. is under a continuing resolution. There are three outstanding Congressional issues:



- Enactment of the \$522 million Military Supplemental for Cambodia/Vietnam.
- Full appropriation of funds for the Middle East, Indochina and the development--especially food/nutrition--programs.
- Administration decision on a budget amendment and subsequent Congressional action on increased amounts for Israel and Portugal. (OMB is preparing a recommendation on this question.)

NEXT STEPS

- Full funding of authorized amounts for economic assistance to Indochina and the Middle East is essential and it is important to work closely with Chairman Passman to obtain this objective.
- The issue on the budget amendment must be resolved prior to February 18 when Chairman Passman plans to "mark-up" the Bill.
- We should approach Passman on how best to link the the Vietnam/Cambodia military supplemental with the increase for Israel stressing that these programs are interrelated in avoiding political instability which threatens international peace and security.

STRUCTURE OF THE FY 1976 FOREIGN ASSISTANCE LEGISLATION

THE SITUATION NOW

March 1 is the target date for transmittal of foreign aid legislation for FY 1976. It is necessary to decide the structure of the legislation in order to optimize passage of all elements of the program. It is clear that both House and Senate Committees intend to proceed with two, possibly more, separate Bills. Congressman Zablocki, with limited bi-partisan support from his committee has already introduced a separate Bill covering development assistance, disaster relief, and PL 480. House Foreign Affairs remains divided on whether economic assistance for Indochina and the Middle East should be packaged with military programs. Senate Foreign Relations is considering the same problem.



ISSUES AND CHOICES

The issue is (1) do we send forward one Bill (as last year) amending the Foreign Assistance Act, or two Bills for separate vote and (2) if we split the Bill do we do it on the basis of Development and Security Assistance or Military and Economic Assistance.

If the Administration presents one Bill, it will probably be split in any event.

If the Administration presents two Bills, the options are:

1. Development vs Security

Development Assistance and Disaster Relief in one Bill; Supporting Assistance for the Middle East, Indochina Postwar Reconstruction, Military Assistance and Foreign Military Sales in the other.

2. Economic vs Military

Development Assistance, Supporting Assistance for the Middle East and Indochina Postwar Reconstruction in one Bill; Military Assistance and Foreign Military Sales in the other.

Option 1

The Development/Security split involves a Security program twice the size of development which may invite large cuts and/or give rise to reallocations of funds from "security" to development objectives. However, it puts the entire popular Israel program together with military programs and Indochina Economic Assistance.

Option 2

The Economic/Military split provides budget levels of approximately same size and it has the further advantage of linking all Economic Assistance programs together in one Bill and will concentrate attention on development objectives in those countries where we have a strong security interest.



NEXT STEPS

Interagency review of these options and strategies are underway, and a prompt decision is needed.

FY 1977 AUTHORIZATION REQUEST STRUCTURE AND LEVEL

THE SITUATION NOW

The new budget act requires that we send authorization proposals for FY 1977 forward with those for FY 1976, providing the basis for a two-year authorization, FY 1976-1977.

In regard to authorization requests for FY 1977, the Administration must decide whether to (a) propose specific amounts or (b) propose "amounts as may be necessary."

- For development accounts it makes sense to ask for two-year authorization of specific amounts since (a) Congress has responded favorably to this approach in FY 1974-1975, (b) we have developed a defensible estimate of requirements and (c) if successful, we avoid confrontation over a major part of foreign aid in an election year.
- For Indochina and Middle East accounts it makes sense not to specify amounts since (a) FY 1977 requirements depend upon future political and security developments in these areas, (b) we should steer Congress away from setting limits for FY 1977 that would be inadequate, (c) it makes it easier to later alter the request level.

An open-ended request for Indochina and the Middle East could antagonize Congressional critics. We believe this can be explained by pointing to the technical requirements of the budget act and by indicating Administration willingness to accept a single year authorization for Supporting Assistance and Indochina programs.

NEXT STEPS

Both issues will need to be addressed and resolved during the legislative clearance process.



FY 1976 AID INITIATIVES REQUIRING LEGISLATIVE ACTION

BACKGROUND

A.I.D. has developed and proposed four legislative initiatives for FY 1976 which have been staffed out within the Executive Branch and were included in A.I.D.'s FY 1976 Budget Submission to OMB.

