AGENCY FOR INTERNATIONAL DEVELOPMENT

Fact Sheets on Selected Aspects of U.S. Foreign Economic Assistance

Index of Fact Sheets on Economic Assistance

Statement by the Hon. John A. Hannah
Administrator
Agency for International Development
October 30, 1971

For twenty-five years the United States has been a leader in the effort to bring a measure of peace and economic justice to the world. Under U.S. leadership, foreign assistance has become a truly international effort in which virtually all developed countries participate. As a result of foreign assistance beginning with the Marshall Plan in Europe and Japan, Point IV, the intervening agencies, and for the past ten years U.S. A.I.D. -- under the leadership of five U.S. Presidents: Truman, Eisenhower, Kennedy, Johnson and Nixon -- the world is a vastly better place to live in than it otherwise would have been.

The United States has been the leader in providing assistance to the less developed countries of the world where two-thirds of the world's people live. Foreign assistance has helped to bring about great increases in food production, to provide education for millions of people, better health for more millions, substantial success in economic development and in encouraging family planning -- all directed toward improving the quality of life for all people everywhere.

Through U.S. A.I.D. our country has provided its share of the cost of multinational programs through the U.N. agencies and through consortia of the other aid-giving countries of the Free World. There are coordinated foreign assistance programs in most of the poor countries of Latin America, Asia and Africa.

In its own interest, the United States cannot become a world dropout, repudiate its commitments and the institutions and programs which we and other nations have built in the past 25 years.

The U.S. A.I.D. program assists Africa, where the average income is less than $100 per person per year. The AID program helps in education, in agriculture, in nutrition, in health -- in programs which help people help themselves. In Latin America and Asia, our programs, together with those of other nations, have helped, and must continue to help, governments provide a better life for their people.

The Senate's action of yesterday will have the effect of bringing the AID program to a halt on November 15.

It would end U.S. assistance which has provided much of the leadership in the world in the direction of helping to solve the population problem, which places awesome strains on the world's resources.

It will cut off funds for assisting other countries to control the growth and distribution of narcotics, a problem which is corroding the vitality of our country.

It will stop the flow of funds to UNICEF in its worldwide effort to feed children and for the international development assistance programs of the UN through the UNDP and other specialized agencies.

It will eliminate the Disaster Relief programs that have cared for victims of earthquakes, floods and famines like the great tragedy of today in India and East Pakistan.

It has been said that funds in our pipeline will see us through. This is not true. There are no funds in AID's pipelines except those that are required to pay for contracts made with other governments or with U.S. suppliers, U.S. engineering firms, U.S. universities and a wide variety of U.S. contractors.

Discontinuance of U.S. A.I.D. will cost U.S. suppliers some $3 billion worth of orders for supplies and services and cost many Americans their jobs.

Foreign assistance is crucial to the Nixon Doctrine. We cannot reduce our military presence abroad without helping others to build their economies and peacekeeping forces.

After the massive expenditure of men and material in Vietnam, the Senate's action could cause the collapse of that country's economy. It will undermine all of our efforts to bring stability to Southeast Asia.

The Senate action threatens the livelihood of 12,000 AID employees. Six thousand of them Americans, at work in Washington and around the world. This staff has more experience and competence in the difficult art of assisting underdeveloped countries than any agency in the world. There will be no funds to pay them beyond November 15.

Some 15,000 students from less developed countries are now enrolled in educational institutions and programs in the U.S. and in third countries. What happens to them?

There may be those in the Senate and elsewhere who disagree strongly with one phase or another of the foreign assistance program. The Administration itself has proposed far-reaching changes. But the implementation of new concepts will not be helped by overnight dismantling of an organization which houses a substantial portion of the world's talent in the difficult problems of international economic and social development.

More important, what happens in the developing world where two-thirds of all the peoples of the world live will determine in large part the fate of mankind in the years ahead. Our future cannot be separated from the future of the rest of the world. Our children and grandchildren must live in the same world with their children and grandchildren.

It is hoped that thoughtful Americans will take a hard look at today's world -- and recognize that before we put 100% of our attention on our domestic problems, we remember that polluted air and polluted water flow freely across national boundaries. Social unrest results from hunger, or from seeing one's family die because there is no health care, or no hope that through education one's children may have better lives than their parents because there are no schools, no teachers, no books for them.

Social unrest flows across national borders too.

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The Effect on Economic Assistance of Failing to Extend the Continuing Resolution Beyond November 15

1. A.I.D. operates on an annual authorization and appropriation basis. That is, funds must be provided each year for undertaking any new activities or for extending on-going ones whose previous funding has been expended.

2. Salaries for A.I.D. direct-hire personnel are obligated on a monthly basis.

3. Pending passage of appropriating legislation, the Congress generally passes a Continuing Resolution which permits the Agency to meet its payroll and to undertake essential and otherwise appropriate new commitments at a rate of obligation of the previous year. Several other Government agencies are also presently functioning under Continuing Resolutions.

4. The present Continuing Resolution expires on November 15. Failure to extend it will preclude any further obligation of funds, including those required for the 6,500 U.S. direct-hire employees who are planning, reviewing, implementing, and monitoring the manifold and complex programs for which A.I.D. is responsible, thus violating all previous Congressional intentions of prudent management. There simply are no other institutions presently capable of carrying out these responsibilities.

5. In addition, our major programs in Southeast Asia will be aborted. Specifically, the $565 million requested for Vietnam in the aid bill represents over half of that country's total imports. Without it the Vietnamese war effort will grind to a halt and the economy will be thrown into utter chaos. The U.S. loses the investment of American men and materiel.

6. In Cambodia and Laos, the economies are heavily dependent on the U.S.-funded imports. In Cambodia, their own struggle to maintain independence cannot be carried out without our economic and military support. Both will cease unless the Continuing Resolution is extended. In Laos, we, together with other nations, provide the foreign exchange necessary to maintain that economy.

7. Without a Continuing Resolution we can provide no funds to help with the disaster created for both Pakistan and India by the 9 1/2 million refugees which have flooded into India, because no funds for this were provided in the previous year. The U.S. cannot stand idly by in the face of the world's greatest disaster.

8. Major programs in nutrition, child feeding, population control, education and agricultural production around the world depend on the commitment of new funds this year. Without them, the development plans of dozens of nations will be in utter disarray.

9. Failure to pass the Continuing Resolution will seriously affect our posture in the United Nations, with other industrialized countries, with Latin America, with Turkey and other developing countries, who have been and remain our allies and friends. The U.S. will be the only country without a substantial bilateral aid program even though we are the richest.

10. The assertion that the pipeline provides ample funds to continue the aid program in the absence of a Continuing Resolution is false. All funds in the pipeline are committed under loans and/or to U.S. suppliers, universities, engineering firms, and others for contracts already negotiated. In the case of Southeast Asia, the pipeline provides only for a continued flow of resources ranging from one month in the case of military assistance in Cambodia, to about six months in the case of economic assistance to Vietnam. Major shortages, inflationary pressures and speculation will arise long before the last commodities are delivered. No new commitments are possible out of pipeline funds, the deobligation of which would leave broken commitments and unfinished works throughout the world as evidence of U.S. inconstancy.

Impact of No Continuing Resolution on Major A.I.D. Programs

Technical Assistance Contracts. Sixty-one technical assistance contracts would run out of funds before December 31, another 137 by March 31, 1972, and another 68 by June 30, 1972. Faced with termination, contractors would be forced to send their people home almost immediately, using remaining funds for travel and termination costs. Even so, many contracts would not have enough funds left to pay termination costs, leaving the U.S. Government open to breach of contract actions.

