

THE TAXPAYERS COMMITTEE TO END FOREIGN AID

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September 1, 1969

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MR. JOHN OGDEN

To Our Mailing List of Ten Thousand:

Our Committee mailing list includes senior government officials, the press and responsible citizens. The following study updates our Committee presentation prepared for and sent to The President last February 19.

This final appeal to end foreign aid proves this give-away program must stop if our economy is to survive; please study it. Then express your convictions to your friends, to both of your Senators and your Representative, also to each member of the House and Senate Appropriations Committees and to the members of the House Foreign Affairs and Senate Foreign Relations Committees. ^{1/}

The most thorough student of foreign aid in the Congress is The Honorable Otto E. Passman, Chairman, Foreign Operations Subcommittee on Appropriations. His four recapitulation sheets at the conclusion of our Committee report disclose the amazing scope and cost of foreign aid. His July 1, 1969 two-page letter addressed to the American Taxpayers follows:

1/ Attachment A, pages 21 and 21-A for lists of Congressional Committees.

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CHAIRMAN:
FOREIGN OPERATIONS SUBCOMMITTEE

VICE-CHAIRMAN:
TREASURY
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INTERNAL REVENUE SERVICE

July 1, 1969

TO THE AMERICAN TAXPAYERS:

The attached recapitulation sheets raise many serious questions. One question would be: Can we survive indefinitely as a strong nation if we continue dissipating our resources and giving away our wealth to nations all over the world? This practice is destroying our world markets. Many of our commodities are no longer competitive in the world markets. NOTE THE FOLLOWING FIGURES CAREFULLY:

(1) New budget requests made since January 1, 1969 for additional authority for foreign assistance covering loans, grants and credits -- TEN BILLION, FIVE HUNDRED AND TWENTY-EIGHT MILLION DOLLARS.

(2) Unexpended balances in pipeline from prior years -- EIGHTEEN BILLION, SEVEN HUNDRED AND EIGHT MILLION DOLLARS.

If all new requests are approved by the Congress, the total funds available, new and from prior years, will amount to TWENTY-NINE BILLION, TWO HUNDRED AND THIRTY-SIX MILLION DOLLARS.

(3) Net cost, I repeat, net cost of the foreign assistance program since its inception (1946-69), including interest on what we have borrowed to give away, amounts to ONE HUNDRED EIGHTY-TWO BILLION, FIVE HUNDRED AND EIGHTY-THREE MILLION DOLLARS. Our wealth has been distributed among the entire 3 1/2 Billion population of the world, with the exception of a mere 36 Million people.

(4) During this world-wide spending spree, our gold holdings have been reduced from TWENTY-TWO BILLION, EIGHT HUNDRED AND SEVENTY-NINE MILLION DOLLARS to TEN BILLION, THREE HUNDRED AND SIXTY-SEVEN MILLION DOLLARS.

(5) Since the inception of this world-wide spending spree, short-term dollar claims against the United States (due now) have increased from EIGHT BILLION, SIX HUNDRED AND FORTY-FIVE MILLION DOLLARS to THIRTY-FIVE BILLION, SIX HUNDRED AND SIXTY-FIVE MILLION DOLLARS. If we should be called upon to redeem these short-term IOU's, we could not meet the demand.

(6) Our balance-of-payments situation, since this world-wide spending spree started, has become serious. We have sent to foreign nations of the world THIRTY-SIX BILLION, EIGHT HUNDRED AND NINETY-SIX MILLION DOLLARS more than they have returned to us.

July 1, 1969

(7) The freewheeling spending program covering the face of the earth has helped push the U. S. public debt to a figure FIFTY-SEVEN BILLION, EIGHTY-ONE MILLION DOLLARS above the combined public debt of all other nations of the world.

(3) Many believe that we have substituted dollars for a sound foreign policy. Indeed, we have substituted aid for trade. We have become so addicted to this new formula that to be able to continue it we are now borrowing money from more than THIRTY FOREIGN NATIONS of the world.

We are borrowing money from the American people to pay for commodities and services which are given free to foreign nations. At the same time we are borrowing money from foreign nations in order to improve temporarily our balance-of-payments situation. ONE EXAMPLE IS AS FOLLOWS:

Thailand is the recipient of over ONE BILLION DOLLARS of our aid, both commodities and services. The United States borrowed the money to pay for these commodities and services we have given to them. During the same period, Thailand, out of its own resources, created a surplus in its foreign exchange and gold reserves of over ONE BILLION DOLLARS. NOW THE SHOCKER!

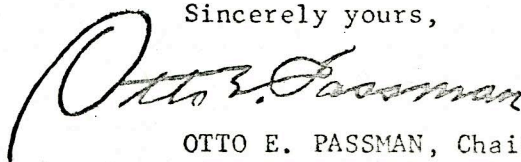
After long diplomatic wrangling, strong argument and arm-twisting, Thailand reluctantly but finally agreed to make the United States a loan of ONE HUNDRED MILLION DOLLARS. Terms: Four and one-half years at Six Percent interest.

This is just one of many examples of the mess we are getting into with our freewheeling, world-wide spending program.

The attached recapitulation sheets and the summary included in this letter are from the record and are being furnished to the overburdened American taxpayers, hoping that they have the means and persuasion to help put an end to this frightful spending spree that we have embarked upon.

This is the Administration's program in name only. Third and fourth echelon bureaucrats are the ones who are involving us in these foreign entanglements. During fiscal 1970, the aid program will be operating in ninety-nine nations and five territories of the world, with 51 thousand individuals on the payroll. This includes U. S. personnel, foreign personnel, and participants. There are 4,403 projects and subprojects scattered all over the world. While many similar projects in America were closed down during fiscal 1969 for lack of funds, not a single foreign aid project suffered as much as a one-dollar reduction on account of the limitation imposed by the Revenue and Expenditure Control Act of last year.

Sincerely yours,



OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

U. S. FOREIGN ECONOMIC AID

The Public Debt

The new Administration would be well advised to consider foreign aid within the framework of our precarious fiscal position. As of December 31, 1968, the U. S. public debt stood at \$361 billion. Interest on the U. S. public debt is now \$18 billion annually. Foreign aid, including interest on the money we have borrowed to give away, totals \$182.5 billion. This is more than half the public debt!^{2/}

Loss of Foreign Trade

Beginning with its 1946 inception, various foreign aid agencies and programs have provided foreign countries with our most modern machinery and equipment. In addition, with foreign aid dollars, foreign industrialists and technicians have been brought to the U. S. to study and take home our latest industrial technology.

With low cost foreign labor, foreign tax concessions, free ultra-modern U. S. machinery and technology, foreign industry has been able to undersell much of our domestic production. In addition foreign aid, in many instances, has promoted the export of American industry. With indirect foreign aid and private finances, U. S. industries have had to establish foreign branches in order to take advantage of low cost labor and favorable taxes and to protect their foreign markets. This industrial exodus has taken jobs from American labor and given them to foreigners.

"As recently as 1950 we imported primarily raw materials, tropical products and products of low labor content, while we exported primarily finished

^{2/} Attachments B and B-1, pages 22-23.

manufactured goods of high labor content. By 1960 this had changed. We now export more agricultural products, raw materials, scrap iron, and products of low labor content,^{3/} and import an imposing array of finished products of high labor content, from cameras, TV's and fabrics to automobiles and tankers.

U. S. foreign aid has fostered keen steel competition abroad. In 1950 there were only 32 steel-producing countries; 15 years later, there were 65. Twenty percent of steel produced in foreign countries now enters the U. S., which has become the world's largest importer of steel. Had this imported foreign steel been produced here, it would have created more than 70,000 steel workers' jobs. While our genius to produce steel is second to none, low cost foreign labor and foreign government subsidies create formidable competition. The value of foreign steel imports in 1966 was \$900 million. This was a heavy contribution to our unfavorable balance of payments.^{4/}

For the past decade, U. S. Department of Commerce data indicate, U. S. exports have exceeded imports by \$5 billion annually. The figures, however, include exports financed through various foreign aid programs and shipments to overseas military establishments. In addition, U. S. import values omit the cost of insurance and freight. Were foreign aid financed exports omitted and were the

^{3/} Dr. Lewis E. Lloyd, Economist, Head of Business Research, Dow Chemical Co., Representing the Citizens Foreign Aid Committee before the House Appropriations Committee, 5/8/67.

^{4/} From reports by Mr. Roger Blough, Chairman of the Board, U. S. Steel Corporation, an address, March 8, 1967, and U. S. Steel Quarterly, February 1967.

cost of insurance and freight added to imports, favorable trade balance would vanish. The New York Times, a well known foreign aid advocate, reported:

"For 1968 as a whole the export surplus was only \$726 million, well under previous estimates.

"The export total of \$33,840,000,000 includes about \$2.5 billion of shipments under the foreign aid and 'food for peace' programs for which no dollars are received. Thus, with these left out, there was a trade deficit for the year of nearly \$2 billion." 5/

U. S. industry must become competitive in world markets by ending foreign aid and balancing the federal budget.

Inflation

The foreign aid program annually takes billions of dollars worth of goods out of the U. S. economy without a corresponding reduction in local purchasing power. This procedure coincides precisely with Webster's definition of inflation: "A sudden increase in the quantity of money or credit, or both, relative to goods available for purchase." A simpler definition is an over-expansion of the money supply.

The American people do not need to be told the dollar is rapidly losing its buying power. In 1968 mean prices for all consumer items increased by 4.7 percent. 6/ Since 1939 erosion of the dollar has caused the American peoples' insurance, earnings and savings to lose almost \$500 billion in this most recent great government experiment in perpetual inflating. This loss, the equivalent of government embezzlement, continues at an annual rate of \$50 billion. 7/

5/ New York Times, 1/30/69

6/ Bureau of Labor Statistics, Washington Post, 1/30/69, p. 8.

7/ Research Report, American Institute for Economic Research, Great Barrington, Mass., 8/4/69, p. 60, and 1/27/69, p. 14.

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Although inflation is the cruelest of taxes, the government has taken no effective measures to arrest it. The ten percent surtax and the recent surtax extension have not and will not be effective because the government will lose no time in spending this tax on taxes.

If inflation is permitted to run its course, which now appears inevitable, Americans face the fate of the German people in the early years of 1920 when the mark became worthless. This created havoc which, except for killing, was as dislocating as war.

Only drastic reduction in government spending and a series of balanced federal budgets and elimination of foreign aid can halt inflation.

The Gold Drain

In September 1949 our gold reserve stood at \$24.7 billion. Mostly with foreign aid dollars, acquired directly or indirectly from U. S. grants or soft loans, foreigners have purchased U. S. gold. Consequently, our gold stock is now \$10.3 billion, against which foreign short-term dollar claims on December 31, 1968, were \$35.6 billion.^{8/} Net sales of U. S. gold to seventy-two listed past and present foreign aid recipients during 1958-1967 total \$10.1 billion.^{9/}

This run on U. S. gold has forced the Congress to remove the statutory gold reserve. Despite this drastic action and as a result of the weakened international confidence in the dollar -- a consequence of our depleted gold reserve -- the U. S. Treasury and Federal Reserve Bank have been compelled to make

^{8/} Attachment B, page 22.

^{9/} Attachment C, page 24.

special and extraordinary gold commitments to foreign governments, especially European. Thus, the Treasury has had to issue over \$1 billion of debt payable in gold marks to the German government to cover the balance of costs of maintaining troops in Germany for the defense of that country. In addition, the Federal Reserve has had to make what is known as "reciprocal currency arrangements" -- in effect, credit lines issued to foreign central banks -- totaling \$9.955 billion (as of September 6, 1968), which can be converted by the holder into claims on U. S. gold.^{10/}

From the foregoing views on the gold drain it is obvious the U. S. government has no gold it can call its own. Without gold backing paper dollars will continue to multiply. With the present price of gold officially fixed at \$35 an ounce, it has become increasingly unprofitable to mine gold in the United States; in the European free market gold is selling substantially higher.

The discriminatory Executive Order prohibiting Americans from owning gold should be revoked. Today, possibly the best bargain obtainable is 35 paper dollars for one ounce of gold. Many qualified students suggest the value of gold should be progressively increased, possibly to \$70 an ounce.

Instead, however, it appears that the trend is to turn to paper gold instead of real gold. As matters now stand we are printing paper dollars faster and faster while foreigners are amassing gold. For an authoritative view on paper gold we quote from Dr. Melchior Palyi, an internationally respected economist:

^{10/} Monthly Review, New York Federal Reserve Bank, No. 7, Sept. 1968.

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"It is a great venture in money policy on which the West is to embark this coming Fall, the substitution of a nominal unit -- without metal content -- in the place of gold and gold-convertible currencies. To succeed even temporarily, the nominal money unit has to be accepted internationally. Will the chartal* dollar, without any reference to gold, become the international reserve currency? This is what we are aiming at, in order to be relieved, once and for all, from the last obstacles on the road to fully managed money -- one that can never be in short supply, and let the price structure of the world go hang."

Return to the gold standard would impose fiscal discipline.

Foreign Aid and the Balance of Payments

During the years 1950 through 1968, the U. S. balance of payments deficit totaled \$36.9 billion. Only twice during these nineteen years did more dollars flow into the U. S. than were sent out, mostly in connection with the foreign aid program. In 1957 our balance of payments was favorable by \$500 million because Europeans were buying munitions to meet the Suez crisis. Again in 1968 our net payments surplus was \$93 million.^{11/} This surplus resulted principally from heavy foreign held dollar investments in the U. S. and the rush of U. S. business abroad to bring dollars home to comply with foreign investment quotas.

It is strange that leaders of the last three Administrations failed to see the connection between foreign aid and balance of payments deficits. President Kennedy was an exception; in a July 6, 1962 letter to Mr. David Rockefeller he wrote:

"...the United States can balance its balance of payments any day it wants if it wishes to withdraw its support of its defense expenditures overseas and our foreign aid."

* From the Italian word carta -- paper declared by the government to have value.

Those who support foreign aid avoid dwelling on its true cost. Somehow Mutual Security is widely considered as the total of the foreign aid program; actually it is only one of twenty-two items. These items are difficult to locate. They are dispersed throughout the Federal budget, which is a volume the size of the Washington, D. C. telephone directory. President Nixon's total foreign aid request for fiscal 1970 is \$10.5 billion! Please turn to Attachment D, page 25 for the breakdown of this monstrous, useless expenditure.