- Permanent authorization for a disaster relief fund and a contingency fund with \$20 and \$10 million ceiling on each, respectively. Replenishment would require only appropriation action.
- Special authorization for a major agricultural research effort that would provide assurance of long-term funding and highlight the importance of this activity for increasing developing country agricultural production.
- Enactment of a new guaranty authority to help more advanced less developed countries gain access to United States' long-term capital market to secure funds for development activities and thus reduce their dependence on concessional assistance.
- Under existing authority, develop with other bilateral and multilateral donors a comprehensive and long-term development program for the Sahel region of Africa.

These initiatives do not involve FY 1976 budget issues since there is no additional impact on expenditures.

THE SITUATION NOW

The four initiatives have been incorporated in draft legislation that will be sent forward to OMB for legislative clearance.

ISSUES AND CHOICES

The only controversy relates to the borrowing guaranty authority. This proposal has been staffed out with OMB and Treasury but we await final clearance.



NEXT STEPS

Final Administration endorsement.

DEVELOPMENT COORDINATION COMMITTEE

BACKGROUND

The FAA of 1973 enacted in December 1973, created a new Development Coordination Committee to coordinate U.S. programs and policies which affect U.S. interest in the development of low income countries. The A.I.D. Administrator is to chair the Committee and it includes representatives from State, Treasury, Commerce, Agriculture and Labor as well as the Executive Office of the President.

Interest in the creation of such a Committee reflects Congressional concern regarding the adequacy of inter-agency coordination.

THE SITUATION NOW

A draft Executive Order awaits Presidential signature.

NEXT STEPS

It is important that the Executive Order be signed prior to hearings on FY 1976 legislation.



4a

SCHEDULE PROPOSAL

DATE: February 14, 1976
 FROM: Brent Scowcroft
 VIA: William Nicholson

THE WHITE HOUSE
 WASHINGTON

MEETING: With Dan Parker on Guatemala earthquake situation and US relief efforts.

DATE: Monday, February 16.

PURPOSE: To receive Dan Parker's report following his trip to Guatemala as your personal emissary and discuss with him further assistance.

FORMAT: - Oval Office
 - Dan Parker
 Herman Kleine, Deputy Administrator, AID,
 for Latin America
 Brent Scowcroft
 - Fifteen minutes

CABINET PARTICIPATION: None

SPEECH MATERIAL: Talking points to be provided by NSC.

PRESS COVERAGE: Meeting to be announced; press photo session.

STAFF: Brent Scowcroft

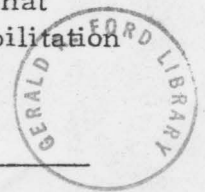
RECOMMEND: Brent Scowcroft

OPPOSED: None

PREVIOUS PARTICIPATION: Dan Parker briefed you on the Guatemala earthquake situation Friday, February 6.

BACKGROUND: On February 11 you asked that Parker go to Guatemala to study the situation and report to you. He left early Thursday morning and is due to return late Friday evening. As a result, he should be able to give you his first-hand impressions and a clearer idea of what will be required in terms of the longer term rehabilitation and reconstruction effort.

APPROVE _____ DISAPPROVE _____



4b
NATIONAL SECURITY COUNCIL

884

February 13, 1976

FOR BILL NICHOLSON

FROM: Jeanne W. Davis *JWD*

Attached is a copy of our SP recommending that the President see Dan Parker to report on his trip to Guatemala on Monday, February 16, which is pending approval. As you will recall, he met with the President on February 6 and this is a follow-up to the meeting.



MEMORANDUM

884

4C HHH
RCM

NATIONAL SECURITY COUNCIL

ACTION

February 12, 1976

MEMORANDUM FOR: BRENT SCOWCROFT

FROM: STEPHEN LOW *SL*

SUBJECT: Schedule Proposal for Meeting with
Dan Parker

Attached is a Schedule Proposal recommending the President meet with Dan Parker on the latter's return from Guatemala in order to receive his report and discuss follow-on actions.

RECOMMENDATION:

That you initial the Schedule Proposal at Tab A.