Participant Training. Many of the approximately 6,000 participants studying in the United States or third countries under aid funds would have their programs disrupted and have to terminate their courses of study before completion; in many cases funds would not be available to send them back home.

Development Loans. Many countries, such as Indonesia, Turkey, countries in Latin America, depend on new loans to support their development programs. Funds in the pipeline go for projects already under way; new funds are needed for new activities without which growth and progress will be sharply curtailed. Fertilizer will be lacking for food production, factories will be made idle for lack of raw materials, agricultural credit programs will come to a halt, and educational programs will be terminated prematurely.

UN Development Activities. UN agencies to which we usually make pledges or contributions early in the calendar year would have to start cutting back on their 1972 programs; this would be especially difficult for new programs like the UN Fund for Drug Abuse Control and the UN Fund for Population Activities. Hardest hit of all would be agencies like UNRWA and UNICEF, which have no reserves to speak of and operate very close to the limit of their funds. The UN Development Program, which provides technical assistance in over 100 countries, would also be hard hit.

Many UN Members would assume that the U.S. failure to contribute was related to the outcome of the China representation issue.

Disaster Relief. We could no longer provide funds to help with the disaster relief efforts on behalf of the 9 1/2 million Pakistani refugees in India or those who continue to suffer in East Pakistan; nor would we have funds for new disasters, such as the tidal wave which has just struck West Bengal.

Southeast Asia. The $565 million requested for Vietnam represents half that country's imports; without it, the Vietnamese economy would be thrown into utter chaos. The effects would be felt in major shortages, inflationary pressures, and speculation long before the last commodities were delivered about 6 months later.

In Laos, economic chaos would result from U.S. failure to contribute to the Foreign Exchange Operation Fund (FEOF) and our large refugee program would have to be stopped, leaving 300,000 refugees in Laos without our support.

In Cambodia, with a commodity pipeline of only a month or so, the economic reform program would collapse in short order.

Population. The population control efforts of over 50 countries and major international organizations such as the Population Council and the International Planned Parenthood Federation (IPPF), which receive crucial financial and technical support from the United States, would be jeopardized.

The AID Pipeline - a Clarification

In nontechnical language, the word "pipeline" refers to money already made available to AID by the Congress but not yet spent. After receiving its funds from Congress, AID enters into a variety of agreements with recipient governments or directly with suppliers of goods and services which, somewhat in the manner of a purchase order, commit specified amounts of money to specific purposes. Until these purposes are accomplished and bills received, funds are not paid out, but set aside for payment purposes. Thus a "Pipeline" is created by reserving monies to fulfill contracted agreements.

Such funds cannot be diverted to other uses without breaking agreements with other governments and without leaving unfinished development projects that are already in progress, and/or without breaking contracts with U.S. suppliers of goods and services.

From time to time there are savings as a result of decreased project costs and project revisions. These savings, however, are available for other purposes only if reviewed or authorized by the Congress.

Pipelines build up in many U.S. government agencies when these agencies undertake projects which are not completed within a single fiscal year. For example, it takes a number of years to complete a complex hydroelectric project. When AID lends a country $10 million to buy American equipment and pay American engineers for a similar project, some part of the $10 million will not be paid out until the last generator or transformer has been delivered and installed, and the last contract employee has gone home.

Suspension of a development loan not only endangers progress already realized under the loan but disrupts the development process in the recipient country.

When AID signs a loan agreement providing for financing the import of breeding stock, for example, to improve the cattle industry in a developing nation, the recipient government may invest large sums in ancillary services -- slaughterhouses, freezing plants, transport,feedmill facilities -- as part of the development program. The construction of a hydroelectric dam involves economic commitments within the borrowing nation including the employment of thousands of laborers and technicians and the purchase of quantities of goods from local industries.

Without the delivery of the U.S. machinery, a wheat mill constructed on the strength of a loan agreement will never benefit the hungry children it was designed to help and will waste the financial resources already invested in the project.

Participant training agreements that bring foreign students to the United States for specialized training that will promote economic development would be voided, and both sponsoring institutions and trainees keenly disappointed if study programs were abruptly cancelled in the middle of the training period for lack of funds. The purposes of longterm technical assistance contracts undertaken by a U.S. university to improve an agricultural extension system or a teacher training program of a developing nation would be damaged if the contract were terminated early, and contract cancellation costs would be an unproductive and additional expense.

Loan suspensions would also have costly repercussions for U.S. industry. When AID lets a contract to a U.S. manufactuere, the manufacturer gears up his production to fulfill the contract. A year or more may pass before production is completed and delivery takes place. Without payment, and without another market for the equipment, he would suffer a grievous and undeserved loss.

THE A.I.D. PIPELINE

As of June 30, 1971, the A.I.D. pipeline totalled $3.2 billion. The major components were as follows ($millions):

Development Loans	$ 1,922.2
Technical Assistance	212.4
Population	121.4
UN and other multilateral programs	158.4
American Schools and Hospitals	26.9
Administrative Expenses	9.8
Other	48.9
Subtotal, Development Assistance	$ 2,500.0
Supporting Assistance	704.2
Total A.I.D.	$ 3,204.2

During each year some of the pipeline becomes available for use in new programs if projects cannot be implemented or have undisbursed balances after they are completed and all costs are paid. During FY 1972 A.I.D. estimates that a total of $149.1 million will be made available as follows ($ millions):

Development Loans	$ 88.1
Technical Assistance	14.6
Other	.2
Subtotal, Development Assistance	$ 102.9
Supporting Assistance	46.2
Total A.I.D.	$ 149.1

These funds were included in the budget submitted to the Congress as part of funds available to finance the proposed FY 1972 activities.

The remaining funds in the pipeline are committed under authorized and negotiated agreements and cannot be made available without reneging on valid contractual obligations affecting virtually every country we assist and thousands of U.S. and other suppliers.

Development Loan Pipeline Fact Sheet

Pipeline funds are funds not yet expended from authorized and negotiated agreements to date.

The pipeline of development loans consists broadly of two types of loans:

a. Project loans to developing countries for specified capital projects (such as electric power or fertilizer plants, roads or schools).

b. Lines of credit for developing countries for their importation of commodities, equipment or services for non-project development programs (e. g. private sector needs, agricultural or education programs sub-lending by intermediate credit institutions for small projects, etc.).

Once the development loans are made, the developing countries or private importers in the countries place orders for commodities, equipment or services. The type of project or non-project loan and the type of imports needed, determines how long it takes the pipeline to be fully utilized.

As of June 30, 1971 the development lending pipeline, i.e., balances of development loans negotiated and/or authorized*, were as follows:

	Millions of U.S. Dollars	No. of Loans
Total	1,922.2	466
Project Loans	1,229.8	404
Non-project Loans	692.4	62
Total by Region		
Latin America	919.5	252
Project Loans	723.1	227
Non-project Loans	196.4	25
NESA	586.3	77
Project Loans	184.9	58
Non-project Loans	401.4	19
EA	209.6	37
Project Loans	176.1	32
Non-project Loans	33.5	5
Africa	206.8	100
Project Loans	145.7	87
Non-project Loans	61.1	13

*As of June 30, 1971 approximately 15 percent of this total were authorized but not yet negotiated (i.e. signed). By November 1, 1971 many of these loans have been signed.