AID officials, in particular, are inclined to play down the cost of this sheltered give-away program. For example, last year on June 13th, AID Administrator William S. Gaud was interviewed over the NBC radio network. Asked how much of each tax dollar is being spent for foreign aid, Mr. Gaud replied: "One cent out of each tax dollar." This was a gross understatement. The facts are: Total revenue collected during the Truman Administration -- \$337 billion...during the Eisenhower Administration -- \$624 billion...during the Kennedy-Johnson Administrations projected through December 31, 1968 by U. S. Treasury -- \$1,065 billion.^{12/} Total revenue collected by the last three Administrations -- \$2,026 billion. During this time foreign aid cost \$171 billion, or 8.4 cents out of each tax dollar.

U. S. deficits at home and abroad will continue so long as foreign aid and unbalanced Federal budgets continue. As a consequence, the dollar will continue to erode.

^{12/} Address by Congressman Otto E. Passman, Union League Club, New York City, 5/27/68.

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"In recent decades, Constitutional limitations on the powers of the U. S. Government have been brushed aside. Decisions of the Supreme Court have extended the interpretation of Section 8 ('the general welfare or taxing clause.')

"In the efforts to aid the world's underdeveloped nations by means of foreign aid, failure seems to be roughly in proportion to the enormous sums spent.

"U. S. foreign aid financed Britain's Labor Government to the tune of more than \$6 billion excluding military assistance. American authorities had been eager to help force Britain into a socialist strait jacket but were reluctant to help a free enterprise government succeed.

"The following conclusions appear warranted:

"In any nation where a central elective government has virtually unlimited powers, most alleged solutions for problems will be political panaceas. 'Political panaceas' is our name for schemes devised primarily in order to win votes at the next election.

"Such political panaceas will make worse the problems they purport to solve. The end result will be abandonment of representative government with increased concentration of power in the executive branch. When economic chaos and political anarchy prevail, government becomes dictatorship in fact if not in form. Inasmuch as no exceptions are known in human history, the indicated consequences in such circumstances seem highly probable."

^{13/} "Can Our Republic Survive" -- American Institute for Economic Research, Great Barrington, Mass., May 1969.

U. S. MILITARY ASSISTANCE

General

Since 1961 the Pentagon has sold -- more probably given away -- more than \$12 billion worth of munitions to foreign states. This, together with more than \$38 billion in AID's foreign munitions gifts, totals more than \$50 billion for global military assistance. This \$50 billion figure excludes an annual \$3 billion spent by U. S. forces stationed in West Germany; it excludes the cost of the war in Vietnam. In assessing military assistance, one should weigh U. S. economic aid also. While economic aid might not directly be applied to military goals, it establishes credit, buys food, clothing, shelter, transportation and other appurtenances which further military effort.

Since 1946 the U. S. has given military assistance to 79 countries. This assistance was intended to provide defense against external communist aggression and insure internal security. Claim has been made that since NATO was formed, no NATO state has been a victim of communist aggression. However, if the Soviets had such aggressive intent, it was not NATO forces in West Germany but U. S. based strategic striking forces which were the war deterrent.

Our military assistance has enabled several traditional enemies to fight wars. Pakistan and India fought a major war using, for the most part, U. S. weapons. In a number of instances, foreign military personnel, trained in the U. S. to use our weapons, returned to their homelands to find their governments inadequate but flush with foreign aid funds. Military coup d'etats followed. These kinds of take-overs of constitutional governments have occurred in Greece, Turkey, Korea, Thailand and a number of Latin states.

State and Defense Department officials testify military assistance is essential to our own survival; despite lack of evidence, they endorse collective security as the only road to peace. President Eisenhower spoke of military assistance in glowing terms. On March 3, 1959, he advised the Congress:

"Our friends among the free world make available to us for the use of our forces:

250 strategic bases... 5 million ground forces...
30,000 aircraft... 2500 combat vessels."

But in our two most recent Asian wars, the U. S. has stood practically alone. A number of allies, for whom the U. S. fought in two World Wars, now give aid and comfort to the enemy. In the Korean War 500,000 South Koreans fought for their homeland. The U. S. contribution was 450,000 troops. All other free world allies combined contributed 45,000 -- a mere 5 percent of the total forces.

As presidential adviser, Mr. Clark Clifford was sent to Vietnam in 1967 to discuss with our allies the possibility of increasing their Vietnam troop commitments.

- * Nearby Thailand refused to increase her 2500 troop strength.
- * The Philippines refused to send combat troops.
- * South Korea, facing a communist threat at home, feared to send more troops.
- * Australia sent two divisions to World War II but refused to increase her 1000 troop strength.
- * New Zealand sent 70,000 troops to World War II but refused to increase her 500 strength.
- * Singapore declined to send any troops. 14/

Experience teaches that unless the survival of a nation is at stake, it is loath to go to war for anyone else. The United States appears to be the one exception.

Vietnam

More than once President Johnson called for support of foreign aid in order to avoid future Vietnams. Nevertheless, at Las Vegas, February 16, 1966, Secretary of State Rusk gave as one of five reasons for our armed intervention in Vietnam:

"We are committed to assist South Vietnam to resist aggression...by the aid approved by bipartisan majorities in Congress over a period of 12 years."

Involvement in Vietnam began with a Marshall Plan gift of \$292 million to Indochina. To strengthen the French forces, shortly before their surrender at Dien Bien Phu in May 1954, the second Hoover Report lists a gift to France of \$745 million authorized by President Eisenhower. This military assistance to France's Indochina war was the beginning of our present Vietnam entanglement.

The war in Vietnam is a monumental blunder; it could have been won shortly after our entry. Instead of full exploitation of U. S. air power, the Defense Department selected tropical swamp and jungle combat where the enemy has every advantage. Our air power has the capability of quickly destroying enemy munitions in North Vietnam. The civil population could be saved if warned to abandon areas of military installations. We need not attack foreign ships, or make a surface invasion. We need merely to destroy enemy munitions after they arrive in North Vietnam. Our failure to destroy enemy bullets at the source makes them available

to flow south to kill American and Allied youth. This gives the enemy an inestimable advantage, resulting in the loss of many thousands of lives.

Now we are engaged in long drawn-out Paris talks with enemies who stubbornly sit as our equal. The situation could develop when no solution, even the withdrawal of our troops, is acceptable. Should this deadlock arise, we may have no choice other than to turn back to a military solution -- release our air power. Complete victory would come quickly.

In January 1968, Mr. Clark Clifford was appointed Secretary of Defense. His first assignment was to chair a task force, composed of civil and military leaders thoroughly familiar with the war in Vietnam. Secretary Clifford put many searching questions to the task force -- on troop strength, impact of war on our economy, and how could the war be won. One question was: "Can bombing stop the war?" The task force answer was: "Never by itself." This reply was strange and fallacious. For example: Of the bombing against Japan, Prime Minister Kantaro Suzuki said:

"It seemed to me unavoidable that in the long run Japan would be almost destroyed by air attack so that merely on the basis of the B-29's alone, I was convinced that Japan should sue for peace...I, myself, on the basis of the B-29 raids, felt that the cause was hopeless." 15/

Japan surrendered with 2,000,000 troops on their mainland, confident and undefeated.

Lessons from Korea

Because the U. S. failed to win in Korea it became necessary permanently to station two U. S. divisions with tactical air support in South Korea to help

15/ Army Air Forces in World War II, Vol. V, p. 756.

prevent a communist take-over. Nevertheless, the presence of our forces, together with 600,000 South Korean troops, has failed to stop communist border attacks or to deter the North Korean seizure of the Pueblo and imprisonment of its crew. The Pueblo incident was followed by an unprovoked shooting down of a propeller-driven Constellation. It was on a reconnaissance mission over international waters ninety miles from the shores of North Korea; loss of American airmen was heavy.

If our present leaders make the same mistakes in Vietnam that were made in Korea, the peoples of the Western and Southwestern Pacific will be compelled to seek friends elsewhere and we will have lost all friends in the Orient.

As our Vietnam troop withdrawal proceeds and U. S. air power is not permitted to neutralize North Vietnam, wholesale massacre of the South Vietnamese may become rampant. Before such a blood bath eventuates, our government should have no choice other than to authorize air strikes against military targets in North Vietnam.

The time has arrived when the U. S. can best deter major war in the Orient by the threat of strikes from space and also by sea and air strategic striking forces staged on Guam in the Western Pacific. General MacArthur repeatedly has said in a war against an enemy on the Eurasian land mass, the U. S. should not put a single American soldier on the ground and victory would come quickly by strikes from the sky. ^{16/}

^{16/} To a Member of MacArthur's Staff.

U. S. Disarmament

While fighting a no-win war in Vietnam and after having spent \$50 billion to arm others, the United States has been perilously disarming.

Hoping to ease tension with the Soviet Union,^{17/} we have not built an inter-continental bomber since mid-1962. Two experimental B-70 strategic bombers were built, successfully tested and abandoned. Secretary of Defense McNamara decided, despite the fact our long-range missiles have never been service-tested, that a missile defense was better and new bombers not needed. An experimental nuclear-powered bomber was abandoned as impractical. Our air-to-surface missile program and other vital, desperately needed defense projects were cancelled.

The Red Military Threat

The Red occupation of Czechoslovakia is proof of the excellence of Russia's army-air effectiveness; her recent air and space development is even more impressive.

On June 28, 1968 Canada reported a flight of seven Soviet Bear strategic bombers within fifty miles of Newfoundland. The Baltimore Sun reported three dozen such flights year before last. Russia also has in production and performing flying missions in formation, the Blinder, a medium bomber with a huge air-to-surface missile carried under its belly.^{18/}

^{17/} Attachment E, page 26.

^{18/} Air Force Magazine, August 1968, pp. 13-15.

These new Red striking forces prompted General Wheeler, Chairman of the Joint Chiefs of Staff, in Congressional testimony, to warn: "The most dangerous threat to the United States is posed by the growing Soviet strategic nuclear forces." This threat is real, immediate and inescapable.

Nevertheless, free world survival depends on neutralizing this fearsome threat. It appears the Soviets are not too worried about our ballistic missiles. Against them knowledgeable people feel they may have a defense. The weapons the Soviets fear most are the manned intercontinental bomber, strikes from space and the nuclear bomb.

Accordingly, without delay the U. S. must achieve the capability of launching strategic strikes from the sky, sea and space sufficient to deter war and win quickly if war is thrust upon us. The cost can readily be covered by ending foreign aid, eliminating spending for obsolescent weapons, and pulling back our divisions from West Germany and a substantial force from Vietnam.

The U.S.S.R. is the base from which the communist dream of world domination must emanate. The Kremlin, therefore, is unlikely knowingly to risk losing this base. A sufficiently strong war deterrent is almost certain to prevent war.

SOVIET EXPANSION

Since World War II, from the Baltic south to Greece and Turkey, communist control has been extended westward from the U.S.S.R. some four hundred miles into Europe. In Tokyo in 1946 Lieutenant General Kuzma N. Derevyanko, Soviet representative on the Allied Council for Japan, spelled out to a member of General MacArthur's staff the prairie fire nature of the Soviet dream of world communism. "All we seek from our neighbors is friendship, security and peace," he said.

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His government holds, General Derevyanko declared, it cannot live in peace with a neighbor whose government is unfriendly. To the Kremlin all neighbors are unfriendly unless they embrace the communist ideology and establish a communist government. After this the fascist neighbors on the outward border of the newly made Red satellite become dangerous. Again the new neighbors must be turned into Red satellites. It may be the Kremlin dreams of repeating its expansion strategy until all Europe is occupied.

WHEN FOREIGN AID ENDS

Congressman Passman reports: "Of the 3-1/2 billion people of the world, all but 36 million have received aid from the U. S." ^{19/} These data inevitably must include most communists in the world. Most South American countries have a dangerous communistic flavor, yet we continue to give them foreign aid. The Monroe Doctrine should be re-imposed and enforced.

As of July 1, 1969 there were \$18.7 billion in unexpended balances in the pipeline from prior years' foreign aid programs. ^{20/} This huge fund could be apportioned among aid recipients so as best to cushion the shock of no new foreign aid funds.

When foreign aid ends, to prosper, emerging countries should seek foreign capital investments and government and private loans. Loans should be long-term, sound and businesslike at commercial rates of interest plus a fraction of one percent

19/ Attachment B-1, page 23.

20/ Attachment F, page 27.

to cover handling charges. Government loans should be made through the Export-Import Bank. International Development Association (IDA) loans are soft, with no interest during the first ten years and with a negligible rate thereafter. They are of forty to fifty years' duration; no one expects them to be repaid. IDA loans should be discontinued immediately.

The U. S. government should remove restrictions on the free flow of private capital into foreign lands. Since most emerging countries are rich in natural resources, foreign investment can be made mutually rewarding to investors and recipients.

However, before outside capital will flow freely into emerging countries they must pledge not to expropriate foreign property without full compensation. They must not impose confiscatory taxes or discriminatory abuses against foreign investments. These measures freeze private venture capital and retard growth of emerging countries. Violation of these principles should be met by the imposition of appropriate economic sanctions.

Emerging peoples can take their place among modern states only if they progress from within. Dollars and equipment alone cannot insure success.