DOC		RECD			LOG NBR	INITIAL ACTION OF
MO	DA	MO	DA	HR	7600884	
2	12	2	12	19		

SOURCE/CLASS/DESCRIPTION

TO: PRES _____
KISSINGER _____
SCOWCROFT _____
DAVIS _____

FROM: KISSINGER, H _____
COLBY, W _____
SCHLESINGER, J _____
ST EX SEC _____

REFERENCE:

CIRCLE AS APPROPRIATE

UNCLAS	LOG IN/OUT	
LOU	NO FORN	NODIS
C	EYES ONLY	EXDIS
S	CODEWORD	
TS	SENSITIVE	

SUBJECT:

SP for Pos mts w/ Dan Parker on Feb 16
bus trip to Guatemala

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION

ACTION	INFO.
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REC
CY
FOR

ACTION REQUIRED

MEMO FOR HAK (_____)

MEMO FOR PRES (_____)

REPLY FOR _____ (_____)

APPROPRIATE ACTION (_____)

MEMO _____ TO _____ (_____)

RECOMMENDATIONS (_____)

JOINT MEMO (_____)

REFER TO _____ FOR: _____ (_____)

ANY ACTION NECESSARY? (_____)

CONCURRENCE (_____)

DUE DATE: _____

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

DATE	FROM	TO	\$	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
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2/12	Script A	Sgn SP to Nicholson (2/17)
2/14	NBC/S D	Seaverolt sgn SP to Nicholson
2/27	C	Action Completed

SUBSEQUENT ROUTING/ACTIONS

DISPATCH (D) (V) (A) B 2-14

CY RQMTS: SEE ABOVE PLUS:

NOTIFY _____ & DATE _____ BY _____

SPECIAL DISPOSITION:

CROSS REF W/

SUSPENSE CY ATTACHED: X FOLDER:

MICROFILM & FILE RQMTS:

M/F/D BY

CRT ID: 575

OPEN MARK

CLOSE _____

PA DY

(NSC 75-22)
(575-600)

5

THE WHITE HOUSE

WASHINGTON

MEETING WITH DANIEL PARKER FOR REPORT ON HIS TRIP TO GUATEMALA

Monday, February 16, 1976

11:30 a.m. (15 minutes)

The Oval Office

From: Brent Scowcroft

I. PURPOSE

To receive Dan Parker's firsthand report on the situation in Guatemala after his visit there last week as your emissary.

II. BACKGROUND, PARTICIPANTS & PRESS ARRANGEMENTS

A. Background: Last Wednesday, February 11, Ron Nessen announced that you had asked Dan Parker to go to Guatemala to survey the situation and report back to you about it and the progress of our relief efforts there. He left early Thursday morning and returned Friday night. The highlights of his conclusions are as follows:

The loss in Guatemala was essentially a personal one: of human life and housing, as distinct from the recent Honduras typhoon where the country's economic capacity was badly damaged. This was a rural disaster primarily affecting the poor because of the construction of the houses.

Following the first shock and trauma of the earthquake, the Guatemalan people and Government have begun to pull themselves together and are now responding with vigor. They are completing the process of sorting out the rubble and some rebuilding has begun.

The U.S. relief effort has been impressive and reassuring. Our help was timely and effective. In many cases our helicopters were the first help received by isolated towns and villages. Now other help is beginning to come in, particularly from Central America.



The productivity of the economy in Guatemala has not been badly damaged but it will be strained by the added burden placed upon it. The government has decided not to sacrifice its development effort for the demands of relief and rehabilitation. What is needed is help to permit the Guatemalans to help themselves. It is particularly urgent to move promptly because of the expected onset of the rainy season in mid-May which will last until November. Not only is housing needed, but the roads must be cleared and repaired or they will be further damaged by the rains.

Tremors are apparently continuing and Parker will want to discuss some further information on this subject with you.

Parker is planning to brief the Senate Foreign Relations Committee this afternoon.

- B. Participants: Daniel Parker, Administrator of AID and Special Coordinator for International Disaster Assistance;
- Herman Kleine, Deputy AID Administrator for Latin America;
- Major Marshall Carter, USMC, White House Fellow;
- Brent Scowcroft
- C. Press Arrangements: Press photo session. Meeting to be announced.

III. TALKING POINTS:

1. I want to thank you for responding so promptly to my request to go to Guatemala and examine the situation there and our efforts to relieve the human suffering.
2. What were the impressions you received?
3. I am impressed at the prompt and effective response to this tragedy on the part of both public and private organizations in this country.
4. We should continue our assistance, trying to help the Guatemalans help themselves.