There is normally a certain amount of attrition to loan commitments for various reasons which lead to deobligations. In the current year, we estimate loan deobligations will run at $88 million. Except for these deobligations, funds for the 466 current development loans in the pipeline are committed and are not available for other purposes.

A.I.D. Share of U.S. Exports

"Foreign aid" -- loans and grants extended by the Agency for International Development -- financed 7.1 percent of all U.S. exports to the developing countries in fiscal year 1971.

U.S. exports to these countries have more than doubled in the past ten years, in large part because of their average annual rate of increase in gross national product of 5.6 percent. This high rate of growth is itself to a great extent a result of the foreign aid programs of the United States and other industrialized countries.

A.I.D. financed exports in fiscal 1971 totaled $971.8 million -- 2.3 percent of the value of all U.S. exports, which was $43,116 million.

While the overall percentage may not be large, some specific cases are quite striking. For example, A.I.D. financed in fiscal 1971:

- 16.4 percent of all U.S. exports of iron and steel mill products.
- 25 percent of all U.S. fertilizer exports
- 15.7 percent of all U.S. exports of railroad equipment.
- 8 percent of all rice exports.
- 8.5 percent of all U.S. exports of basic textiles.
- 7.3 percent of all U.S. exports of non-ferrous metals and products.

Other industries benefitting from A.I.D. funding for their exports and the percentages financed were: petroleum, 4.4 percent; chemicals (excluding fertilizer), 3.6 percent; pulp and paper, 2.4 percent; motor vehicles and parts, 2.3 percent; electric machinery, 2.0 percent; and machine tools, 1.2 percent.

Elimination of A.I.D. financing would have a significant adverse effect not only on U.S. industries in these export areas, but also on the U.S. shipping industry. Over the period FY 1964-1969, the cargo financed under Foreign Assistance Act programs has ranged from 22 to 30 percent of the total cargo moving on U.S.-flag shipping.

A.I.D.-Financed Commodities FY 1971 Dollar Value By State of Production

State	Amount	State	Amount
Alabama	$ 16,305,583	Missouri	$ 7,715,066
Alaska	3,524,513	Nebraska	1,558,041
Arizona	343,778	Nevada	211,067
Arkansas	4,954,181	New Hampshire	726,671
California	80,508,640	New Jersey	51,733,490
Colorado	3,766,199	New Mexico	839,566
Connecticut	10,985,821	New York	178,829,271
Delaware	11,588,213	North Carolina	9,688,882
District of Columbia	531,404	North Dakota	1,454
Florida	6,963,013	Ohio	46,644,037
Georgia	10,257,543	Oklahoma	3,524,695
Hawaii	92,750	Oregon	6,493,725
Idaho	56,824	Pennsylvania	77,081,159
Illinois	73,541,642	Rhode Island	2,245,999
Indiana	13,760,298	South Carolina	8,761,659
Iowa	4,902,240	South Dokota	91,359
Kansas	724,410	Tennessee	8,350,951
Kentucky	5,306,139	Texas	54,930,416
Louisiana	22,260,826	Utah	463,148
Maine	203,679	Vermont	844,396
Maryland	20,572,073	Virginia	10,162,141
Masscahusetts	12,054,228	Washington	32,072,205
Michigan	50,791,742	West Virginia	5,817,772
Minnesota	6,278,615	Wisconsin	24,763,247
Mississippi	6,723,432	Wyoming	32,040
		TOTAL	$ 900,580,243

A.I.D. PROCUREMENT OF COMMODITIES BY STATE

The Agency for International Development purchased $975,000,000 worth of commodities in fiscal year 1971, with 99 percent of it or $971,800,000 being spent in the United States.

Most of the commodities were purchased in the following 20 states:

New York	178,829,271
California	80,508,640
Pennsylvania	77,081,159
Illinois	73,541,642
Texas	54,930,416
New Jersey	51,733,490
Michigan	50,791,742
Ohio	46,644,037
Washington	32,072,205
Wisconsin	24,763,247
Louisiana	22,260,826
Maryland	20,572,073
Alabama	16,305,583
Indiana	13,760,298
Massachusetts	12,054,228
Delaware	11,588,213
Georgia	10,257,543
Virginia	10,162,141
North Carolina	9,688,882
South Carolina	8,761,659
TOTAL	806,307,295

These 20 states received 83 percent of the dollar value of all A.I.D-financed commodity purchases in the United States in fiscal 1971.

A.I.D. Share of U.S. Exports

Product	Fiscal Year 1970			Fiscal Year 1971		
	US Exports	AID Financed	Percentage	US Exports	AID Financed	Percentage
Chemicals (excluding Fertilizer)	3,575	139.0	3.9	3,571	128.0	3.6
Iron and Steel Mill Products	1,259	106.0	8.4	885	145.0	16.4
Pulp Paper and Paper Products	1,026	25.0	2.4	1,132	27.6	2.4
Electric Machinery & Apparatus	4,181	58.0	1.4	3,028	62.0	2.0
Machine Tools and Metal Working Machinery	375	13.6	3.6	406	5.0	1.2
Motor Vehicles and Parts		89.6	2.4	3,836	89.5	2.3
Fertilizer	206	98.0	47.6	176	44.0	25.0
Petroleum, Oil, and Lubricants	462	39.0	8.4	505	22.0	4.4
Rubber and Rubber Products	321	13.0	4.0	330	10.0	3.0

Product	Fiscal Year 1970 (Millions of Dollars) US Exports	AID Financed	Percentage	Fiscal Year 1971 (Millions of Dollars) US Exports	AID Financed	Percentage
Non-Ferrous Metals and Products	900	40.6	4.5	749	54.9	7.3
Copper & Copper Products	(355)	(19.4)	(5.5)	(326)	(28.9)	(8.9)
Basic Textiles	326	17.0	5.2	322	27.5	8.5
Railroad Equipment	89	1.7	1.9	127	20.0	15.7
Rice	321	3.3	1.0	281	22.6	8.0
All Commodities (including those not specifically listed above)	40,446	975.6	2.4	43,116	971.8	2.3
All Commodities to the Developing Countries (including those not specifically listed above)	12,371	975.6	7.9	13,596	971.8	7.1

TEN CITIES RECEIVING HIGHEST DOLLAR VALUE

FOR ORDERS OF AID-FINANCED COMMODITIES - FY 71

	CITY	DOLLAR VALUE
1.	New York, New York	$ 144,810,186
2.	Detroit, Michigan	33,457,232
3.	Peoria, Illinois	24,560,815
4.	Houston, Texas	23,596,083
5.	Tacoma, Washington	18,784,586
6.	Chicago, Illinois	16,289,847
7.	Sparrows Point, Maryland	12,875,916
8.	Stockton, California	11,691,187
9.	Milwaukee, Wisconsin	11,531,249
10.	Pittsburg, Pennsylvania	9,599,716

Share of U.S. Liner Cargo Originating in the U.S. - Financed Under FAA & PL 480

Fiscal Year	Total Liner Cargo U.S. Flag	FAA Financed Foreign Aid Cargo		PL 480 Title II Programs Administered by AID		Total FAA and Title II	
	Millions of Long Tons	Millions of Long Tons	Percentage Share	Millions of Long Tons	Percentage Share	Mil's Long Tons	Percentage Shares
FY - '64	9.3	2.5	26.9	2.7	29.0	5.2	55.9
FY - '65	8.5	1.9	22.4	2.2	25.9	4.1	48.3
FY - '66	6.4	1.7	26.6	1.7	26.6	3.4	53.2
FY - '67	6.5	1.5	23.1	1.4	21.5	2.9	44.6
FY - '68	6.0	1.5	25.0	1.3	21.7	2.8	46.7
FY - '69	5.7	1.7	29.8	1.3	22.8	3.0	52.6
FY - '70							