* * * * *

NOTE

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TAXPAYERS COMMITTEE TO END FOREIGN AID

Attachment A, Page 21

HOUSE COMMITTEES**FOREIGN AFFAIRS**

Ratio 21/17

- | | |
|------------------------------------|--|
| 1. Thomas E. Morgan, Pa., chairman | 1. <i>E. Ross Adair</i> , Ind. |
| 2. Clement J. Zablocki, Wis. | 2. <i>William S. Mailliard</i> , Calif. |
| 3. Wayne L. Hays, Ohio | 3. <i>Peter H. B. Frelinghuysen</i> , N.J. |
| 4. L. H. Fountain, N.C. | 4. <i>William S. Broomfield</i> , Mich. |
| 5. Dante B. Fascell, Fla. | 5. <i>J. Irving Whalley</i> , Pa. |
| 6. Leonard Farbstein, N.Y. | 6. <i>H. R. Gross</i> , Iowa |
| 7. Charles C. Diggs, Jr., Mich. | 7. <i>E. Y. Berry</i> , S. Dak. |
| 8. William T. Murphy, Ill. | 8. <i>Edward J. Derwinski</i> , Ill. |
| 9. Cornelius E. Gallagher, N.J. | 9. <i>F. Bradford Morse</i> , Mass. |
| 10. Robert N. C. Nix, Pa. | 10. <i>Vernon W. Thomson</i> , Wis. |
| 11. John S. Monagan, Conn. | 11. <i>James G. Fulton</i> , Pa. |
| 12. Donald M. Fraser, Minn. | 12. <i>Paul Findley</i> , Ill. |
| 13. Benjamin S. Rosenthal, N.Y. | 13. <i>John Buchanan</i> , Ala. |
| 14. Edward R. Roybal, Calif. | 14. <i>Robert Taft, Jr.</i> , Ohio |
| 15. John C. Culver, Iowa | 15. <i>Sherman P. Lloyd</i> , Utah |
| 16. Lee H. Hamilton, Ind. | 16. <i>J. Herbert Burke</i> , Fla. |
| 17. John V. Tunney, Calif. | 17. <i>William V. Roth, Jr.</i> , Del. |
| 18. Abraham Kazen, Jr., Tex. | |
| 19. Lester L. Wolff, N.Y. | |
| 20. Jonathan B. Bingham, N.Y. | |
| 21. Gus Yatron, Pa. | |

APPROPRIATIONS

Ratio 30/21

- | | |
|------------------------------------|--|
| 1. George H. Mahon, Tex., chairman | 1. <i>Frank T. Bow</i> , Ohio |
| 2. Michael J. Kirwan, Ohio | 2. <i>Charles Raper Jonas</i> , N.C. |
| 3. Jamie L. Whitten, Miss. | 3. <i>Elford A. Cederberg</i> , Mich. |
| 4. George W. Andrews, Ala. | 4. <i>Glenard P. Lipscomb</i> , Calif. |
| 5. John J. Rooney, N.Y. | 5. <i>John J. Rhodes</i> , Ariz. |
| 6. Robert L. F. Sikes, Fla. | 6. <i>William E. Minshall</i> , Ohio |
| 7. Otto E. Passman, La. | 7. <i>Robert H. Michel</i> , Ill. |
| 8. Joe L. Evans, Tenn. | 8. <i>Silvio O. Conte</i> , Mass. |
| 9. Edward P. Boland, Mass. | 9. <i>Odin Langen</i> , Minn. |
| 10. William H. Natcher, Ky. | 10. <i>Ben Reifel</i> , S. Dak. |
| 11. Daniel J. Flood, Pa. | 11. <i>Glenn R. Davis</i> , Wis. |
| 12. Tom Steed, Okla. | 12. <i>Howard W. Robison</i> , N.Y. |
| 13. George E. Shipley, Ill. | 13. <i>Garner E. Shriver</i> , Kans. |
| 14. John M. Slack, W. Va. | 14. <i>Joseph M. McDade</i> , Pa. |
| 15. John J. Flynt, Jr., Ga. | 15. <i>Mark Andrews</i> , N. Dak. |
| 16. Neal Smith, Iowa | 16. <i>Louis C. Wyman</i> , N.H. |
| 17. Robert N. Giaimo, Conn. | 17. <i>Burt L. Talcott</i> , Calif. |
| 18. Julia Butler Hansen, Wash. | 18. <i>Charlotte T. Reid</i> , Ill. |
| 19. Charles S. Joelson, N.J. | 19. <i>Donald W. Riegle, Jr.</i> , Mich. |
| 20. Joseph P. Addabbo, N.Y. | 20. <i>Wendell Wyatt</i> , Oreg. |
| 21. John J. McFall, Calif. | 21. <i>Jack Edwards</i> , Ala. |
| 22. W. R. Hull, Jr., Mo. | |
| 23. Jeffery Cohelan, Calif. | |
| 24. Edward J. Patten, N.J. | |
| 25. Clarence D. Long, Md. | |
| 26. John O. Marsh, Jr., Va. | |
| 27. Sidney R. Yates, Ill. | |
| 28. Bob Casey, Tex. | |
| 29. David Pryor, Ark. | |
| 30. Frank E. Evans, Colo. | |

SENATE COMMITTEES

FOREIGN RELATIONS

J. W. Fulbright, of Arkansas, <i>chairman</i> .	George D. Aiken, of Vermont.
John Sparkman, of Alabama.	Karl E. Mundt, of South Dakota.
Mike Mansfield, of Montana.	Clifford P. Case, of New Jersey.
Albert Gore, of Tennessee.	John Sherman Cooper, of Kentucky.
Frank Church, of Idaho.	John J. Williams, of Delaware.
Stuart Symington, of Missouri.	Jacob K. Javits, of New York.
Thomas J. Dodd, of Connecticut.	
Claiborne Pell, of Rhode Island.	
Gale W. McGee, of Wyoming.	

APPROPRIATIONS

Richard B. Russell, of Georgia, <i>chairman</i> .	Milton R. Young, of North Dakota.
Allen J. Ellender, of Louisiana.	Karl E. Mundt, of South Dakota.
John L. McClellan, of Arkansas.	Margaret Chase Smith, of Maine.
Warren G. Magnuson, of Washington.	Roman L. Hruska, of Nebraska.
Spessard L. Holland, of Florida.	Gordon Allott, of Colorado.
John C. Stennis, of Mississippi.	Norris Cotton, of New Hampshire.
John O. Pastore, of Rhode Island.	Clifford P. Case, of New Jersey.
Alan Bible, of Nevada.	Hiram L. Fong, of Hawaii.
Robert C. Byrd, of West Virginia.	J. Caleb Boggs, of Delaware.
Gale W. McGee, of Wyoming.	James B. Pearson, of Kansas.
Mike Mansfield, of Montana.	
William Proxmire, of Wisconsin.	
Ralph Yarborough, of Texas.	
Joseph M. Montoya, of New Mexico.	

JULY 1, 1969

TO WHOM IT MAY CONCERN:GOLD HOLDINGS

Gold Holdings, United States.	December 31, 1950	\$ 22,879,000,000
Gold Holdings, United States.	December 31, 1968	10,367,000,000
Gold Loss by United States.	1950 through 1968	\$ 12,512,000,000
Gold Holdings, Other Countries of the World	December 31, 1968	\$ 28,028,000,000
Gold Holdings, Other Countries of the World	December 31, 1950	10,935,000,000
Gold Increase, Other Countries of the World	1950 through 1968	\$ 17,093,000,000

SHORT-TERM DOLLAR CLAIMS AGAINST UNITED STATES:

Short-term Dollar Claims Against United States.	December 31, 1968	\$ 35,665,000,000
Short-term Dollar Claims Against United States.	December 31, 1950	8,645,000,000
Short-term Dollar Claims Increase Against U. S.	1950 through 1968	\$ 27,020,000,000

U. S. BALANCE-OF-PAYMENTS

1950 Net Deficit	\$- 1,912,000,000
1951 " "	- 578,000,000
1952 " "	- 1,100,000,000
1953 " "	- 2,100,000,000
1954 " "	- 1,500,000,000
1955 " "	- 1,100,000,000
1956 " "	- 1,000,000,000
1957 Net Surplus	+ 500,000,000
1958 Net Deficit	- 3,400,000,000
1959 " "	- 3,700,000,000
1960 " "	- 3,800,000,000
1961 " "	- 2,400,000,000
1962 " "	- 2,200,000,000
1963 " "	- 2,660,000,000
1964 " "	- 3,006,000,000
1965 " "	- 1,306,000,000
1966 " "	- 2,077,000,000
1967 " "	- 3,650,000,000
1968 Net Surplus	+ 93,000,000

NET U. S. BALANCE-OF-PAYMENTS DEFICIT (19 yrs.) 1950 through 1968	\$- 36,896,000,000
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GROSS PUBLIC DEBTS

Public Debt, United States	December 31, 1968	\$ 361,242,183,000
Public Debt, All Other Nations of the World	December 31, 1968	304,160,241,000
Public Debt, United States EXCEEDS Combined Public Debt of ALL OTHER NATIONS OF THE WORLD BY (Estimate)		\$ 57,081,942,000

The above are verified statistics covering (1) Gold Holdings, (2) Short-term Dollar Claims against United States, (3) United States Balance-of-Payments Position, 19 years, (4) Public Debt of the United States, (5) Public Debt of all other nations of the world, and (6) Amount by which our public debt exceeds combined public debt of all other nations of the world. It is not necessary for me to comment further. The statistics tell the full story.

OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

Attachment B-1, page 23

TOTAL NET FOREIGN ASSISTANCE TO 121 NATIONS AND 7 TERRITORIES OF THE WORLDFISCAL YEARS 1946 THROUGH 1969 - STATISTICS FINALIZED JULY 1, 1969THE FIVE F FORMULA: FRUSTRATING - FANATICAL - FRIGHTENING - FOOLISH - BUT FACTUAL

Afghanistan	\$ 370,500,000	Guyana	\$ 61,200,000	Peru	\$ 476,300,000
Albania	20,400,000	Haiti	108,800,000	Philippines	1,839,900,000
Algeria	193,500,000	Honduras	109,400,000	Poland	453,800,000
Argentina	447,500,000	Hungary	13,500,000	Portugal	477,100,000
Australia	697,000,000	Iceland	67,300,000	Rwanda	7,400,000
Austria	1,106,000,000	India	7,464,400,000	Saudi Arabia	70,300,000
Barbados	200,000	Indochina	1,535,200,000	Senegal	36,200,000
Belgium-Luxem.	1,747,500,000	Indonesia	940,100,000	Sierra Leone	40,900,000
Bolivia	532,000,000	Iran	2,047,100,000	Singapore	33,900,000
Botswana	16,500,000	Iraq	96,800,000	Somalia	76,200,000
Brazil	2,772,500,000	Ireland	122,900,000	Sou. Rhodesia	2,000,000
Burundi	6,800,000	Israel	860,200,000	Spain	1,960,000,000
Burma	84,700,000	Italy	5,393,700,000	Sudan	97,200,000
Cambodia	341,400,000	Ivory Coast	69,000,000	Surinam	10,000,000
Cameroon	32,900,000	Jamaica	76,400,000	Swaziland	500,000
Canada	46,900,000	Japan	3,606,900,000	Sweden	156,000,000
Gen. Africa Rep.	4,600,000	Jordan	635,300,000	Syrian Arab Rep.	60,400,000
Ceylon	158,900,000	Kenya	62,700,000	Tanzania	65,400,000
Chad	8,800,000	Korea	7,817,200,000	Thailand	1,144,900,000
Chile	1,410,000,000	Kuwait	49,400,000	Togo	14,900,000
China, Rep.	5,006,900,000	Laos	643,300,000	Trinidad-Tobago	55,400,000
Colombia	962,700,000	Lebanon	86,200,000	Tunisia	606,600,000
Congo (B)	2,000,000	Lesotho	4,800,000	Turkey	5,391,200,000
Congo (K)	440,900,000	Liberia	228,600,000	Uganda	35,800,000
Costa Rica	172,600,000	Libya	221,500,000	United Arab Rep.	900,900,000
Cuba	43,800,000	Malagasy	13,400,000	United Kingdom	7,690,700,000
Cyprus	20,300,000	Malawi	25,900,000	USSR	186,400,000
Czechoslovakia	189,500,000	Malaysia	76,300,000	Upper Volta	12,100,000
Dahomey	12,000,000	Mali	21,300,000	Uruguay	154,600,000
Denmark	875,900,000	Malta	6,700,000	Venezuela	361,500,000
Dominican Rep.	461,500,000	Mauritania	3,300,000	Vietnam	5,856,000,000
East Germany	800,000	Mauritius	1,400,000	Western Samoa	1,500,000
Ecuador	268,900,000	Mexico	569,000,000	Yemen	42,800,000
El Salvador	123,200,000	Morocco	685,300,000	Yugoslavia	2,593,400,000
Ethiopia	357,000,000	Nepal	129,600,000	Zambia	9,800,000
Finland	30,200,000	Netherlands	2,050,500,000	Bahamas	34,700,000
France	7,014,300,000	New Zealand	66,800,000	Brit. Honduras	5,200,000
Gabon	7,500,000	Nicaragua	158,000,000	West Indies	8,000,000
Gambia	1,600,000	Niger	16,700,000	Hong Kong	43,800,000
Ghana	268,700,000	Nigeria	275,000,000	Ryukyu Islands	399,100,000
Germany & Berlin	3,675,600,000	Norway	1,130,200,000	Trust Ter. Pac.	225,300,000
Greece	3,681,200,000	Pakistan	3,527,300,000	CENTO	54,700,000
Guatemala	318,800,000	Panama	221,200,000	W/W Regional	14,896,500,000
Guinea	107,700,000	Paraguay	116,900,000		

Total Net Disbursements to Foreign Nations	1946 - 1969	\$122,048,200,000
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Total Net Interest Paid on What We Have Borrowed to Give Away, 1946 - 1969		60,535,175,000
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GRAND TOTAL -- COST OF FOREIGN ASSISTANCE -- 1946 THROUGH 1969		\$182,583,375,000
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OF THE 3½ BILLION PEOPLE OF THE WORLD, ALL BUT 36 MILLION HAVE RECEIVED AID FROM THE U. S.