5. I think we should take this occasion, too, to examine the broader question of our response to disasters of this kind. We will undoubtedly be called upon again to respond to future disasters. Therefore, as soon as the immediate crisis is over I would like you to examine how we can strengthen our capacity to deal with this kind of thing:

- (a) to take a look at how we can be best prepared for quick assessments and prepackaged assistance
- (b) to examine how we are coordinating our efforts with state and local governments and private organizations involved in disaster relief
- (c) finally, to see whether we can do more in terms of disaster prediction and preparation for it by more sturdy building.



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

Gen S. & Bud^{6a}
have seen
Ed

ASSISTANT
ADMINISTRATOR

May 10, 1976

Mr. Donald G. Ogilvie
Associate Director
National Security & International Affairs
Office of Management and Budget
Washington, D. C. 20503

Dear Don:

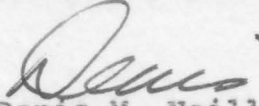
This letter follows our discussion this afternoon and repeats my urgent request that the Office of Management and Budget send to the Congress proposed authorizing legislation for emergency assistance to Italy as well as the proposed supplemental appropriation request.

It is my judgment that an appropriation waiving the requirement for authorizing legislation would be most unwise on our part, and it would be offensive to the Senate Foreign Relations Committee and the House Committee on International Relations. This "bypass" provision was stricken from H.R. 12203, the FY 1976 foreign assistance appropriations bill, on the House floor. In the past, the Senate Foreign Relations Committee has consistently insisted that such a provision not be included in bills reported by the Senate Appropriations Committee.

We have been very hopeful that the authorizing committees would substantially modify S. 2662 to make that bill acceptable to the President. The members of those committees appear to be leaning our way and it seems to be politically unwise to anger them at this time.

For your convenience, I have enclosed a draft authorization bill and a draft section-by-section analysis.

Sincerely yours,


Denis M. Neill
Assistant Administrator
for Legislative Affairs

✓ cc: General Scowcroft



A BILL

To amend the Foreign Assistance Act of 1961 to provide emergency relief, rehabilitation and humanitarian assistance to the people who have been victimized by the recent earthquake in Italy.

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 "Italy Relief and Rehabilitation Act of 1976".

SEC. 2. Chapter 9 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 495B. ITALY RELIEF AND REHABILITATION.--(a) The Congress, recognizing that prompt United States assistance to alleviate human suffering caused by natural disasters is an important expression of the humanitarian concern and tradition of the people of the United States, affirms the willingness of the United States to provide assistance for the relief and rehabilitation of the earthquake-stricken people of Italy.

"(b) The President is authorized to provide assistance on such terms and conditions as he may determine, and subject to the policy and general authority of section 491 of this Act, for the relief and rehabilitation of the people who



have been victimized by the recent earthquakes in Italy.

"(c) There is authorized to be appropriated to the President to carry out the purposes of this section \$25,000,-000 for the fiscal year 1976, which amount is authorized to remain available until expended.

"(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 Italy may be charged to the appropriations authorized under this section.

"(e) Not later than sixty days after the date of enactment of this section, and at the end of each quarter 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 programing and obligation of funds under this section."



SECTION-BY-SECTION ANALYSIS OF THE PROPOSED
ITALY RELIEF AND REHABILITATION ACT OF 1976

The major purpose of the proposed Italy Relief and Rehabilitation Act of 1976 is to provide authorization for appropriations for disaster relief and rehabilitation activities necessitated by the earthquake in Italy. The bill would amend the Foreign Assistance Act of 1961 (the Act) for that purpose.

Section 2 would add a new section 495B to Chapter 9 of Part I of the Act, relating to international disaster assistance.

Subsection (a) contains a finding by the Congress that United States assistance is necessary to alleviate human suffering arising from the earthquake in Italy and to that end authorizes the President to furnish assistance for the relief and rehabilitation of the earthquake in that country.

Subsection (b) 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 procedures and U.S. shipping requirements, which might impair the relief and rehabilitation efforts.

Subsection (c) authorizes the appropriation of \$25 million for the FY 1976 to carry out the purposes of the section. Amounts made available would be authorized to remain available until expended.