TECHNICAL SERVICE CONTRACTS:

(in effect as of December 31, 1970)

Total value: $679,282,565

Total value in U.S.: $642,038,186

Total foreign: 37,244,379

Top 20 states in value of contracts:

New York	$190,009,364
District of Columbia	123,457,255
Massachusetts	50,589,568
California	49,965,733
Illinois	28,865,769
Washington	21,214,658
Ohio	18,199,534
North Carolina	17,340,451
Texas	15,291,605
Michigan	14,421,422
Wyoming	11,341,990
Colorado	10,485,230
Wisconsin	9,782,822
Kansas	8,352,018
Indiana	7,549,020
Pennsylvania	6,524,551
Maryland	5,000,365
Hawaii	4,494,416
West Virginia	4,108,827
Utah	3,807,921

A.I.D. TECHNICAL SERVICE CONTRACTS:

Top 15 Cities in value of contracts:

New York, New York	$183,146,086
Washington, D. C.	126,833,966
Newton, Massachusetts	22,072,037
Seattle, Washington	21,029,218
Los Angeles, California	19,185,175
College Station, Texas	12,198,686
Chicago, Illinois	11,693,682
Columbus, Ohio	10,772,417
Raleigh, North Carolina	9,723,512
Urbana, Illinois	9,376,859
Boston, Massachusetts	8,233,128
Manhattan, Kansas	8,154,476
San Francisco, California	8,077,280
Fort Collins, Colorado	7,613,884
Chapel Hill, North Carolina	7,037,704

A.I.D. TECHNICAL SERVICE CONTRACTS:

Top 20 Institutions in value of contracts:

Air America, Mc.	$83,324,200
American University of Beirut	61,176,819
Columbia University	24,575,326
African-American Institute	23,388,613
Education Development Center	22,072,037
MWK International, Ltd., Gibbs & Hill, Inc., Fischbach & Moore	20,847,198
Continental Air Services, Inc.	16,247,000
Texas A&M	12,198,686
The Population Council, Inc.	10,946,655
North Carolina State University	9,706,512
University of Illinois	9,376,859
Kansas State University	8,154,476
International Executive Corps	8,132,622
Colorado State University	7,613,884
American Institute for Free Labor Development	7,593,606
The Asia Foundation	7,218,440
Battelle Memorial Institute	7,039,281
University of North Carolina	7,037,704
American ORT Federation	6,299,666
The Pathfinder Fund	6,174,500

Voluntary Contributions to International Organizations

Multilateral Economic Programs

Failure to appropriate funds in FY 1972 for voluntary contributions to international organizations ($141 million requested) would have the following effects:

--The United States will not be able to make planned pledges to the calendar year 1972 programs of the UN Development Program, the UN Children's Fund, the UN Fund for Population Activities, the UN Fund for Drug Abuse Control, the UN Relief and Works Agency for Palestine Refugees and six other multilateral economic programs. Lacking the U.S. pledge of an anticipated 35 to 40% (in most cases) of total resources, the managers of the programs would be forced to cut back on their planned activities.

--The effects would be particularly significant for the UN drug control and population/family planning programs -- activities recently initiated at U.S. urging to seek international solutions to two pressing world problems.

--Our policy of seeking to channel increasing proportions of development aid through multilateral channels would be negated.

--UN members would assume that the U.S. failure to pledge to UN programs was connected with the outcome of the Chinese Representation issue. Members who stuck by the U.S. and the Republic of China, as well as those who were opposed, would be affected adversely.

--A delay in U.S. financial support of even a month or two would be immediate and serious for the UN Children's Fund and the UN Relief and Works Agency, as they lack reserves to carry on their present levels of expenditure.

International Peacekeeping

It could jeopardize the continued existence of the UN Force in Cyprus (UNFICYP) which has been a highly important factor in maintaining a precarious peace on the island. In the absence of the $4.8 million requested as part of Supporting Assistance, the United States would be unable to pledge continued support when the UN Security Council considers UNFICYP's extension in December 1971. The United States has been a key supporter of UNFICYP and the absence of a U.S. pledge would probably discourage others from contributing these questions regarding continued participation in the Force by countries providing troops, and could lead to an early dismantling of UNFICYP.

Lack of contingency funds for security assistance purposes would prevent U.S. financial support of any new UN peacekeeping operation which might be needed on an emergency basis during the year.

Multilateral Administration of Bilateral Lending Programs

The President has strongly endorsed the increasing use of multilateral institutions in the conduct of U.S. economic aid programs. The advantages of this more indirect system are clear

- lower political profile
- automatic burden-sharing
- joint participation of donor and recipient.

The past decade has seen the rapid growth of the international lending institutions in the development field, all of them strongly supported by the U.S.

That the Administration's policy is meaningful can be seen in the FY 1972 budget requests. We requested $655 million for bilateral lending, and $810 million in contributions to international lending agencies. In FY 1970 the comparable figures were $675 million for bilateral and $460 million for international financial institutions.

But to suggest that the United States immediately turn over all its development lending to international institutions ignores several realities. First, we do not believe that the capacity of these institutions is such that they could cope with what would be a doubling or tripling of their activity. All the Banks already are growing at a very rapid pace. For instance, over the past six years IDA lending has increased almost 100 percent. To double the lending activity of IDA within even two years would be, we believe, unrealistic. The Asian Development Bank has its operations well launched, but it, too, is growing rapidly already and one could not expect it to accelerate its rate of expansion. The Inter-American Development Bank is fully occupied with the administration of the increases in resources agreed in 1970; and further increases are already agreed for the next three years. The African Development Bank is embryonic.

Second, turning over our funds to these institutions would instantly destroy their international character. In several the "Anglo-Saxons" are already believed to play an excessive role. The nature of these institutions requires that we move in concert with others to increase their resources. This we are doing. One cannot build international institutions unilaterally.

Third, the United States will certainly for the foreseeable future wish to have authority to lend to less developed nations on concessional terms to meet particular cases in which our view of the development situation in a country may differ from that of the international lending institutions, to participate in consortia or coordinating group activity, and to reflect our foreign policy interest.

Finally, it is our intention to move over the next years to enable the international lending agencies to expand their activities, to shift our bilateral lending to these agencies, but to do this as the capacities of the banks permit and as our fellow donors agree with us.

The Effects of Termination of Supporting Assistance

The Supporting Assistance Programs in Vietnam, Laos and Cambodia finance the bulk of the imports these three countries need to maintain their economies. Under war conditions, their exports are minimal, and their domestic production has been adversely affected by the need to keep large numbers of men under arms. The large budget deficits incidental to the war threaten massive inflation which is now kept at tolerable levels by aid-financed imports.

Specifically, in Vietnam, the U.S. aid program finances the bulk of the country's imports covering such items as cement, machinery, foodstuffs, textiles, fertilizer and pesticides. If on November 16, the United States is not in a position to continue the financing of these imports and the GVN were to stop the issuance of import licenses, the economy would be severely disrupted as serious speculation and price increases would ensue.