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } No. —

NET SALES OF U.S. GOLD TO PAST AND PRESENT RECIPIENTS OF U.S. FOREIGN ASSISTANCE DURING 1958-67

[In millions of dollars; negative figures represent net sales by the United States; positive figures represent net purchases]

Country	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	Total
Afghanistan									-\$3.7	-\$1.4	-\$5.1
Algeria						-\$15.0				-\$149.6	-164.6
Argentina	+\$87.2		-\$50.0	-\$90.0	+\$85.0	-30.0			-21.5		-40.1
Austria	-84.2	-\$82.7	-1.1		-142.5	-82.1	-\$55.4	-\$100.0			-548.0
Belgium	-329.4	-38.5	-140.9	-144.4	-63.0		-40.1	-82.7			-839.0
Burma			-3.8		-20.9					-1.1	-24.8
Burundi										-1.1	-1.1
Cambodia			-12.0	-3.1	-1.7	+1.0					-15.8
Cameroon Republic						-1.9				-2.2	-2.1
Central African Republic						-7.7				-1.1	-8.8
Ceylon		-7.5						-4.3	-1.1	-4.4	-12.3
Chad						-7.7				-1.1	-8.8
Chile	+3.0	-1.3	-2.0	-6.6			-2.3	-4.9	-6.0	-3.0	-23.1
Congo (Brazzaville)						-7.7				-1.1	-8.8
Congo (Kinshasa)						-3.1	+1.6			-2.4	-3.9
Costa Rica				-2.3	-5.5			-1.6	-4.4	-6.6	-5.4
Cypus				-2.0							-2.0
Dahomey						-8.8				-1.1	-9.9
Denmark	-17.0	-15.0	-15.0	-35.0	+15.0				-5.0		-72.0
Dominican Republic				-3.0			-2.6	-2.2	-3.3	-4.4	-6.5
Ecuador					-3.2	-2.3				-6.9	-12.4
Egypt			-7.5	-7.8	-1.2	-2.2	-10.8	-4.1	-1.1		-34.7
El Salvador				+7.7			-2.2	-1.5		-2.5	-5.5
Country A		-4.7	-3.0				-5.0				-12.7
France		-265.7	-173.0		-459.1	-517.7	-405.1	-884.2	-600.9		-3,305.7
Gabon						-7.7	-225.0			-1.1	-281.3
Germany			-33.8	-22.5							-56.3
Ghana			-5.6								-5.6
Greece		-15.0	-47.0	-10.2	-19.1				+9.0	+19.0	-63.3
Guatemala										-1.1	-1.1
Guinea						-2.8					-2.8
Haiti									-1.1	-2.2	-3.3
Honduras			-8.8								-8.8
Iceland			-2.6	-2.0	-5.1						-9.7
Indonesia		-11.0	-24.9							-2.3	-38.2
Iran	-2.3		-4.4	-16.1		-5.9		-7.5		-15.0	-47.2
Iraq			-29.8					-10.0		-21.3	-61.1
Israel		-4.4			-10.0	-7.0	-2.0				-23.4
Italy	-348.8			+100.0			+200.0	-80.0	-60.0	-85.0	-273.8
Ivory Coast					-1.5						-1.5
Jamaica									-1.0		-1.0
Japan	-30.1	-157.4	-15.2								-202.7
Jordan								-6.6			-6.6
Korea		-1.6									-1.6
Leos				-31.9							-31.9
Lebanon				-21.0	-32.1		-10.5		-10.8	-5.6	-75.0
Liberia									-1.5	-4.4	-5.9
Malagasy Republic						-2.3					-2.3
Mauritania						-8.8				-1.1	-9.9
Mexico		-30.0	-20.0			-4.0			+10.0	-10.0	-54.0
Morocco			-21.0					+4.7			-17.2
Netherlands	-\$260.9	-29.9	-249.4	-24.9			-60.0	-35.0			-660.1
Nicaragua									-1.2	-1.1	-2.3
Niger						-8.8				-1.1	-9.9
Nigeria				-20.0							-20.0
Pakistan			-12.5						-8.8	-9.9	-14.2
Panama											-2.7
Portugal	-20.0	-10.0						-2.7			-30.0
Rwanda										-3.3	-3.3
Saudi Arabia			-11.3	-47.5	-12.6						-71.4
Senegal						-1.7					-1.7
Somalia					-1.9					-3.3	-2.2
Spain	+31.7		-113.7	-156.2	-146.1	-130.0	-32.0	-180.0			-726.3
Sudan								-7.6	-3.3	-7.7	-8.6
Surinam	-2.5		-2.5		+2.5		+2.5		-2.5	-8.9	-11.4
Syria			-2.1		-1.3	-4.4	-3.1	-8.8	-2.0	-6.6	-10.3
Tunisia			-5.5		-5.5				-1.8	-5.5	-3.8
Turkey			-6.1	-2.5	-1.1	+2.0	+1.3	-36.8	-12.5		-55.7
United Kingdom	-900.0	-350.0	-550.0	-305.7	-387.0	+329.3	+617.7	+149.7	+79.8	-878.5	-2,194.7
Upper Volta						-8.8				-1.1	-9.9
Vietnam										-1.3	-1.3
Yugoslavia		-1.5	-15.9		-1.5	-1.9	-2.5	-2.3	-2.8	-3.1	-31.5
Total	-1,893.3	-1,026.2	-1,573.4	-824.0	-1,209.4	-484.5	-35.5	-1,292.4	-637.6	-1,181.4	-10,157.7

JULY 1, 1969

NEW BUDGETARY REQUESTS FOR AUTHORIZATION AND APPROPRIATIONFOR FOREIGN ASSISTANCE FOR FISCAL YEAR 1970

1. Foreign Assistance (Mutual Security)	\$2,710,020,000
2. Receipts and Recoveries from Previous Programs	274,785,000
3. Military Assistance (in Defense Budget)	2,230,900,000
4. Economic Assistance (in Defense Budget)	76,600,000
5. Foreign Military Credit Sales Fund	275,000,000
6. MAAG's, Missions, and Milgroups	168,800,000
7. Export-Import Bank, Long-term Credits	1,872,200,000
8. Export-Import Bank, Regular Operations	570,423,000
9. Export-Import Bank, Export Expansion Program	100,000,000
10. Public Law 480 (Agricultural Commodities)	986,600,000
11. Inter-American Development Bank (FSO)	300,000,000
12. International Development Association (1)	160,000,000
13. International Development Association (2)-Supplemental.	160,000,000
14. Asian Development Bank (Regular Contribution)	20,000,000
15. Asian Development Bank (Special Funds)	25,000,000
16. Peace Corps	101,100,000
17. Permanent Military Construction - Foreign Nations	255,300,000
18. Contributions to International Organizations	130,187,000
19. Educational (Foreign and Other Students)	43,614,000
20. Ryukyu Islands	20,651,000
21. Migrants and Refugees	5,511,000
22. Trust Territories of the Pacific Islands	41,612,000
<u>TOTAL NEW REQUESTS FOR FOREIGN ASSISTANCE FOR FY 1970</u>	<u>\$10,528,303,000</u>

OTTO E. PASSMAN, Chairman
 Foreign Operations Subcommittee on Appropriations

INSIDE STORY OF BIG SWITCH

Kennedy's Defense Strategy Tailored To Ease Red Fears

By Thomas B. Ross
Sun-Times Bureau

A SUN-TIMES EXCLUSIVE

WASHINGTON—Behind President Kennedy's sweeping new defense strategy, there is an intriguing story that began in street clothes in Moscow and ended in white tie and tails at the White House.

When Mr. Kennedy unveiled his defense message Tuesday, military experts in Congress and the Pentagon were greatly impressed by its sure grasp and bold resolution of immensely complicated problems.

They were astonished that the President, a man without much schooling in military affairs, had been able to devise such a clear and decisive new strategy in the two crowded months since his inauguration.

What they did not know was that the strategy had been in the making since just after the election last November, when an unofficial emissary of Mr. Kennedy paid a call at the Soviet foreign office in Moscow.

The emissary was Dr. Walt W. Rostow, then a delegate to a scientific conference in Moscow, now deputy special assistant to the President for national security affairs.

Rostow was calling on Vasily V. Kuznetsov, Soviet first deputy foreign minister, to get a reading on the current Russian attitude on disarmament and defense and report back to Mr. Kennedy.

On his return to the United States, Rostow prepared a confidential memorandum for the President-elect that bears striking parallels in its terminology and thinking to the defense message submitted to Congress Tuesday.

Rostow reported Kuznetsov had expressed doubt that U.S. military men honestly supported disarmament, and had voiced fears about the aggressive appearance of U.S. forces surrounding the Soviet Union.

In military jargon, Kuznetsov was complaining that U.S. bombers and missiles in Europe and Asia looked like a "first-strike capability"—that is, they were too vulnerable to destruction by a sneak Russian rocket attack to be of much use in a counterpunch.

Therefore, Kuznetsov implied, they were designed to be used against the Soviet Union in a "first strike."

Without endorsing Kuznetsov's reasoning, Rostow replied that he believed the United States "should create quickly at what ever expense might be necessary a second-strike capability as well as a highly mobile deterrent against limited war."

A "second-strike capability" would comprise missiles, such as the Polaris submarine rocket, which are so invulnerable to sneak destruction that an enemy could have no genuine fears they were designed for a first strike.

"A second-strike capability would ease American anxieties," Rostow said, "make hair-trigger reaction to radar and other danger signals less necessary, and ease Soviet anxieties—if they existed—that might arise from the fact that U.S. strategic forces looked like first-strike capabilities."

In the conclusion of his report, Rostow advised Mr. Kennedy not to allow Russia's expressions of fear to "slow up the American drive to get as quickly as possible a reliable second-strike capability and adequate mobility for our conventional forces."

"It is my assessment," Rostow said, "that in the end, they will respect us for doing this—even if we enlarge the military budget—so long as our moves are not designed to increase our first-strike capability."

Striking echoes of Rostow's report reverberated in the President's defense message, which called for a \$2-billion increase in the military budget.

"We are not creating forces for a first strike against any other nation," Mr. Kennedy said. "... As a power which will never strike first, our hopes for anything close to an absolute deterrent must rest on weapons which come from hidden, moving, or invulnerable bases which will not be wiped out in a surprise attack."

The similarities in the statements of Rostow and Mr. Kennedy were no coincidence. It is known that large sections of the President's defense message were written explicitly for the consumption of top Russian officials.

Reproduced at the Richard Nixon Presidential Library and Museum

Communist Phraseology Used

Moreover, on the recommendation of Charles F. Bohlen, the State Department's leading expert on Russia, certain Communist phraseology was inserted in the message. Such an example was the word "dialectical" in the following passage:

"We note that, in the public position of both sides in recent years, the determination to be strong has been coupled with announced willingness to negotiate. For our part, we know there can be dialectical truth in such a position, and we shall do all we can to prove it in action."

"This budget is wholly consistent with our earnest desire for serious conversation with the other side on disarmament. If genuine progress is made, then, as tension is reduced, so will be our arms."

That much of the defense message was directed to the Soviet leaders is evident in the fact that Llewellyn E. Thompson Jr., ambassador to Russia, was given a special briefing on it at the Pentagon on a visit here last month.

The message will now be forwarded to him in Moscow so he can reassure Soviet officials that the United States is taking care not to produce a "first-strike capability."

President Under Pressure

Emphasis on a "second-strike capability" ran through all the White House meetings on the message. Most of the sessions were directed by Mr. Kennedy's chief aide, Theodore Sorensen, who repeatedly made it clear that the President wanted to avoid provocative, offensive weapons.

But there were severe pressures on the President to compromise the "second-strike" strategy by supporting several of the pet projects of Congress, the military services and industry.

During his farewell speech, former President Dwight D. Eisenhower had warned of the dangers of a "military-industrial alliance" which he said could lobby the nation into wasteful, provocative weapons.

During the formulation of his defense message, Mr. Kennedy is known to have endorsed Mr. Eisenhower's views on several occasions and to have asserted his determination not to succumb to the "munitions lobby."

Three weapons with powerful congressional and industrial support are the B-70 superbomber, the Titan ICBM, and the Nike-Zeus antimissile missile. Tens of billions of dollars would be involved in their production and several localities would benefit greatly thereby from defense contracts.

But for varying reasons all three are viewed as "first-strike" weapons. Accordingly, Kennedy defense officials recommended no reduction for the B-70 and a cutback in production of the Titan. The Nike-Zeus, nevertheless, was at first approved for limited production.

The White Tie and Tails Decision

The final "hard decisions," of course, had to be made by the President. And the matter was still up in the air when he started to get dressed the night of March 11 for the Gridiron dinner, the annual spoof of high Washington officialdom by top capital newspapermen.

Sorensen was in the room, briefing the President on the latest thinking on the defense message. Mr. Kennedy struggled with his boiled shirt and white tie, engrossed in his thoughts. Finally, he turned to Sorensen and directed him to cut out all three "first-strike" weapons.

Attachment F, Page 27

JULY 1, 1969

UNEXPENDED BALANCES IN PIPELINE FROM PRIOR YEARS FOR FOREIGN AID PROGRAMS

1. Foreign Assistance (Mutual Security)	\$ 5,265,936,000
2. Foreign Military Credit Sales Fund	222,000,000
3. MAAG's, Missions, and Milgroups	5,000,000
4. Military and Economic Assistance (in Defense Budget) ..	1,086,000,000
5. Export-Import Bank, Long-term Credits	3,296,800,000
6. Export-Import Bank, Regular Operations	193,400,000
7. Export-Import Bank, Uncommitted Borrowing Authority .	5,288,300,000
8. Public Law 480 (Agricultural Commodities)	507,748,000
9. Inter-American Development Bank	2,109,494,000
10. International Development Association	103,600,000
11. Asian Development Bank	130,000,000
12. Peace Corps	35,619,000
13. Permanent Military Construction - Foreign Nations ...	390,000,000
14. Contributions to International Organizations	2,838,000
15. Educational (Foreign and Other Students)	29,263,000
16. Ryukyu Islands	7,705,000
17. Migrants and Refugees	3,616,000
18. Trust Territories of the Pacific Islands	16,551,000
19. Inter-American Highway	14,146,000
<u>TOTAL</u>	<u>\$18,708,016,000</u>

OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

THE TAXPAYERS COMMITTEE TO END FOREIGN AID

MR. WALTER HARNISCHFEGER
HONORARY CHAIRMAN

DEAN CLARENCE E. MANION
LEGAL COUNSEL

BRIG. GEN. BONNER FELLERS
NATIONAL CHAIRMAN

September 1, 1969

NATIONAL COMMITTEE

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MR. WILLIAM J. GREDE
MR. WALTER HARNISCHFEGER
MR. JOHN OGDEN

To Our Mailing List of Ten Thousand:

Our Committee mailing list includes senior government officials, the press and responsible citizens. The following study updates our Committee presentation prepared for and sent to The President last February 19.

This final appeal to end foreign aid proves this give-away program must stop if our economy is to survive; please study it. Then express your convictions to your friends, to both of your Senators and your Representative, also to each member of the House and Senate Appropriations Committees and to the members of the House Foreign Affairs and Senate Foreign Relations Committees.^{1/}

The most thorough student of foreign aid in the Congress is The Honorable Otto E. Passman, Chairman, Foreign Operations Subcommittee on Appropriations. His four recapitulation sheets at the conclusion of our Committee report disclose the amazing scope and cost of foreign aid. His July 1, 1969 two-page letter addressed to the American Taxpayers follows:

1/ Attachment A, pages 21 and 21-A for lists of Congressional Committees.