Subsection (d) permits obligations incurred against other appropriations or accounts prior to the enactment of this bill to be charged to the special disaster relief appropriation for the people of Italy. For example, the Agency for International Development has already obligated funds from its regular disaster relief account in connection with the Italian earthquake, and these amounts should most properly be charged to the new appropriation.

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 programming and obligation of funds authorized by the section. The first report would fall due sixty days after enactment of the legislation to carry out the section and subsequent reports would be required on a quarterly basis thereafter until the program has been completed.



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

THE ADMINISTRATOR

October 7, 1976

70
① Bud
② Bill H.
③ Ken S.
Les Parka Lacey.
Ed File

MEMORANDUM FOR HONORABLE BRENT SCOWCROFT
Assistant to the President
for National Security Affairs
The White House

SUBJECT: Foreign Assistance Policy Issues -- Questions and
Answers

The attached potential questions and answers relating to the U.S. foreign assistance program were transmitted by wire to California on October 6 in anticipation of debate issues. These issues were not, in fact, raised during the October 6 debate.

However, although far from exhaustive, this material may be useful in responding to questions which could be raised in subsequent campaign appearances. Thus, I felt it might be useful to have them available.

The questions selected represent many of the major charges frequently levelled at the administration of our aid programs.

If you feel that further expansion on these and other potential issues would be useful, we are prepared to do so.

Dan
Daniel Parker

Attachment:
Questions and Answers on Foreign Policy Issues



Allegation:

Aid and trade policies are inadequately integrated.

Response:

- The critical interdependence of aid, trade and investment has been clearly recognized and dealt with assertively by this Administration.
- Secretary Kissinger has given pointed emphasis to the need for improved trade and investment opportunities as part of the critical challenge of development on numerous occasions including the UN General Assembly meetings, the recent Seventh Special Session of UNGA, and the UN Trade and Development Conference in Nairobi.
- During this Administration, we began implementation of the new Generalized System of Preferences (GSP) which recognizes the critical needs of the developing nations and forges closer links between trade and development by providing special trade preferences for LDCs. We will be aggressively pursuing these concepts in the current and upcoming multilateral trade negotiations as well as in the Development Assistance Committee of the OECD and the Committee on International Economic Coordination.
- AID, within its legislative mandate, is now stimulating reimbursable technical services projects in those countries which are able to pay for their own development assistance needs. Such programs will result in increased trade and investment opportunities for the U.S. private sector in the developing countries.



Allegation:

- AID technical assistance is fragmented and unfocused on real needs.

Response:

- The U.S. technical assistance program has been increasingly redirected to focus on the most intractable of the development problems -- hunger, over-population, poor health and illiteracy.
- In addition to the redirection of our programs toward the poor majority, we have introduced new and innovative technical assistance programs which exploit U.S. science and technological capabilities in solving these difficult and complex development problems.
- In one of AID's major areas of concentration -- increasing food production and nutrition -- the Agency relies very heavily on hundreds of U.S. agricultural universities and institutions for agricultural research and development and assistance in implementation of agricultural programs in the developing countries.
- Working closely and cooperatively with the National Aeronautics and Space Administration, the National Oceanic and Atmospheric Administration and other U.S. Executive Branch agencies, and as well the private sector, AID has introduced a new worldwide communications satellite program -- AIDSAT -- which will provide the developing countries with innovative approaches to improving basic health and family planning services, agricultural production and educational systems.
- AID is also assisting the developing nations through technical assistance and training to utilize LANDSAT satellite photography in improving agricultural production, water and mineral resources exploration, mapping and transportation, etc.



Allegation:

AID is not sufficiently involving the American public in its programs.

Response:

- AID administers many of its programs in the field through private and voluntary organizations, most notably over the years in food for peace and disaster relief programs.
- Over the past several years, AID has developed new programmatic approaches for increasing the involvement of, and support to, the private and voluntary organizations in a broader spectrum of overseas development programs.
- Some 90 U.S. private voluntary organizations -- representing a wide strata of American citizen involvement in programs to help the poor overseas -- are eligible to receive various kinds of support in AID programs.
- U.S. voluntary agencies have, over the last several years, more than tripled the public donations in support of their activities in overseas relief and development programs -- which totaled approximately \$600 million in FY 1975.
- AID has increasingly sought to utilize the U.S. private "business" sector in the development process. For example, U.S. agribusiness firms are involved in the critically important process of providing technical assistance to the developing nations in improving their food chain systems.
- AID provides support to numerous U.S. "cooperative" organizations such as NRECA, and CLUSA, to stimulate their involvement in international development activities. Development of rural electrification systems has been a key component of our rural agricultural development programs for many years.