In Cambodia, U.S. aid funds are planned to finance about three-quarters of imports it needs over the coming year. The remainder is to be financed by contributions to a multilateral fund now under negotiation with potential contributors.

In Laos, the Foreign Exchange Operations Fund (FEOF) has maintained economic stability in the face of a war-induced Government deficit which is as large as Government revenues. The Laotian economy is wholly dependent on FEOF. It is no exaggeration to state that economic chaos would follow its enforced closure. Our large refugee program would also have to be stopped, and 300,000 refugees in Laos would have to be abandoned to their fate.

The total pipeline for Supporting Assistance as of June 30, 1971 was $704 million, committed primarily for new imports.

Effects of Termination on Technical Assistance and Private Agency Programs

Our Technical Assistance program is funded in three different ways:

--contracts with various American institutions
--agreements with other U. S. Government agencies for the provision of technicians (called "PASA's")
--direct-hire A. I. D. staff

If A. I. D. 's funding authority were to be cut off on November 15, each of the three categories would be affected differently.

Contracts

The effect on contracts would vary depending on the amount of funds in the contract. Sixty-one contracts would run out of funds before December 31. Another 137 contracts have money to carry them through March 31, 1972; while 68 contracts would continue to June 30, 1972. However, if faced with the termination of the A. I. D. program, the contractor would be forced to send his people home almost immediately in order to have the money necessary to pay for return travel of families and personal effects, as well as termination costs, not now provided in the contract funding. Even so, many of the contracts would not have enough money in them to pay such termination costs leaving the United States Government open to breach of contract actions.

PASA's

Our agreements with other U. S. government agencies to provide services to A. I. D., with few exceptions, are now funded through June 30. Therefore, if instructions were issued to bring families and personal effects back to the United States by early in calendar 1972, there would be sufficient monies to get everybody back home. Of course, such actions in any of the above cases would disrupt on-going projects to the point where the United States would lose investments in the time and money already spent and the development efforts of our LDC clients would be severely dislocated.

Since a number of our Technical Assistance projects are carried out jointly by other donors, we would also be disrupting development programs of several of our western allies as well as international organizations.

Trainees

Many of the 6,000 or so participants studying abroad under aid funds would have their programs curtailed and so would have to terminate their courses of study before completion.

The OAS

The United States has outstanding pledges to OAS from between $7 and $11 million (depending upon the size of matching grants from Latin American Governments) which fall due before March 31, 1972. These pledges cover a wide range of development activities as well as specific funding for Presidentially determined priorities in the promotion of tourism and exports. It also includes funds to support programs designed to increase the capabilities of the CIAP staff.

American Schools and Hospitals

Few FY 1972 grants to American Schools and Hospitals Abroad have been made to date. Such on-going activities as Project HOPE, American University in Beirut and Robert College (Turkey) remain to be funded. There are also numerous new claimants under this program who could not receive our support.

Private Voluntary Agencies

We would also be unable to provide further funds to the voluntary agencies to pay the ocean freight costs of shipping donated medicine and other goods.. These are materials received from individuals and corporations within the U.S. We anticipate the need for $2.5 million by March 31 to enable the voluntary agencies to ship the various contributions they are now receiving, which are designed to help the victims of disasters as well as more normal relief and rehabilitation activities.

Humanitarian and Private Programs

A.I.D. has traditionally operated substantial segments of its programs through contracts (and grants) with private organizations. As of December 1970, A.I.D. had 1024 technical service contracts with non-governmental organizations -- including over 200 universities and non-profit organizations. In addition, A.I.D. supports a wide variety of private humanitarian and technical programs which are consistent with Congressionally defined U. S. foreign assistance objectives.

A.I.D. assistance has a catalytic effect on private programs: it supports and strengthens the many U.S. voluntary agencies programs operating at the grass roots level in more than 100 countries and territories. These agencies carry on activities in health, education, agriculture, vocational training, as well as coping with simple and pervading hunger. A.I.D. support thus reinforces the expression of millions of Americans who contribute to such private humanitarian and technical assistance organizations. For example:

- -- 82 private voluntary organizations are registered with A.I.D. and are eligible to apply for PL 480 excess food, commodities, overseas ocean freight reimbursement for privately donated supplies and U. S. excess property. (In 1970 the value of the U.S. Government support along these lines totaled $193 million.)

- -- These same organizations received from private sources $71 million in the form of donated commodities and equipment and $293 million in other income.

Related to the year-round programs of U.S. private agencies is the overall response of the United States to disasters, both natural and man-made. A.I.D. coordinates and finances much of the U.S. official response during the emergency period. It also assists private agencies in quickly moving supplies to alleviate human suffering.

In 1970 there were 51 disasters in 36 countries including such major catastrophies as the Peru earthquake and the East Pakistan cyclone. U.S. official and private emergency assistance to victims of disaster and civil strife totaled $60.9 million. Of this amount, $12.2 million was provided by private organizations.

An increasing number of privately conceived and operated technical assistance programs have emerged in the last decade. A.I.D. encourages and supports such efforts, which include such diverse voluntary efforts as the International Executive Service Corps, agriculture cooperatives, credit unions, and other private institutions concerned with the transfer of know-how in technology, family planning, health services, and social and institutional development.

Fact Sheet on University Involvement in A.I.D. Program

As of December 31, 1970, A.I.D. had contracts with 120 U.S. universities and colleges to help carry out programs of assistance around the world. The total cumulative value of these contracts is $232,165,442. In FY 1971, $59,000,715 was obligated for new contracts and extensions of existing ones.

These contracts are widely distributed across the United States:

- $64 million in the North Central States including the major land grant colleges and universities in Nebraska, Minnesota, Iowa, Illinois, Wisconsin, Michigan, Indiana, and Ohio.

- $59 million in the South including virtually all major State-supported universities from Texas, through the deep South and the border states.

- $42 million in the Middle Atlantic and New England States including the State Universities of Connecticut , Maryland, Pennsylvania, New York and Massachusetts.

- $27 million in the Mountain States including the Universities of Arizona, Colorado, New Mexico, Nevada, Idaho, Utah, Wyoming and Montana.

- $14 million in the Pacific States including the University of California, Oregon State and University of Washington.

Under these contracts, 59 U.S. universities are carrying out assistance programs in education, agriculture, public administration and other fields in 39 countries.

Eighty-five universities provide on-campus training for foreign nationals through open-ended contracts under which students are funded as needed. The total cumulative value of currently existing contracts in this category is $3,058,347.

Twenty-six universities and colleges have received 30 Institutional Grants at a total five-year funding level of $19,901,000. These grants are for strengthening university competence in critical problems of the developing countries. Examples of 211D programs are the grants to Auburn University to develop its programs in fresh water fisheries, and the Land Tenure

Center at the University of Wisconsin.

Twenty-five universities hold research contracts under our Central Research Program. The research contracts are concentrated on problems of agriculture, population and education and have a cumulative value of $15,056,206. Part of the basic research work which produced the new high yielding seeds and helped spark the "Green Revolution" was performed under these contracts.

Impact on A.I.D. Staffing if Continuing Resolution is not Extended

1. Staff would have to be separated. A.I.D. has 6,500 U.S. employees, of whom 3,400 are overseas. In addition, 6,800 foreign national employees would be affected.

2. There are no funds to meet U.S. obligations with respect to related personnel costs, such as allowances, transportation of employees and dependents, transportation of household effects and autos, termination of storage contracts of household effects, lumpsum leave payments and severance pay guarantees.