BALANCE THE BUDGET - EMBARGO OUR GOLD - STRENGTHEN THE DOLLAR

2108 RAYBURN OFFICE BUILDING
WASHINGTON, D.C. 20515

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CONGRESSMAN
5TH DISTRICT, LOUISIANA

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COMMITTEE ON APPROPRIATIONS

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Congress of the United States
House of Representatives
Washington, D.C.

CHAIRMAN:
FOREIGN OPERATIONS SUBCOMMITTEE

DISTRICT OFFICE 2:
U.S. POST OFFICE BUILDING
CLINTON, LOUISIANA 70722

VICE-CHAIRMAN:
TREASURY
POST OFFICE
INTERNAL REVENUE SERVICE

MARTHA K. WILLIAMS
ADMINISTRATIVE ASSISTANT

July 1, 1969

TO THE AMERICAN TAXPAYERS:

The attached recapitulation sheets raise many serious questions. One question would be: Can we survive indefinitely as a strong nation if we continue dissipating our resources and giving away our wealth to nations all over the world? This practice is destroying our world markets. Many of our commodities are no longer competitive in the world markets. NOTE THE FOLLOWING FIGURES CAREFULLY:

(1) New budget requests made since January 1, 1969 for additional authority for foreign assistance covering loans, grants and credits -- TEN BILLION, FIVE HUNDRED AND TWENTY-EIGHT MILLION DOLLARS.

(2) Unexpended balances in pipeline from prior years -- EIGHTEEN BILLION, SEVEN HUNDRED AND EIGHT MILLION DOLLARS.

If all new requests are approved by the Congress, the total funds available, new and from prior years, will amount to TWENTY-NINE BILLION, TWO HUNDRED AND THIRTY-SIX MILLION DOLLARS.

(3) Net cost, I repeat, net cost of the foreign assistance program since its inception (1946-69), including interest on what we have borrowed to give away, amounts to ONE HUNDRED EIGHTY-TWO BILLION, FIVE HUNDRED AND EIGHTY-THREE MILLION DOLLARS. Our wealth has been distributed among the entire 3 1/2 Billion population of the world, with the exception of a mere 36 Million people.

(4) During this world-wide spending spree, our gold holdings have been reduced from TWENTY-TWO BILLION, EIGHT HUNDRED AND SEVENTY-NINE MILLION DOLLARS to TEN BILLION, THREE HUNDRED AND SIXTY-SEVEN MILLION DOLLARS.

(5) Since the inception of this world-wide spending spree, short-term dollar claims against the United States (due now) have increased from EIGHT BILLION, SIX HUNDRED AND FORTY-FIVE MILLION DOLLARS to THIRTY-FIVE BILLION, SIX HUNDRED AND SIXTY-FIVE MILLION DOLLARS. If we should be called upon to redeem these short-term IOU's, we could not meet the demand.

(6) Our balance-of-payments situation, since this world-wide spending spree started, has become serious. We have sent to foreign nations of the world THIRTY-SIX BILLION, EIGHT HUNDRED AND NINETY-SIX MILLION DOLLARS more than they have returned to us.

July 1, 1969

(7) The freewheeling spending program covering the face of the earth has helped push the U. S. public debt to a figure FIFTY-SEVEN BILLION, EIGHTY-ONE MILLION DOLLARS above the combined public debt of all other nations of the world.

(3) Many believe that we have substituted dollars for a sound foreign policy. Indeed, we have substituted aid for trade. We have become so addicted to this new formula that to be able to continue it we are now borrowing money from more than THIRTY FOREIGN NATIONS of the world.

We are borrowing money from the American people to pay for commodities and services which are given free to foreign nations. At the same time we are borrowing money from foreign nations in order to improve temporarily our balance-of-payments situation. ONE EXAMPLE IS AS FOLLOWS:

Thailand is the recipient of over ONE BILLION DOLLARS of our aid, both commodities and services. The United States borrowed the money to pay for these commodities and services we have given to them. During the same period, Thailand, out of its own resources, created a surplus in its foreign exchange and gold reserves of over ONE BILLION DOLLARS. NOW THE SHOCKER!

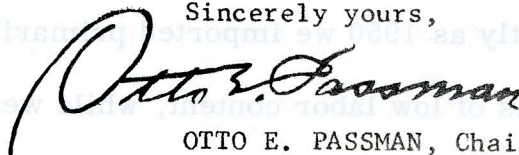
After long diplomatic wrangling, strong argument and arm-twisting, Thailand reluctantly but finally agreed to make the United States a loan of ONE HUNDRED MILLION DOLLARS. Terms: Four and one-half years at Six Percent interest.

This is just one of many examples of the mess we are getting into with our freewheeling, world-wide spending program.

The attached recapitulation sheets and the summary included in this letter are from the record and are being furnished to the overburdened American taxpayers, hoping that they have the means and persuasion to help put an end to this frightful spending spree that we have embarked upon.

This is the Administration's program in name only. Third and fourth echelon bureaucrats are the ones who are involving us in these foreign entanglements. During fiscal 1970, the aid program will be operating in ninety-nine nations and five territories of the world, with 51 thousand individuals on the payroll. This includes U. S. personnel, foreign personnel, and participants. There are 4,403 projects and subprojects scattered all over the world. While many similar projects in America were closed down during fiscal 1969 for lack of funds, not a single foreign aid project suffered as much as a one-dollar reduction on account of the limitation imposed by the Revenue and Expenditure Control Act of last year.

Sincerely yours,



OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

U. S. FOREIGN ECONOMIC AID

The Public Debt

The new Administration would be well advised to consider foreign aid within the framework of our precarious fiscal position. As of December 31, 1968, the U. S. public debt stood at \$361 billion. Interest on the U. S. public debt is now \$18 billion annually. Foreign aid, including interest on the money we have borrowed to give away, totals \$182.5 billion. This is more than half the public debt!^{2/}

Loss of Foreign Trade

Beginning with its 1946 inception, various foreign aid agencies and programs have provided foreign countries with our most modern machinery and equipment. In addition, with foreign aid dollars, foreign industrialists and technicians have been brought to the U. S. to study and take home our latest industrial technology.

With low cost foreign labor, foreign tax concessions, free ultra-modern U. S. machinery and technology, foreign industry has been able to undersell much of our domestic production. In addition foreign aid, in many instances, has promoted the export of American industry. With indirect foreign aid and private finances, U. S. industries have had to establish foreign branches in order to take advantage of low cost labor and favorable taxes and to protect their foreign markets. This industrial exodus has taken jobs from American labor and given them to foreigners.

"As recently as 1950 we imported primarily raw materials, tropical products and products of low labor content, while we exported primarily finished

^{2/} Attachments B and B-1, pages 22-23.

manufactured goods of high labor content. By 1960 this had changed. We now export more agricultural products, raw materials, scrap iron, and products of low labor content,^{3/} and import an imposing array of finished products of high labor content, from cameras, TV's and fabrics to automobiles and tankers.

U. S. foreign aid has fostered keen steel competition abroad. In 1950 there were only 32 steel-producing countries; 15 years later, there were 65. Twenty percent of steel produced in foreign countries now enters the U. S., which has become the world's largest importer of steel. Had this imported foreign steel been produced here, it would have created more than 70,000 steel workers' jobs. While our genius to produce steel is second to none, low cost foreign labor and foreign government subsidies create formidable competition. The value of foreign steel imports in 1966 was \$900 million. This was a heavy contribution to our unfavorable balance of payments.^{4/}

For the past decade, U. S. Department of Commerce data indicate, U. S. exports have exceeded imports by \$5 billion annually. The figures, however, include exports financed through various foreign aid programs and shipments to overseas military establishments. In addition, U. S. import values omit the cost of insurance and freight. Were foreign aid financed exports omitted and were the

^{3/} Dr. Lewis E. Lloyd, Economist, Head of Business Research, Dow Chemical Co., Representing the Citizens Foreign Aid Committee before the House Appropriations Committee, 5/8/67.

^{4/} From reports by Mr. Roger Blough, Chairman of the Board, U. S. Steel Corporation, an address, March 8, 1967, and U. S. Steel Quarterly, February 1967.

cost of insurance and freight added to imports, favorable trade balance would vanish. The New York Times, a well known foreign aid advocate, reported:

"For 1968 as a whole the export surplus was only \$726 million, well under previous estimates.

"The export total of \$33,840,000,000 includes about \$2.5 billion of shipments under the foreign aid and 'food for peace' programs for which no dollars are received. Thus, with these left out, there was a trade deficit for the year of nearly \$2 billion." 5/

U. S. industry must become competitive in world markets by ending foreign aid and balancing the federal budget.

Inflation

The foreign aid program annually takes billions of dollars worth of goods out of the U. S. economy without a corresponding reduction in local purchasing power. This procedure coincides precisely with Webster's definition of inflation: "A sudden increase in the quantity of money or credit, or both, relative to goods available for purchase." A simpler definition is an over-expansion of the money supply.

The American people do not need to be told the dollar is rapidly losing its buying power. In 1968 mean prices for all consumer items increased by 4.7 percent. 6/ Since 1939 erosion of the dollar has caused the American peoples' insurance, earnings and savings to lose almost \$500 billion in this most recent great government experiment in perpetual inflating. This loss, the equivalent of government embezzlement, continues at an annual rate of \$50 billion. 7/

5/ New York Times, 1/30/69

6/ Bureau of Labor Statistics, Washington Post, 1/30/69, p. 8.

7/ Research Report, American Institute for Economic Research, Great Barrington, Mass., 8/4/69, p. 60, and 1/27/69, p. 14.

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Although inflation is the cruelest of taxes, the government has taken no effective measures to arrest it. The ten percent surtax and the recent surtax extension have not and will not be effective because the government will lose no time in spending this tax on taxes.

If inflation is permitted to run its course, which now appears inevitable, Americans face the fate of the German people in the early years of 1920 when the mark became worthless. This created havoc which, except for killing, was as dislocating as war.

Only drastic reduction in government spending and a series of balanced federal budgets and elimination of foreign aid can halt inflation.

The Gold Drain

In September 1949 our gold reserve stood at \$24.7 billion. Mostly with foreign aid dollars, acquired directly or indirectly from U. S. grants or soft loans, foreigners have purchased U. S. gold. Consequently, our gold stock is now \$10.3 billion, against which foreign short-term dollar claims on December 31, 1968, were \$35.6 billion.^{8/} Net sales of U. S. gold to seventy-two listed past and present foreign aid recipients during 1958-1967 total \$10.1 billion.^{9/}

This run on U. S. gold has forced the Congress to remove the statutory gold reserve. Despite this drastic action and as a result of the weakened international confidence in the dollar -- a consequence of our depleted gold reserve -- the U. S. Treasury and Federal Reserve Bank have been compelled to make

^{8/} Attachment B, page 22.

^{9/} Attachment C, page 24.

special and extraordinary gold commitments to foreign governments, especially European. Thus, the Treasury has had to issue over \$1 billion of debt payable in gold marks to the German government to cover the balance of costs of maintaining troops in Germany for the defense of that country. In addition, the Federal Reserve has had to make what is known as "reciprocal currency arrangements" -- in effect, credit lines issued to foreign central banks -- totaling \$9.955 billion (as of September 6, 1968), which can be converted by the holder into claims on U. S. gold.^{10/}

From the foregoing views on the gold drain it is obvious the U. S. government has no gold it can call its own. Without gold backing paper dollars will continue to multiply. With the present price of gold officially fixed at \$35 an ounce, it has become increasingly unprofitable to mine gold in the United States; in the European free market gold is selling substantially higher.

The discriminatory Executive Order prohibiting Americans from owning gold should be revoked. Today, possibly the best bargain obtainable is 35 paper dollars for one ounce of gold. Many qualified students suggest the value of gold should be progressively increased, possibly to \$70 an ounce.

Instead, however, it appears that the trend is to turn to paper gold instead of real gold. As matters now stand we are printing paper dollars faster and faster while foreigners are amassing gold. For an authoritative view on paper gold we quote from Dr. Melchior Palyi, an internationally respected economist:

^{10/} Monthly Review, New York Federal Reserve Bank, No. 7, Sept. 1968.

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"It is a great venture in money policy on which the West is to embark this coming Fall, the substitution of a nominal unit -- without metal content -- in the place of gold and gold-convertible currencies. To succeed even temporarily, the nominal money unit has to be accepted internationally. Will the chartal* dollar, without any reference to gold, become the international reserve currency? This is what we are aiming at, in order to be relieved, once and for all, from the last obstacles on the road to fully managed money -- one that can never be in short supply, and let the price structure of the world go hang."

Return to the gold standard would impose fiscal discipline.

Foreign Aid and the Balance of Payments

During the years 1950 through 1968, the U. S. balance of payments deficit totaled \$36.9 billion. Only twice during these nineteen years did more dollars flow into the U. S. than were sent out, mostly in connection with the foreign aid program. In 1957 our balance of payments was favorable by \$500 million because Europeans were buying munitions to meet the Suez crisis. Again in 1968 our net payments surplus was \$93 million.^{11/} This surplus resulted principally from heavy foreign held dollar investments in the U. S. and the rush of U. S. business abroad to bring dollars home to comply with foreign investment quotas.

It is strange that leaders of the last three Administrations failed to see the connection between foreign aid and balance of payments deficits. President Kennedy was an exception; in a July 6, 1962 letter to Mr. David Rockefeller he wrote:

"...the United States can balance its balance of payments any day it wants if it wishes to withdraw its support of its defense expenditures overseas and our foreign aid."

* From the Italian word carta -- paper declared by the government to have value.

^{11/} Attachment B, page 22.

Those who support foreign aid avoid dwelling on its true cost. Somehow Mutual Security is widely considered as the total of the foreign aid program; actually it is only one of twenty-two items. These items are difficult to locate. They are dispersed throughout the Federal budget, which is a volume the size of the Washington, D. C. telephone directory. President Nixon's total foreign aid request for fiscal 1970 is \$10.5 billion! Please turn to Attachment D, page 25 for the breakdown of this monstrous, useless expenditure.