Allegation:

- As the AID budget shows, our foreign aid programs are designed to meet short-term U.S. political and security requirements, rather than the development needs of the poor countries.

Response:

- This criticism reflects a gross misunderstanding of the nature and purposes of our various bilateral forms of aid -- development assistance; supporting assistance; and food aid.
- Each of these assistance categories can be used to further one or more basic objectives of our foreign policy in particular countries.
- Supporting assistance, for example, is made available not only to assure the economic and political stability of a friendly country, but also to meet its basic development needs.
- Development assistance and food aid, which are directed to the needs of the poor majority, also help to strengthen the economies of developing countries and their capacity to become self-sustaining members of a peaceful world community.
- It should also be noted that 75 percent of our development assistance and P.L. 480 food aid goes to countries with a per capita income of \$300 or less.
- Finally, it is imperative that these differing forms of assistance be planned and administered in a closely integrated manner by a single agency -- AID -- to avoid undesirable fragmentation of our aid programs abroad.



Allegation:

AID is an over-staffed, cumbersome bureaucracy.

Response:

- The tasks we have entrusted to AID are impressive by any standards. For example, during Fiscal Year 1975 AID planned, managed, and monitored:
 - bilateral economic and technical assistance programs totalling \$2.34 billion in 65 countries.
 - a loan portfolio of 1286 active AID loans totalling \$12.4 billion.
 - commodity procurement of over \$800 million of which almost 80 percent was purchased here in the United States.
- These few examples graphically illustrate the scope and complexity of AID's operations.
- But to meet these responsibilities, AID has only 3655 American employees here and abroad, assisted by some 2000 foreign national personnel. Putting this in perspective, AID's staff constitutes far less than 1 percent of the total Federal civilian employment.
- The record also shows that AID has succeeded in decreasing its staff by 65 percent since 1968, and that it is continuing to reduce its overall operating costs.



Allegation:

- Never has one Agency been organized so often, by so many, to so little purpose as has our foreign aid agency.

Response:

- The creation of AID was proposed by the President and approved by the Congress in 1961. For the past 15 years AID has continued, and is continuing, to administer and oversee our foreign aid programs with increasing effectiveness.
- Although its mode of operations is adjusted as necessary to current program priorities and emphases, AID is organized along both geographic and functional lines, substantially similar to its original form.
- And as prior Presidents before me, I remain prepared to propose such changes in our aid programs as I believe may be necessary to reflect changing world priorities or improve the effectiveness of our foreign assistance administration.



Allegation:

- There is insufficient coordination between multilateral and bilateral aid programs.

Response:

- AID closely coordinates its bilateral programs with the international financial institutions, e.g., the World Bank, through various mechanisms. For each major aid recipient, there is a Consultative Group which coordinates the various donors' assistance programs through project reviews and continuous exchange of reports and data regarding the recipient country's policies and programs.
- Through U.S. financial support and mutual cooperation with the UNDP and the specialized Agencies of the U.N. we have been able to launch major attacks on a variety of multi-country, multi-disciplinary problems. One example is a major program to eradicate river blindness in West Africa, supported by the U.S., the World Health Organization, the World Bank and other donors.
- AID works closely with the U.N. Disaster Relief Office in coordinating our bilateral disaster preparedness and relief operations with the disaster activities of the U.N. and other donors.
- To improve food production and nutrition in the developing countries, the U.S. provides financial support to the U.N. Food and Agricultural Organization and U.S. food aid to the World Food Program on a closely coordinated basis, which complements our own bilateral food assistance programs.
- This year, with substantial leadership and support from the U.S., a U.N. Plenipotentiary Conference approved the Articles of Agreement for the establishment of the International Fund for Agricultural Development. To date, \$965 million against a \$1 billion target has been pledged by both OPEC and industrialized countries. These funds will be directed toward improving agricultural production in the developing nations of the world -- an essential effort if we are to meet the global food needs.