3. Various degrees of disruption would arise, such as bringing home large groups of children in mid-term and the necessity of closing or seriously affecting the operation of schools in areas where we have substantial numbers of American children in attendance.

4. The separation of local employees would create political problems in a number of countries.

5. Special problems would involve:

   a. A.I.D. employees serving temporarily with international organizations (providing the benefits due them at the conclusion of their services with these organizations when A.I.D. has become non-existent.)

   b. A.I.D. employees on detail to other organizations such as Office of Economic Opportunity and Department of State.

   c. A.I.D. employees serving on assignments under the Intergovernmental Personnel Act.

   d. A.I.D. employees in long-term training.

6. Departure of A.I.D. staff would, of course, terminate U.S. capacity to assist or monitor activities still funded from the pipeline or other programs administered by A.I.D.

Effect of Failure to Extend the A.I.D. Program: ETHIOPIA

Ethiopia, one of the largest countries in Africa with 25 million people, is one of the oldest independent countries in the world with a continuous history as a nation stretching back over 2,000 years. Nevertheless, it entered the modern world only in the second quarter of this century following the expulsion of Mussolini's troops during World War II. One of the least developed countries in Africa, its per capita income of just over $60 per year is produced largely by subsistance agriculture. At this low level of income the life expectancy of the Ethiopian citizen is only 35 years and only about 5% of the population receives enough schooling to become literate.

The U. S. began providing development assistance to Ethiopia during the 1950s and until the latter part of the 1960s was virtually the only assistance donor to Ethiopia except for the World Bank and the U.N. During this period of time the great bulk of U. S. assistance was devoted to developing basic infrastructure, training critically needed specialized manpower, developing institutions and assisting the growth of educational opportunities. Building on this base, the A.I.D. program in Ethiopia over the past three years has shifted to supporting the development of increased agricultural production for the market, improvement in the financial management and planning capabilities of the government and supporting the growth of higher education necessary if Ethiopia is to have the trained manpower required to staff increasing numbers of schools and to apply improved techniques to development activities. Over the past three years the U. S. has also devoted a considerable amount of effort to multilateralizing assistance to Ethiopia under the leadership of the World Bank by inducing other donors to provide assistance to Ethiopia and to join in a Consultative Group for Ethiopia. This effort achieved success this past year when a Consultative Group for Ethiopia consisting of thirteen donors was formed.

A.I.D. assistance of $17 million, $12 million in development loans and $5 million in technical assistance, has been planned for FY 1972. All financing provided under the loan program is for the development of agriculture in Ethiopia and will be directly related to technical assistance activities undertaken by the U. S. or projects being undertaken by other donors. Technical assistance activities being financed include six agricultural production and marketing projects, assistance to the Haile Selassie I University, and three projects which will increase the government's capability to plan, manage, and finance development activities.

Termination of the A.I.D. program would result in the cessation of the above activities within a few months. The consequences of this would not only be termination of U. S. assistance to the Ethiopians in these critical development areas, but also the withdrawal of the U. S. from the Consultative Group for Ethiopia and the probability that this multilateral system for providing assistance to Ethiopia would not survive.

Effect of Failure to Extend the A.I.D. Program: LAOS

Termination of U.S. Supporting Assistance to Laos would affect the following activities:

Stabilization. The core of the stabilization effort is the Foreign Exchange Operations Fund (FEOF), supported by the U.S., U.K., Japan, Australia, and France, which finances virtually all of Laos' imports. If the U.S., the major contributor, were to cut off funds to FEOF, inflation would almost immediately assume such proportions as to destroy the monetary system in Laos. It would be impossible for Laos to sustain its military effort, or support its civilian government, in the chaotic conditions that would ensue.

Refugees. A.I.D. is the sole provider of food (rice and protein supplements), for about 150,000 Lao refugees, more than half of them women and children. These war victims, without jobs and permanent homes, would be forced into a struggle for survival without A.I.D. support. Rice supplies for these people will run out at the end of December, and procurement plans for the succeeding six months must be made firm by that time if there is not to be a lapse in the food supply. In addition, an estimated 60,000 persons who lost their total food crops in the recent Mekong River flood will require about nine months of food aid beginning next February.

Public Health. We would have to end a program providing medicine, medical supplies, equipment, and training for up to 250 dispensaries, mainly in areas where they are the only source of medical care. We would also have to interrupt the transfer to the Laotian Government of the operation of seven municipal hospitals caring for about 240,000 people a year, now being operated under an A.I.D. contract with Operation Brotherhood of the Philippines. Medical supplies for these hospitals would soon be exhausted, and the Operation Brotherhood contract would terminate at the end of the year.

Development. The effort to make Laos self-sufficient in rice and other basic foods production would have to be terminated.

We would have to abandon our support for the development of a Lao-language secondary education system and building of an adequate teacher-training system. Our vital support for an elementary system of over 218,000 pupils, would have to be abandoned.

Training programs in Laos, Thailand and the United States in education, public administration and agriculture would have to be phased out.

Effect of Failure to Extend the A.I.D. Program: CAMBODIA

1. Pipeline

The full $70 million of FY 1971 supporting assistance funds has been obligated. These funds are tied up in the process of commercial licensing for commodities for Cambodia, or for commodities being produced, or for those on the docks or already en route. Deliveries will occur from the pipeline from now through about June 30, 1972. Unless new obligations are made now, imports into Cambodia except P.L. 480 will rapidly fall off after that date, and the flow of commercial imports needed to sustain the economy and dampen inflationary pressures will be cut off.

2. Effect of Failing to Pass Continuing Resolution

a. The economic reform program which the Cambodian Government has just launched October 29 will be aborted. The Government has devalued the riel by more than 120% and we have agreed to support these reforms with economic aid. Unless the Continuing Resolution is passed, we will not be able to live up to this commitment. Furthermore this would render impossible the Cambodian effort to get multilateral support for an Economic Stabilization Fund as part of their effort to stabilize the Cambodian economy.

b. No new commodities under the U.S. commodity import program will enter the economy after what is now in the pipeline is delivered. There will be no petroleum products; hence no electricity, no convoys bringing rice from the provinces, no gasoline for jeeps, trucks, helicopters, and domestic airlines. There will be no imports of textiles, machinery, drugs, chemicals, canned foods, milk, and beverages. The government has no foreign exchange reserve left to use for such imports.

Effect of Failure to Extend the A.I.D. Program: COLOMBIA

If A.I.D. operations in Colombia were to cease, we could not provide sector loans amounting to $75 million to $80 million for agriculture, education, urban development and industry-capital markets development, which are planned for FY 1972. A.I.D. sector lending is a vital component in the Government of Colombia's plan for investment in important sectors of the economy, and to date A.I.D. has been the only agency in the World Bank-led Consultative Group prepared to provide this kind of assistance. Thus, termination of the A.I.D. program would profoundly affect this important multilateral effort.

In addition, ongoing technical assistance grant projects in agriculture, education, labor, tax administration and demographic research would be terminated, and 178 A.I.D.-financed technicians and management personnel (42 direct hire, 7 PASA, 11 contract and 118 locals) would be affected.

In addition, approximately 75 Colombian participants in training abroad would not be able to complete their programs.