AID officials, in particular, are inclined to play down the cost of this sheltered give-away program. For example, last year on June 13th, AID Administrator William S. Gaud was interviewed over the NBC radio network. Asked how much of each tax dollar is being spent for foreign aid, Mr. Gaud replied: "One cent out of each tax dollar." This was a gross understatement. The facts are: Total revenue collected during the Truman Administration -- \$337 billion...during the Eisenhower Administration -- \$624 billion...during the Kennedy-Johnson Administrations projected through December 31, 1968 by U. S. Treasury -- \$1,065 billion.^{12/} Total revenue collected by the last three Administrations -- \$2,026 billion. During this time foreign aid cost \$171 billion, or 8.4 cents out of each tax dollar.

U. S. deficits at home and abroad will continue so long as foreign aid and unbalanced Federal budgets continue. As a consequence, the dollar will continue to erode.

^{12/} Address by Congressman Otto E. Passman, Union League Club, New York City, 5/27/68.

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"In recent decades, Constitutional limitations on the powers of the U. S. Government have been brushed aside. Decisions of the Supreme Court have extended the interpretation of Section 8 ('the general welfare or taxing clause.')

"In the efforts to aid the world's underdeveloped nations by means of foreign aid, failure seems to be roughly in proportion to the enormous sums spent.

"U. S. foreign aid financed Britain's Labor Government to the tune of more than \$6 billion excluding military assistance. American authorities had been eager to help force Britain into a socialist strait jacket but were reluctant to help a free enterprise government succeed.

"The following conclusions appear warranted:

"In any nation where a central elective government has virtually unlimited powers, most alleged solutions for problems will be political panaceas. 'Political panaceas' is our name for schemes devised primarily in order to win votes at the next election.

"Such political panaceas will make worse the problems they purport to solve. The end result will be abandonment of representative government with increased concentration of power in the executive branch. When economic chaos and political anarchy prevail, government becomes dictatorship in fact if not in form. Inasmuch as no exceptions are known in human history, the indicated consequences in such circumstances seem highly probable."

13/ "Can Our Republic Survive" -- American Institute for Economic Research, Great Barrington, Mass., May 1969.

U. S. MILITARY ASSISTANCE

General

Since 1961 the Pentagon has sold -- more probably given away -- more than \$12 billion worth of munitions to foreign states. This, together with more than \$38 billion in AID's foreign munitions gifts, totals more than \$50 billion for global military assistance. This \$50 billion figure excludes an annual \$3 billion spent by U. S. forces stationed in West Germany; it excludes the cost of the war in Vietnam. In assessing military assistance, one should weigh U. S. economic aid also. While economic aid might not directly be applied to military goals, it establishes credit, buys food, clothing, shelter, transportation and other appurtenances which further military effort.

Since 1946 the U. S. has given military assistance to 79 countries. This assistance was intended to provide defense against external communist aggression and insure internal security. Claim has been made that since NATO was formed, no NATO state has been a victim of communist aggression. However, if the Soviets had such aggressive intent, it was not NATO forces in West Germany but U. S. based strategic striking forces which were the war deterrent.

Our military assistance has enabled several traditional enemies to fight wars. Pakistan and India fought a major war using, for the most part, U. S. weapons. In a number of instances, foreign military personnel, trained in the U. S. to use our weapons, returned to their homelands to find their governments inadequate but flush with foreign aid funds. Military coup d'etats followed. These kinds of take-overs of constitutional governments have occurred in Greece, Turkey, Korea, Thailand and a number of Latin states.

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State and Defense Department officials testify military assistance is essential to our own survival; despite lack of evidence, they endorse collective security as the only road to peace. President Eisenhower spoke of military assistance in glowing terms. On March 3, 1959, he advised the Congress:

"Our friends among the free world make available to us for the use of our forces:

250 strategic bases... 5 million ground forces...
30,000 aircraft... 2500 combat vessels."

But in our two most recent Asian wars, the U. S. has stood practically alone. A number of allies, for whom the U. S. fought in two World Wars, now give aid and comfort to the enemy. In the Korean War 500,000 South Koreans fought for their homeland. The U. S. contribution was 450,000 troops. All other free world allies combined contributed 45,000 -- a mere 5 percent of the total forces.

As presidential adviser, Mr. Clark Clifford was sent to Vietnam in 1967 to discuss with our allies the possibility of increasing their Vietnam troop commitments.

- * Nearby Thailand refused to increase her 2500 troop strength.
- * The Philippines refused to send combat troops.
- * South Korea, facing a communist threat at home, feared to send more troops.
- * Australia sent two divisions to World War II but refused to increase her 1000 troop strength.
- * New Zealand sent 70,000 troops to World War II but refused to increase her 500 strength.
- * Singapore declined to send any troops. 14/

Experience teaches that unless the survival of a nation is at stake, it is loath to go to war for anyone else. The United States appears to be the one exception.

Vietnam

More than once President Johnson called for support of foreign aid in order to avoid future Vietnams. Nevertheless, at Las Vegas, February 16, 1966, Secretary of State Rusk gave as one of five reasons for our armed intervention in Vietnam:

"We are committed to assist South Vietnam to resist aggression... by the aid approved by bipartisan majorities in Congress over a period of 12 years."

Involvement in Vietnam began with a Marshall Plan gift of \$292 million to Indochina. To strengthen the French forces, shortly before their surrender at Dien Bien Phu in May 1954, the second Hoover Report lists a gift to France of \$745 million authorized by President Eisenhower. This military assistance to France's Indochina war was the beginning of our present Vietnam entanglement.

The war in Vietnam is a monumental blunder; it could have been won shortly after our entry. Instead of full exploitation of U. S. air power, the Defense Department selected tropical swamp and jungle combat where the enemy has every advantage. Our air power has the capability of quickly destroying enemy munitions in North Vietnam. The civil population could be saved if warned to abandon areas of military installations. We need not attack foreign ships, or make a surface invasion. We need merely to destroy enemy munitions after they arrive in North Vietnam. Our failure to destroy enemy bullets at the source makes them available

-15-

to flow south to kill American and Allied youth. This gives the enemy an inestimable advantage, resulting in the loss of many thousands of lives.

Now we are engaged in long drawn-out Paris talks with enemies who stubbornly sit as our equal. The situation could develop when no solution, even the withdrawal of our troops, is acceptable. Should this deadlock arise, we may have no choice other than to turn back to a military solution -- release our air power. Complete victory would come quickly.

In January 1968, Mr. Clark Clifford was appointed Secretary of Defense. His first assignment was to chair a task force, composed of civil and military leaders thoroughly familiar with the war in Vietnam. Secretary Clifford put many searching questions to the task force -- on troop strength, impact of war on our economy, and how could the war be won. One question was: "Can bombing stop the war?" The task force answer was: "Never by itself." This reply was strange and fallacious. For example: Of the bombing against Japan, Prime Minister Kantaro Suzuki said:

"It seemed to me unavoidable that in the long run Japan would be almost destroyed by air attack so that merely on the basis of the B-29's alone, I was convinced that Japan should sue for peace...I, myself, on the basis of the B-29 raids, felt that the cause was hopeless." 15/

Japan surrendered with 2,000,000 troops on their mainland, confident and undefeated.

Lessons from Korea

Because the U. S. failed to win in Korea it became necessary permanently to station two U. S. divisions with tactical air support in South Korea to help

15/ Army Air Forces in World War II, Vol. V, p. 756.

prevent a communist take-over. Nevertheless, the presence of our forces, together with 600,000 South Korean troops, has failed to stop communist border attacks or to deter the North Korean seizure of the Pueblo and imprisonment of its crew. The Pueblo incident was followed by an unprovoked shooting down of a propeller-driven Constellation. It was on a reconnaissance mission over international waters ninety miles from the shores of North Korea; loss of American airmen was heavy.

If our present leaders make the same mistakes in Vietnam that were made in Korea, the peoples of the Western and Southwestern Pacific will be compelled to seek friends elsewhere and we will have lost all friends in the Orient.

As our Vietnam troop withdrawal proceeds and U. S. air power is not permitted to neutralize North Vietnam, wholesale massacre of the South Vietnamese may become rampant. Before such a blood bath eventuates, our government should have no choice other than to authorize air strikes against military targets in North Vietnam.

The time has arrived when the U. S. can best deter major war in the Orient by the threat of strikes from space and also by sea and air strategic striking forces staged on Guam in the Western Pacific. General MacArthur repeatedly has said in a war against an enemy on the Eurasian land mass, the U. S. should not put a single American soldier on the ground and victory would come quickly by strikes from the sky.^{16/}

^{16/} To a Member of MacArthur's Staff.

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U. S. Disarmament

While fighting a no-win war in Vietnam and after having spent \$50 billion to arm others, the United States has been perilously disarming.

17/

Hoping to ease tension with the Soviet Union, we have not built an inter-continental bomber since mid-1962. Two experimental B-70 strategic bombers were built, successfully tested and abandoned. Secretary of Defense McNamara decided, despite the fact our long-range missiles have never been service-tested, that a missile defense was better and new bombers not needed. An experimental nuclear-powered bomber was abandoned as impractical. Our air-to-surface missile program and other vital, desperately needed defense projects were cancelled.

The Red Military Threat

The Red occupation of Czechoslovakia is proof of the excellence of Russia's army-air effectiveness; her recent air and space development is even more impressive.

On June 28, 1968 Canada reported a flight of seven Soviet Bear strategic bombers within fifty miles of Newfoundland. The Baltimore Sun reported three dozen such flights year before last. Russia also has in production and performing flying missions in formation, the Blinder, a medium bomber with a huge air-to-surface missile carried under its belly.

18/

17/ Attachment E, page 26.

18/ Air Force Magazine, August 1968, pp. 13-15.

These new Red striking forces prompted General Wheeler, Chairman of the Joint Chiefs of Staff, in Congressional testimony, to warn: "The most dangerous threat to the United States is posed by the growing Soviet strategic nuclear forces." This threat is real, immediate and inescapable.

Nevertheless, free world survival depends on neutralizing this fearsome threat. It appears the Soviets are not too worried about our ballistic missiles. Against them knowledgeable people feel they may have a defense. The weapons the Soviets fear most are the manned intercontinental bomber, strikes from space and the nuclear bomb.

Accordingly, without delay the U. S. must achieve the capability of launching strategic strikes from the sky, sea and space sufficient to deter war and win quickly if war is thrust upon us. The cost can readily be covered by ending foreign aid, eliminating spending for obsolescent weapons, and pulling back our divisions from West Germany and a substantial force from Vietnam.

The U.S.S.R. is the base from which the communist dream of world domination must emanate. The Kremlin, therefore, is unlikely knowingly to risk losing this base. A sufficiently strong war deterrent is almost certain to prevent war.

SOVIET EXPANSION

Since World War II, from the Baltic south to Greece and Turkey, communist control has been extended westward from the U.S.S.R. some four hundred miles into Europe. In Tokyo in 1946 Lieutenant General Kuzma N. Derevyanko, Soviet representative on the Allied Council for Japan, spelled out to a member of General MacArthur's staff the prairie fire nature of the Soviet dream of world communism. "All we seek from our neighbors is friendship, security and peace," he said.

-19-

His government holds, General Derevyanko declared, it cannot live in peace with a neighbor whose government is unfriendly. To the Kremlin all neighbors are unfriendly unless they embrace the communist ideology and establish a communist government. After this the fascist neighbors on the outward border of the newly made Red satellite become dangerous. Again the new neighbors must be turned into Red satellites. It may be the Kremlin dreams of repeating its expansion strategy until all Europe is occupied.

WHEN FOREIGN AID ENDS

Congressman Passman reports: "Of the 3-1/2 billion people of the world, all but 36 million have received aid from the U. S." ^{19/} These data inevitably must include most communists in the world. Most South American countries have a dangerous communistic flavor, yet we continue to give them foreign aid. The Monroe Doctrine should be re-imposed and enforced.

As of July 1, 1969 there were \$18.7 billion in unexpended balances in the pipeline from prior years' foreign aid programs. ^{20/} This huge fund could be apportioned among aid recipients so as best to cushion the shock of no new foreign aid funds.

When foreign aid ends, to prosper, emerging countries should seek foreign capital investments and government and private loans. Loans should be long-term, sound and businesslike at commercial rates of interest plus a fraction of one percent

^{19/} Attachment B-1, page 23.

^{20/} Attachment F, page 27.

to cover handling charges. Government loans should be made through the Export-Import Bank. International Development Association (IDA) loans are soft, with no interest during the first ten years and with a negligible rate thereafter. They are of forty to fifty years' duration; no one expects them to be repaid. IDA loans should be discontinued immediately.

The U. S. government should remove restrictions on the free flow of private capital into foreign lands. Since most emerging countries are rich in natural resources, foreign investment can be made mutually rewarding to investors and recipients.

However, before outside capital will flow freely into emerging countries they must pledge not to expropriate foreign property without full compensation. They must not impose confiscatory taxes or discriminatory abuses against foreign investments. These measures freeze private venture capital and retard growth of emerging countries. Violation of these principles should be met by the imposition of appropriate economic sanctions.

Emerging peoples can take their place among modern states only if they progress from within. Dollars and equipment alone cannot insure success.

* * * * *

NOTE

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please send a contribution to the above address, payable to
TAXPAYERS COMMITTEE TO END FOREIGN AID

Attachment A, Page 21

HOUSE COMMITTEES**FOREIGN AFFAIRS**

Ratio 21/17

- | | |
|------------------------------------|--|
| 1. Thomas E. Morgan, Pa., chairman | 1. <i>E. Ross Adair</i> , Ind. |
| 2. Clement J. Zablocki, Wis. | 2. <i>William S. Mailliard</i> , Calif. |
| 3. Wayne L. Hays, Ohio | 3. <i>Peter H. B. Frelinghuysen</i> , N.J. |
| 4. L. H. Fountain, N.C. | 4. <i>William S. Broomfield</i> , Mich. |
| 5. Dante B. Fascell, Fla. | 5. <i>J. Irving Whalley</i> , Pa. |
| 6. Leonard Farbstein, N.Y. | 6. <i>H. R. Gross</i> , Iowa |
| 7. Charles C. Diggs, Jr., Mich. | 7. <i>E. Y. Berry</i> , S. Dak. |
| 8. William T. Murphy, Ill. | 8. <i>Edward J. Derwinski</i> , Ill. |
| 9. Cornelius E. Gallagher, N.J. | 9. <i>F. Bradford Morse</i> , Mass. |
| 10. Robert N. C. Nix, Pa. | 10. <i>Vernon W. Thomson</i> , Wis. |
| 11. John S. Monagan, Conn. | 11. <i>James G. Fulton</i> , Pa. |
| 12. Donald M. Fraser, Minn. | 12. <i>Paul Findley</i> , Ill. |
| 13. Benjamin S. Rosenthal, N.Y. | 13. <i>John Buchanan</i> , Ala. |
| 14. Edward R. Roybal, Calif. | 14. <i>Robert Taft, Jr.</i> , Ohio |
| 15. John C. Culver, Iowa | 15. <i>Sherman P. Lloyd</i> , Utah |
| 16. Lee H. Hamilton, Ind. | 16. <i>J. Herbert Burke</i> , Fla. |
| 17. John V. Tunney, Calif. | 17. <i>William V. Roth, Jr.</i> , Del. |
| 18. Abraham Kazen, Jr., Tex. | |
| 19. Lester L. Wolff, N.Y. | |
| 20. Jonathan B. Bingham, N.Y. | |
| 21. Gus Yatron, Pa. | |

APPROPRIATIONS

Ratio 30/21

- | | |
|------------------------------------|--|
| 1. George H. Mahon, Tex., chairman | 1. <i>Frank T. Bow</i> , Ohio |
| 2. Michael J. Kirwan, Ohio | 2. <i>Charles Raper Jonas</i> , N.C. |
| 3. Jamie L. Whitten, Miss. | 3. <i>Elford A. Cederberg</i> , Mich. |
| 4. George W. Andrews, Ala. | 4. <i>Glenard P. Lipscomb</i> , Calif. |
| 5. John J. Rooney, N.Y. | 5. <i>John J. Rhodes</i> , Ariz. |
| 6. Robert L. F. Sikes, Fla. | 6. <i>William E. Minshall</i> , Ohio |
| 7. Otto E. Passman, La. | 7. <i>Robert H. Michel</i> , Ill. |
| 8. Joe L. Evins, Tenn. | 8. <i>Silvio O. Conte</i> , Mass. |
| 9. Edward P. Boland, Mass. | 9. <i>Odin Langen</i> , Minn. |
| 10. William H. Natcher, Ky. | 10. <i>Ben Reifel</i> , S. Dak. |
| 11. Daniel J. Flood, Pa. | 11. <i>Glenn R. Davis</i> , Wis. |
| 12. Tom Steed, Okla. | 12. <i>Howard W. Robison</i> , N.Y. |
| 13. George E. Shipley, Ill. | 13. <i>Garner E. Shriver</i> , Kans. |
| 14. John M. Slack, W. Va. | 14. <i>Joseph M. McDade</i> , Pa. |
| 15. John J. Flynt, Jr., Ga. | 15. <i>Mark Andrews</i> , N. Dak. |
| 16. Neal Smith, Iowa | 16. <i>Louis C. Wyman</i> , N.H. |
| 17. Robert N. Giaimo, Conn. | 17. <i>Burt L. Talcott</i> , Calif. |
| 18. Julia Butler Hansen, Wash. | 18. <i>Charlotte T. Reid</i> , Ill. |
| 19. Charles S. Joelson, N.J. | 19. <i>Donald W. Riegle, Jr.</i> , Mich. |
| 20. Joseph P. Addabbo, N.Y. | 20. <i>Wendell Wyatt</i> , Oreg. |
| 21. John J. McFall, Calif. | 21. <i>Jack Edwards</i> , Ala. |
| 22. W. R. Hull, Jr., Mo. | |
| 23. Jeffery Cohelan, Calif. | |
| 24. Edward J. Patten, N.J. | |
| 25. Clarence D. Long, Md. | |
| 26. John O. Marsh, Jr., Va. | |
| 27. Sidney R. Yates, Ill. | |
| 28. Bob Casey, Tex. | |
| 29. David Pryor, Ark. | |
| 30. Frank E. Evans, Colo. | |

SENATE COMMITTEES

FOREIGN RELATIONS

J. W. Fulbright, of Arkansas, <i>chairman</i> .	George D. Aiken, of Vermont.
John Sparkman, of Alabama.	Karl E. Mundt, of South Dakota.
Mike Mansfield, of Montana.	Clifford P. Case, of New Jersey.
Albert Gore, of Tennessee.	John Sherman Cooper, of Kentucky.
Frank Church, of Idaho.	John J. Williams, of Delaware.
Stuart Symington, of Missouri.	Jacob K. Javits, of New York.
Thomas J. Dodd, of Connecticut.	
Claiborne Pell, of Rhode Island.	
Gale W. McGee, of Wyoming.	

APPROPRIATIONS

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Allen J. Ellender, of Louisiana.	Karl E. Mundt, of South Dakota.
John L. McClellan, of Arkansas.	Margaret Chase Smith, of Maine.
Warren G. Magnuson, of Washington.	Roman L. Hruska, of Nebraska.
Spessard L. Holland, of Florida.	Gordon Allott, of Colorado.
John C. Stennis, of Mississippi.	Norris Cotton, of New Hampshire.
John O. Pastore, of Rhode Island.	Clifford P. Case, of New Jersey.
Alan Bible, of Nevada.	Hiram L. Fong, of Hawaii.
Robert C. Byrd, of West Virginia.	J. Caleb Boggs, of Delaware.
Gale W. McGee, of Wyoming.	James B. Pearson, of Kansas.
Mike Mansfield, of Montana.	
William Proxmire, of Wisconsin.	
Ralph Yarborough, of Texas.	
Joseph M. Montoya, of New Mexico.	

Attachment B, page 22

JULY 1, 1969

TO WHOM IT MAY CONCERN:GOLD HOLDINGS

Gold Holdings, United States.	December 31, 1950	\$ 22,879,000,000
Gold Holdings, United States.	December 31, 1968	10,367,000,000
Gold Loss by United States.	1950 through 1968	\$ 12,512,000,000
Gold Holdings, Other Countries of the World	December 31, 1968	\$ 28,028,000,000
Gold Holdings, Other Countries of the World	December 31, 1950	10,935,000,000
Gold Increase, Other Countries of the World	1950 through 1968	\$ 17,093,000,000

SHORT-TERM DOLLAR CLAIMS AGAINST UNITED STATES:

Short-term Dollar Claims Against United States. . .	December 31, 1968	\$ 35,665,000,000
Short-term Dollar Claims Against United States. . .	December 31, 1950	8,645,000,000
Short-term Dollar Claims Increase Against U. S. . .	1950 through 1968	\$ 27,020,000,000

U. S. BALANCE-OF-PAYMENTS

1950 Net Deficit	\$- 1,912,000,000
1951 " "	- 578,000,000
1952 " "	- 1,100,000,000
1953 " "	- 2,100,000,000
1954 " "	- 1,500,000,000
1955 " "	- 1,100,000,000
1956 " "	- 1,000,000,000
1957 Net Surplus	+ 500,000,000
1958 Net Deficit	- 3,400,000,000
1959 " "	- 3,700,000,000
1960 " "	- 3,800,000,000
1961 " "	- 2,400,000,000
1962 " "	- 2,200,000,000
1963 " "	- 2,660,000,000
1964 " "	- 3,006,000,000
1965 " "	- 1,306,000,000
1966 " "	- 2,077,000,000
1967 " "	- 3,650,000,000
1968 Net Surplus	+ 93,000,000

NET U. S. BALANCE-OF-PAYMENTS DEFICIT (19 yrs.) 1950 through 1968	\$- 36,896,000,000
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GROSS PUBLIC DEBTS

Public Debt, United States	December 31, 1968	\$ 361,242,183,000
Public Debt, All Other Nations of the World . . .	December 31, 1968	304,160,241,000
Public Debt, United States EXCEEDS Combined Public Debt of ALL OTHER NATIONS OF THE WORLD BY (Estimate)		\$ 57,081,942,000

The above are verified statistics covering (1) Gold Holdings, (2) Short-term Dollar Claims against United States, (3) United States Balance-of-Payments Position, 19 years, (4) Public Debt of the United States, (5) Public Debt of all other nations of the world, and (6) Amount by which our public debt exceeds combined public debt of all other nations of the world. It is not necessary for me to comment further. The statistics tell the full story.

OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

Attachment B-1, page 23

TOTAL NET FOREIGN ASSISTANCE TO 121 NATIONS AND 7 TERRITORIES OF THE WORLDFISCAL YEARS 1946 THROUGH 1969 - STATISTICS FINALIZED JULY 1, 1969THE FIVE F FORMULA: FRUSTRATING - FANATICAL - FRIGHTENING - FOOLISH - BUT FACTUAL

Afghanistan	\$ 370,500,000	Guyana	\$ 61,200,000	Peru	\$ 476,300,000
Albania	20,400,000	Haiti	108,800,000	Philippines	1,839,900,000
Algeria	193,500,000	Honduras	109,400,000	Poland	453,800,000
Argentina	447,500,000	Hungary	13,500,000	Portugal	477,100,000
Australia	697,000,000	Iceland	67,300,000	Rwanda	7,400,000
Austria	1,106,000,000	India	7,464,400,000	Saudi Arabia	70,300,000
Barbados	200,000	Indochina	1,535,200,000	Senegal	36,200,000
Belgium-Luxem.	1,747,500,000	Indonesia	940,100,000	Sierra Leone	40,900,000
Bolivia	532,000,000	Iran	2,047,100,000	Singapore	33,900,000
Botswana	16,500,000	Iraq	96,800,000	Somalia	76,200,000
Brazil	2,772,500,000	Ireland	122,900,000	Sou. Rhodesia	2,000,000
Burundi	6,800,000	Israel	860,200,000	Spain	1,960,000,000
Burma	84,700,000	Italy	5,393,700,000	Sudan	97,200,000
Cambodia	341,400,000	Ivory Coast	69,000,000	Surinam	10,000,000
Cameroon	32,900,000	Jamaica	76,400,000	Swaziland	500,000
Canada	46,900,000	Japan	3,606,900,000	Sweden	156,000,000
Cen. Africa Rep.	4,600,000	Jordan	635,300,000	Syrian Arab Rep.	60,400,000
Ceylon	158,900,000	Kenya	62,700,000	Tanzania	65,400,000
Chad	8,800,000	Korea	7,817,200,000	Thailand	1,144,900,000
Chile	1,410,000,000	Kuwait	49,400,000	Togo	14,900,000
China, Rep.	5,006,900,000	Laos	643,300,000	Trinidad-Tobago	55,400,000
Colombia	962,700,000	Lebanon	86,200,000	Tunisia	606,600,000
Congo (B)	2,000,000	Lesotho	4,800,000	Turkey	5,391,200,000
Congo (K)	440,900,000	Liberia	228,600,000	Uganda	35,800,000
Costa Rica	172,600,000	Libya	221,500,000	United Arab Rep.	900,900,000
Cuba	43,800,000	Malagasy	13,400,000	United Kingdom	7,690,700,000
Cyprus	20,300,000	Malawi	25,900,000	USSR	186,400,000
Czechoslovakia	189,500,000	Malaysia	76,300,000	Upper Volta	12,100,000
Dahomey	12,000,000	Mali	21,300,000	Uruguay	154,600,000
Denmark	875,900,000	Malta	6,700,000	Venezuela	361,500,000
Dominican Rep.	461,500,000	Mauritania	3,300,000	Vietnam	5,856,000,000
East Germany	800,000	Mauritius	1,400,000	Western Samoa	1,500,000
Ecuador	268,900,000	Mexico	569,000,000	Yemen	42,800,000
El Salvador	123,200,000	Morocco	685,300,000	Yugoslavia	2,593,400,000
Ethiopia	357,000,000	Nepal	129,600,000	Zambia	9,800,000
Finland	30,200,000	Netherlands	2,050,500,000	Bahamas	34,700,000
France	7,014,300,000	New Zealand	66,800,000	Brit. Honduras	5,200,000
Gabon	7,500,000	Nicaragua	158,000,000	West Indies	8,000,000
Gambia	1,600,000	Niger	16,700,000	Hong Kong	43,800,000
Ghana	268,700,000	Nigeria	275,000,000	Ryukyu Islands	399,100,000
Germany & Berlin	3,675,600,000	Norway	1,130,200,000	Trust Ter. Pac.	225,300,000
Greece	3,681,200,000	Pakistan	3,527,300,000	CENTO	54,700,000
Guatemala	318,800,000	Panama	221,200,000	W/W Regional	14,896,500,000
Guinea	107,700,000	Paraguay	116,900,000		
Total Net Disbursements to Foreign Nations		1946 - 1969		\$122,048,200,000	
Total Net Interest Paid on What We Have Borrowed to Give Away, 1946 - 1969				60,535,175,000	
GRAND TOTAL -- COST OF FOREIGN ASSISTANCE -- 1946 THROUGH 1969				\$182,583,375,000	

OF THE 3½ BILLION PEOPLE OF THE WORLD, ALL BUT 36 MILLION HAVE RECEIVED AID FROM THE U. S.