Local currencies generated by FY 1972 P.L. 480 Title I sales totalling $11.8 million could not be effectively administered. Self-help measures negotiated in connection with these agreements are an important part of the agricultural sector plan worked out in connection with A.I.D.'s present and planned agricultural sector loans, and pesos generated by these agreements are necessary to support activities undertaken in connection with the sector loans.

We would also have problems carrying out P.L. 480, Title II school feeding and food for work programs which reach over a million people, since they are integral parts of programs being carried out under A.I.D.'s education and agriculture sector loans in Colombia.

Effect of Failure to Extend the AID Program: CENTRAL AND WEST AFRICA

In the last two years, the Africa Bureau has initiated a series of major sector development programs in Central and West Africa for some sixteen countries, concerning cereal and livestock production, which will have a direct impact on the lives of 100 million Black Africans living in Sub-Sahara Africa.

The cereal and livestock production and marketing projects are both regional and multilateral wherein A.I.D. is closely coordinating with the French, European Development Fund and the Canadians. Both capital and technical assistance are being provided in these projects in an effort to help the local peasants increase the production and marketing of basic cereals and livestock.

In FY 1972, $7.5 million in technical assistance funds and $7 million in loans are earmarked largely for these regional projects in Central and West Africa. If A.I.D. cannot go forward with its funding, the efforts over the last two years of building a multilateral framework for addressing core problems in Central and West Africa will be crippled. In addition, the demand for cereals and livestock is increasing at such a rapid rate and unless the above-mentioned assistance programs are accelerated, Central and West Africa faces critical food shortage and nutritional problems. Sub-Saharan Africa is one of the poorest areas in the world and presents a very serious problem of the gap still widening further.

In addition to the cereal and livestock projects, A.I.D., with support of the French and WHO, is also assisting with the expansion of basic health facilities including maternal and child care and family planning.

In FY 1972 A.I.D. has earmarked $3 - $5 million, and similar amounts over the next few years, in a variety of programs aimed at helping the Sub-Saharan African countries strengthen their capacity to deliver basic preventive health services. The inability of A.I.D. to provide funds in this area will severely restrict the ability of the poorest African countries to provide the basic services that the well being of its people require.

Effect of Failure to Extend the A.I.D. Program: INDUS BASIN

The Indus Basin Development Fund Agreement is an agreement between the United States, the IBRD and six other nations (New Zealand, Pakistan, United Kingdom, Canada, Germany and India) to finance a construction program equitably dividing waters of the Indus Basin between India and Pakistan. U.S. disbursements through December 1970 have amounted to $526.9 million. From FY 1972 on, the United States has agreed to provide $71.5 million in grants and $32.2 million in loan funds. Payments required from the U.S. during this calendar year, for which we have already received the IBRD request, are at least $15 million in grants and $12 million in loan funds. Without a Continuing Resolution it is not possible to meet our obligations under this international agreement.

The October 1 IBRD requests exceed the amount we are now able to provide under the current Continuing Resolution. We are now technically in default of our commitment to the Indus Basin Development Agreement Fund and the World Bank Administrator of the Agreement. Failure to appropriate the full amount requested of Congress in FY 1972 could result in contractor claims and, should the construction schedule be jeopardized, increased construction costs, and if work is suspended, heavy contractor cancellation fees.

Effect of Failure to Extend the A.I.D. Program: SOUTH ASIA
Humanitarian Relief

1. Pakistan Refugees in India

We could not make dollar contribution needed to help India finance costs of shelter, sanitation, medical care, administration for refugees. Have just participated in India Consortium meeting involving major industrialized countries under World Bank auspices which concluded members should be prepared to make maximum refugee contribution. We cannot expect others to substitute for us. Lifting some of the financial burden from India can help keep the situation from exploding.

2. Assistance in East Pakistan

Our funds are a mainstay of the relief effort, under UN auspices, which is aimed at reducing refugee flow to India. We are now providing support for UN administration, assistance in the transportation of food, and for special dollar costs related to child feeding programs. Looking ahead, there will be a need to assure the availability of adequate agricultural supplies, like fertilizer and pesticides and pumps, to assure that food production is maintained, that food supplies in the future are not so poor as to stimulate further refugee movement. Without new funds we cannot continue to assist.

Effect of Failure to Extend the A.I.D. Program: BOLIVIA

To assess the seriousness of terminating A.I.D. funding on November 15, one must take into account recent developments in that troubled country.

On August 22, 1971, the leftist government of General Juan Jose Torres was overthrown by a coalition led by Col. Hugo Banzer. The new government faced several immediate problems: serious unemployment; absence of any new investment; a serious balance of payments and foreign exchange situations; and the need to restore Bolivian confidence in their government's ability to deal with these major economic and political problems. The U.S. Government responded immediatedly by making a $2 million grant and a $12 million loan available.

The termination of A.I.D. funding on November 15 would result in an abrupt break in joint planning activities with a serious loss of momentum and a destructive blow to the positive psychological climate achieved to date through U.S. assistance. In addition, two projected loans (agricultural credit-$8 million and Private Investment-$5.5 million) to encourage renewed private sector activity (essential to economic development and political stability) would not be forthcoming.

In addition to the political and economic consequences cited above, the cessation of A.I.D. funding on November 15 would have the following results:

1. Implementation of approved loans: Continued disbursement and implementation of other approved loans (Roads - $9.0 million; Community Development - $915,000; Civil Air Transport - $2.0 million; Feasibility Studies - $1.5 million) would grind to a halt without USAID technical assistance.

2. Technical assistance activities: Current activities to improve the Government of Bolivia's ability to collect and rationally utilize revenues--to provide land titles to poor farmers; to make Bolivia self-sufficient in key agricultural products; e.g. wheat, vegetable oils; to strengthen the ability of local governments to carry on development activities; to provide textbooks for school children in grades 1 through 6; to provide family planning services; to provide P.L. 480 Title II food for some 350,000 needy Bolivians, would stop. Sixty-five Bolivians currently receiving training in the United States would have to terminate studies prematurely and return to Bolivia.

Bolivia, with the lowest GNP per capita in Latin America, has serious immediate needs for continued external grant and loan assistance for economic development.

Effect of Failure to Extend the A.I.D Program: VIETNAM

Failure to extend the Continuing Resolution would have the following effects on the Vietnam economic program:

-- Since the Government of South Vietnam (GVN) relies on U.S. support to finance a major share (over 50 percent) of its budget, it would be necessary to cut back drastically on budget expenditures for its military forces, land reform payments, support for refugees, and Veterans benefits. These cutbacks would greatly reduce the GVN's ability to carry on the war effort.

-- No conceivable amount of budget reductions could, however, be sufficient to prevent rapid and spiraling inflation, which would lead to economic chaos, increased military desertion rates (since public sector salaries would be penalized the most), and political instability.

-- The reduction in GVN military effectiveness would slow down the orderly turnover of military operations to the South Vietnamese Army, and would impair our ability to withdraw U.S. troops. Thus, a cutoff of the $565 million economic request would have a disproportionately adverse effect on U.S. military expenditures.

-- Vietnam relies heavily on A.I.D.-financed imports. Failure to provide continued funding for imports would trigger speculation, hoarding and shortages immediately -- well before the last commodities in the pipeline are delivered.

-- Volunteer doctors now providing medical care for war casualties and refugees would be withdrawn.

-- Medical supplies such as pharmaceuticals and surgical equipment for Vietnamese hospitals would be terminated.

-- Commodities and technical assistance for refugees, including aluminum roofing and tents for shelter, would be cut off.

-- Technical assistance for development (agriculture, education, industrial development, public works, and rural development projects) would be terminated, reducing Vietnamese capacity to achieve economic self-sufficiency.

-- Civilian inputs to the Pacification Program would be eliminated.

Effect of Failure to Extend the A.I.D. Program: TURKEY

1. We could not fulfill our offer of assistance to help Turkey cope with the problems resulting from its agreement to eliminate the production of poppies. Secretary Hardin is currently in Turkey reviewing Turkey's plans for assisting its farmers and identifying potential areas of U.S. assistance.

2. The planned expansion of the Eregli Steel Mill would be delayed. A carefully developed financial plan, involving a cooperative World Bank and A.I.D. financial effort, could not be realized. The expansion will reduce Turkey's need for future steel imports and for future aid.

3. Turkey has begun to turn to A.I.D. for assistance in family planning. After many years of disinterest in the problem, a new government is beginning to expand the government effort. Our assistance effort in this field would be stopped, despite Turkey's massive population problem.

4. The Erim Government is also turning to A.I.D. to help it carry out its educational reform program in three universities. Without new funds we could not respond.

Effect of Failure to Extend the A.I.D. Program: NIGERIA

With the largest population in Africa (approximately 53 million) and a wide range of natural resources, Nigeria's potential for viable growth is very favorable. Its economy withstood the strains of the recent Civil War although the war did cause substantial physical damage to schools, hospitals and roads and a sharp decline in per capita income. Since the war ended in 1970, petroleum production is growing rapidly. With assistance from external donors, Nigeria is expected in the near future to reach a step of development where outside assistance will no longer be required.

Since the end of the Civil War, A.I.D. has taken steps to adapt its technical assistance and development loan programs to Nigeria's changing conditions. In Nigeria, increased efforts are being made to encourage more effective utilization of domestic institutions and personnel in support of productive projects. In FY 1972 we have proposed a program of approximately $8.5 million in technical assistance, the largest single TA program in Africa, which will be concentrated primarily on agriculture production activities such as rice maize production and credit, agricultural planning and assistance to university agricultural faculties. The thrust of these activities is to expand upon the institutional framework established earlier with specific emphasis on focusing these institutions on production types of activities. For example, in FY 1972 we have proposed $2 million to assist three universities. We also plan continuing assistance in agriculture credit as well as agriculture extension and planning. In addition to our technical assistance, we are also planning a loan program of approximately $16 million which includes a $6 million loan for the construction of facilities for the Faculty of Veterinary Medicine at Ahmadu Bello University and $10 million for the import of commodities.

The withdrawal of U.S. assistance to these institutions which have been developing over a long period of time with A.I.D. assistance will have a serious effect on Nigeria's plans to recover from the setbacks to its development programs due to the Civil War and deter the rapid movement of Nigeria to reach its planned targets for economic growth and independence from outside financial assistance.

Effect of Failure to Extend the A.I.D. Program: INDONESIA

U.S. assistance has been a critical element in the success of the multilateral assistance effort which has underwritten Indonesia's own highly-effective self-help measures and enabled the country to make outstanding progress in rehabilitating the country's economy following Sukarno.

Failure of the United States to continue as an active donor would:

--Undermine the Indonesian people's confidence in their government's stabilization program, with exceedingly serious potential domestic, economic and political repercussions.

--Risk loss of support of Indonesia's many other donors, casting into serious doubt the validity of multilaterally-coordinated aid-giving as a sound foundation on which a country can have a disciplined economic policy.

--Lead to a resurgence of inflation--reduced to 2% a year from an annual rate of 600% in 1965--which ultimately could undermine all development efforts.

With respect to specific A.I.D. programs, failure to extend the continuing resolution would:

--Halt the flow of essential imports from the United States for support of the private sector, retarding industrial growth and contributing to inflationary pressures;

--Deprive Indonesia of fertilizer supplies required in the next several months to support agricultural development;

--Exhaust supplies of contraceptives and other materials for the family planning program;

--End U.S. support for the rehabilitation and expansion of power, roads, and other economic infrastructure essential to the country's development;

--Force a termination of the technical assistance now being provided in agriculture, education, family planning and geologic mapping;

--Force the return of several hundred Indonesian trainees now in the United States and third countries, depriving Indonesia of the trained manpower so essential to its development.

Effect of Failure to Extend the A.I.D. Program: GHANA

Ghana represents a unique political and economic situation in Africa. It has evolved from Nkrumah's dictatorship and state control which was brought down by a military revolt and peacefully returned to civilian parliamentary government under the leadership of Prime Minister Busia in 1969.

During the past two years, the U. S. has played a major role in building a multilateral framework for helping Ghana restore its economic health which will permit not only an acceptable rate of growth for Ghana but enable her to play its traditional key role in West African trade and commerce. The first stage of the recovery was a major stabilization program under the leadership of the IMF which brought Ghana's domestic and external economic problems under control. The second stage, now in progress under the leadership of the World Bank Consultative Group, focuses on accelerating Ghana's growth through improved domestic investment and savings programs, as well as a substantial increase in net foreign resources flowing into Ghana. The U. S. is extremely active in encouraging Ghana's major creditors in providing debt relief, as well as encouraging other donors to provide more assistance.

Over the past few years, the U. S. has provided on an average between $25 and $30 million a year in both development lending and PL 480 support to Ghana.

In FY 1972 the U. S. intends to substantially increase its aid to Ghana by providing a $25 - $30 million program loan, as well as $10 million in PL 480. This substantial increase in U. S. assistance is the key element of the multilateral effort in the next two years to help Ghana attain a rate of growth which is imperative to sustain the Busian government. This increased U. S. assistance will be part of a package of a substantial increase of World Bank aid to Ghana, including for the first time a program loan, as well as increases in Canadian, West German and British aid. The failure of the U. S. to be able to make its major contribution to Ghana's development in FY 1972 and thereafter could lead to an economic and political tragedy in Ghana, because the U. S. is providing approximately 30 - 40 percent of Ghana's foreign assistance.

In addition, the termination of the technical assistance program which is earmarked at $2.3 million for FY 1972 could undermine a nationwide family planning program, as well as do substantial damage to a major agricultural planning and analysis group of U.S. technicians in the government financed by A.I.D.

Effect of Failure to Extend the A.I.D. Program: PANAMA

As of August 31, A.I.D. had 12 active loans with Panama with an undisbursed balance of $41.2 million. These loans reflect stated investment priorities of the Government of Panama and include areas of mutual concern such as Education Reform, expansion of the potable water system for Panama City, and Malaria Eradication. In addition, loans being jointly prepared by the Government of Panama and the USAID include a major initiative in Agriculture Development and new projects in Tourism, Housing, and Manpower Training. Under the bilateral technical assistance program, A.I.D. assists the Panama Government in priority areas such as investment promotion in Panama, health and family planning, and municipal development.

Failure to extend the Continuing Resolution will, within a short period, effectively halt work in all the above activities, thereby weakening the credibility of U.S. commitments to Panama at a time when sensitive U.S.-Panama Canal Treaty negotiations are in progress.

Failure to continue implementation of the $8.5 million Education loan will impede the progress of Panama's highly publicized education expansion and reform program, the product of four years' effort. Any interruption in implementation of the $20 million Panama City potable water loan could lead to severe rationing of water supplied from the Canal Zone, thereby increasing tension between the Zone and Panama.

The training program of approximately 142 Panamanian participants would be adversely affected.