OTTO E. PASSMAN, Chairman

Foreign Operations Subcommittee on Appropriations

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90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } No. —

NET SALES OF U.S. GOLD TO PAST AND PRESENT RECIPIENTS OF U.S. FOREIGN ASSISTANCE DURING 1958-67

(In millions of dollars; negative figures represent net sales by the United States; positive figures represent net purchases)

Country	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	Total
Afghanistan									-\$3.7	-\$1.4	-\$5.1
Algeria						-\$15.0				-\$149.6	-\$164.6
Argentina	+\$67.2		-\$50.0	-\$90.0	+\$85.0	-\$30.0			-\$21.5		-\$40.1
Austria	-\$84.2	-\$82.7	-\$1.1		-\$142.5	-\$82.1	-\$55.4	-\$100.0			-\$48.0
Belgium	-\$329.4	-\$38.5	-\$140.9	-\$144.4	-\$63.0		-\$40.1	-\$82.7			-\$839.0
Burma			-\$3.8		-\$20.9						-\$24.8
Burundi											-\$1.1
Cambodia			-\$12.0	-\$3.1	-\$1.7	+\$1.0					-\$15.8
Cameroon Republic						-\$1.9					-\$2.1
Central African Republic						-\$1.7					-\$1.8
Ceylon		-\$7.5						-\$4.3	-\$1		-\$12.3
Chad						-\$1.7					-\$1.8
Chile	+\$3.0	-\$1.3	-\$2.0	-\$6.6			-\$2.3	-\$4.9	-\$6.0	-\$3.0	-\$23.1
Congo (Brazzaville)						-\$1.7					-\$1.8
Congo (Kinshasa)						-\$3.1	+\$1.6				-\$1.5
Costa Rica					-\$5			-\$1.6	-\$4	-\$6	-\$5.4
Cyprus											-\$2.0
Dahomey						-\$8					-\$9
Denmark	-\$17.0	-\$15.0	-\$15.0	-\$35.0	+\$15.0				-\$5.0		-\$72.0
Dominican Republic				-\$3.0			-\$2.6	-\$2	-\$3	-\$4	-\$6.5
Ecuador					-\$3.2	-\$2.3					-\$5.5
Egypt			-\$7.5	-\$7.8	-\$1.2	-\$2.2	-\$10.8	-\$4.1	-\$1.1		-\$34.7
El Salvador				+\$7			-\$2.2	-\$1.5		-\$2.5	-\$5.5
Country A		-\$4.7	-\$3.0				-\$5.0				-\$12.7
France		-\$265.7	-\$173.0		-\$459.1	-\$517.7	-\$405.1	-\$884.2	-\$600.9		-\$3,305.7
Gabon						-\$7					-\$8
Germany			-\$33.8	-\$22.5			-\$225.0				-\$281.3
Ghana			-\$5.6								-\$5.6
Greece		-\$15.0	-\$47.0	-\$10.2	-\$19.1				+\$9.0	+\$19.0	-\$63.3
Guatemala											-\$1
Guinea						-\$2.8					-\$2.8
Haiti									-\$1	-\$2	-\$3
Honduras			-\$8								-\$9
Iceland			-\$2.6	-\$2.0	-\$5.1						-\$9.7
Indonesia		-\$11.0	-\$24.9							-\$2.3	-\$38.2
Iran	-\$2.3		-\$4	-\$16.1		-\$5.9		-\$7.5		-\$15.0	-\$47.2
Iraq			-\$29.8					-\$10.0		-\$21.3	-\$61.1
Israel		-\$4.4			-\$10.0	-\$7.0	-\$2.0				-\$23.4
Italy	-\$348.8			+\$100.0			+\$200.0	-\$80.0	-\$60.0	-\$85.0	-\$273.8
Ivory Coast					-\$1.5					-\$2	-\$1.7
Jamaica									-\$1.0		-\$1.0
Japan	-\$30.1	-\$157.4	-\$15.2								-\$202.7
Jordan								-\$6			-\$6
Korea		-\$1.6									-\$1.6
Laos				-\$1.9							-\$1.9
Lebanon				-\$21.0	-\$32.1		-\$10.5		-\$10.8	-\$6	-\$75.0
Liberia									-\$1.5	-\$4	-\$1.9
Malagasy Republic						-\$2.3					-\$2.3
Mauritania						-\$8					-\$9
Mexico		-\$30.0	-\$20.0			-\$4.0			+\$10.0	-\$10.0	-\$54.0
Morocco			-\$21.0					+\$4.7			-\$17.2
Netherlands	-\$260.9	-\$29.9	-\$249.4	-\$24.9			-\$60.0	-\$35.0			-\$660.1
Nicaragua									-\$1.2	-\$1	-\$1.3
Niger						-\$8					-\$9
Nigeria				-\$20.0							-\$20.0
Pakistan			-\$12.5						-\$8	-\$9	-\$14.2
Panama								-\$2.7			-\$2.7
Portugal	-\$20.0	-\$10.0									-\$30.0
Rwanda										-\$3	-\$3
Saudi Arabia			-\$11.3	-\$47.5	-\$12.6						-\$71.4
Senegal						-\$1.7					-\$1.7
Somalia					-\$1.9						-\$2.2
Spain	+\$31.7		-\$113.7	-\$156.2	-\$146.1	-\$130.0	-\$32.0	-\$180.0			-\$726.3
Sudan								-\$7.6			-\$7.6
Surinam	-\$2.5		-\$2.5		+\$2.5		+\$2.5		-\$3	-\$7	-\$8.6
Syria			-\$2.1		-\$1.3	-\$4	-\$3.1	-\$8	-\$2.5	-\$8.9	-\$11.4
Tunisia			-\$5		-\$5	-\$5			-\$1.8	-\$5	-\$10.3
Turkey			-\$6.1	-\$2.5	-\$1.1	+\$2.0	+\$1.3	-\$36.8	-\$12.5		-\$3.8
United Kingdom	-\$900.0	-\$350.0	-\$550.0	-\$305.7	-\$387.0	+\$329.3	+\$617.7	+\$149.7	+\$79.8	-\$878.5	-\$2,194.7
Upper Volta						-\$8					-\$8
Vietnam											-\$1
Yugoslavia		-\$1.5	-\$15.9		-\$1.5	-\$1.9	-\$2.5	-\$2.3	-\$2.8	-\$3.1	-\$31.5
Total	-\$1,893.3	-\$1,026.2	-\$1,573.4	-\$824.0	-\$1,209.4	-\$484.5	-\$35.5	-\$1,292.4	-\$637.6	-\$1,181.4	-\$10,157.7

Attachment D, Page 25

JULY 1, 1969

NEW BUDGETARY REQUESTS FOR AUTHORIZATION AND APPROPRIATIONFOR FOREIGN ASSISTANCE FOR FISCAL YEAR 1970

1. Foreign Assistance (Mutual Security)	\$2,710,020,000
2. Receipts and Recoveries from Previous Programs	274,785,000
3. Military Assistance (in Defense Budget)	2,230,900,000
4. Economic Assistance (in Defense Budget)	76,600,000
5. Foreign Military Credit Sales Fund	275,000,000
6. MAAG's, Missions, and Milgroups	168,800,000
7. Export-Import Bank, Long-term Credits	1,872,200,000
8. Export-Import Bank, Regular Operations	570,423,000
9. Export-Import Bank, Export Expansion Program	100,000,000
10. Public Law 480 (Agricultural Commodities)	986,600,000
11. Inter-American Development Bank (FSO)	300,000,000
12. International Development Association (1)	160,000,000
13. International Development Association (2)-Supplemental.	160,000,000
14. Asian Development Bank (Regular Contribution)	20,000,000
15. Asian Development Bank (Special Funds)	25,000,000
16. Peace Corps	101,100,000
17. Permanent Military Construction - Foreign Nations	255,300,000
18. Contributions to International Organizations	130,187,000
19. Educational (Foreign and Other Students)	43,614,000
20. Ryukyu Islands	20,651,000
21. Migrants and Refugees	5,511,000
22. Trust Territories of the Pacific Islands	41,612,000
<u>TOTAL NEW REQUESTS FOR FOREIGN ASSISTANCE FOR FY 1970</u>	<u>\$10,528,303,000</u>

OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

INSIDE STORY OF BIG SWITCH

Kennedy's Defense Strategy
Tailored To Ease Red Fears

By Thomas B. Ross
Sun-Times Bureau

WASHINGTON—Behind President Kennedy's sweeping new defense strategy, there is an intriguing story that began in street clothes in Moscow and ended in white tie and tails at the White House.

When Mr. Kennedy unveiled his defense message Tuesday, military experts in Congress and the Pentagon were greatly impressed by its sure grasp and bold resolution of immensely complicated problems.

They were astonished that the President, a man without much schooling in military affairs, had been able to devise such a clear and decisive new strategy in the two crowded months since his inauguration.

What they did not know was that the strategy had been in the making since just after the election last November, when an unofficial emissary of Mr. Kennedy paid a call at the Soviet foreign office in Moscow.

The emissary was Dr. Walt W. Rostow, then a delegate to a scientific conference in Moscow, now deputy special assistant to the President for national security affairs.

Rostow was calling on Vasily V. Kuznetsov, Soviet first deputy foreign minister, to get a reading on the current Russian attitude on disarmament and defense and report back to Mr. Kennedy.

On his return to the United States, Rostow prepared a confidential memorandum for the President-elect that bears striking parallels in its terminology and thinking to the defense message submitted to Congress Tuesday.

Rostow reported Kuznetsov had expressed doubt that U.S. military men honestly supported disarmament, and had voiced fears about the aggressive appearance of U.S. forces surrounding the Soviet Union.

In military jargon, Kuznetsov was complaining that U.S. bombers and missiles in Europe and Asia looked like a "first-strike capability"—that is, they were too vulnerable to destruction by a sneak Russian rocket attack to be of much use in a counterpunch.

A SUN-TIMES EXCLUSIVE

Therefore, Kuznetsov implied, they were designed to be used against the Soviet Union in a "first strike."

Without endorsing Kuznetsov's reasoning, Rostow replied that he believed the United States "should create quickly at what ever expense might be necessary a second-strike capability as well as a highly mobile deterrent against limited war."

A "second-strike capability" would comprise missiles, such as the Polaris submarine rocket, which are so invulnerable to sneak destruction that an enemy could have no genuine fears they were designed for a first strike.

"A second-strike capability would ease American anxieties," Rostow said, "make hair-trigger reaction to radar and other danger signals less necessary, and ease Soviet anxieties—if they existed—that might arise from the fact that U.S. strategic forces looked like first-strike capabilities."

In the conclusion of his report, Rostow advised Mr. Kennedy not to allow Russia's expressions of fear to "slow up the American drive to get as quickly as possible a reliable second-strike capability and adequate mobility for our conventional forces."

"It is my assessment," Rostow said, "that in the end, they will respect us for doing this—even if we enlarge the military budget—so long as our moves are not designed to increase our first-strike capability."

Striking echoes of Rostow's report reverberated in the President's defense message, which called for a \$2-billion increase in the military budget.

"We are not creating forces for a first strike against any other nation," Mr. Kennedy said. "... As a power which will never strike first, our hopes for anything close to an absolute deterrent must rest on weapons which come from hidden, moving, or invulnerable bases which will not be wiped out in a surprise attack."

The similarities in the statements of Rostow and Mr. Kennedy were no coincidence. It is known that large sections of the President's defense message were written explicitly for the consumption of top Russian officials.

Communist Phraseology Used

Moreover, on the recommendation of Charles F. Bohlen, the State Department's leading expert on Russia, certain Communist phraseology was inserted in the message. Such an example was the word "dialectical" in the following passage:

"We note that, in the public position of both sides in recent years, the determination to be strong has been coupled with announced willingness to negotiate. For our part, we know there can be dialectical truth in such a position, and we shall do all we can to prove it in action."

"This budget is wholly consistent with our earnest desire for serious conversation with the other side on disarmament. If genuine progress is made, then, as tension is reduced, so will be our arms."

That much of the defense message was directed to the Soviet leaders is evident in the fact that Llewellyn E. Thompson Jr., ambassador to Russia, was given a special briefing on it at the Pentagon on a visit here last month.

The message will now be forwarded to him in Moscow so he can reassure Soviet officials that the United States is taking care not to produce a "first-strike capability."

President Under Pressure

Emphasis on a "second-strike capability" ran through all the White House meetings on the message. Most of the sessions were directed by Mr. Kennedy's chief aide, Theodore Sorensen, who repeatedly made it clear that the President wanted to avoid provocative, offensive weapons.

But there were severe pressures on the President to compromise the "second-strike" strategy by supporting several of the pet projects of Congress, the military services and industry.

During his farewell speech, former President Dwight D. Eisenhower had warned of the dangers of a "military-industrial alliance" which he said could lobby the nation into wasteful, provocative weapons.

During the formulation of his defense message, Mr. Kennedy is known to have endorsed Mr. Eisenhower's views on several occasions and to have asserted his determination not to succumb to the "munitions lobby."

Three weapons with powerful congressional and industrial support are the B-70 superbomber, the Titan ICBM, and the Nike-Zeus antimissile missile. Tens of billions of dollars would be involved in their production and several localities would benefit greatly thereby from defense contracts.

But for varying reasons all three are viewed as "first-strike" weapons. Accordingly, Kennedy defense officials recommended no reduction for the B-70 and a cutback in production of the Titan. The Nike-Zeus, nevertheless, was at first approved for limited production.

The White-Tie-and-Tails Decision

The final "hard decisions," of course, had to be made by the President. And the matter was still up in the air when he started to get dressed the night of March 11 for the Gridiron dinner, the annual spoof of high Washington officialdom by top capital newspapermen.

Sorensen was in the room, briefing the President on the latest thinking on the defense message. Mr. Kennedy struggled with his boiled shirt and white tie, engrossed in his thoughts. Finally, he turned to Sorensen and directed him to cut out all three "first-strike" weapons.

Attachment F, Page 27

JULY 1, 1969

UNEXPENDED BALANCES IN PIPELINE FROM PRIOR YEARS FOR FOREIGN AID PROGRAMS

1. Foreign Assistance (Mutual Security)	\$ 5,265,936,000
2. Foreign Military Credit Sales Fund	222,000,000
3. MAAG's, Missions, and Milgroups	5,000,000
4. Military and Economic Assistance (in Defense Budget) ..	1,086,000,000
5. Export-Import Bank, Long-term Credits	3,296,800,000
6. Export-Import Bank, Regular Operations	193,400,000
7. Export-Import Bank, Uncommitted Borrowing Authority .	5,288,300,000
8. Public Law 480 (Agricultural Commodities)	507,748,000
9. Inter-American Development Bank	2,109,494,000
10. International Development Association	103,600,000
11. Asian Development Bank	130,000,000
12. Peace Corps	35,619,000
13. Permanent Military Construction - Foreign Nations ...	390,000,000
14. Contributions to International Organizations	2,838,000
15. Educational (Foreign and Other Students)	29,263,000
16. Ryukyu Islands	7,705,000
17. Migrants and Refugees	3,616,000
18. Trust Territories of the Pacific Islands	16,551,000
19. Inter-American Highway	14,146,000
<u>TOTAL</u>	<u>\$18,708,016,000</u>

OTTO E. PASSMAN, Chairman
Foreign Operations Subcommittee on Appropriations

NATIONAL STRATEGY INFORMATION CENTER, INC.

130 EAST 67th STREET
NEW YORK, NEW YORK 10021
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8 September 1969

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Washington Vice President
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Mr. Paul Bradley
President
National Council
People to People
1146 16th Street, N.W.
Washington, D. C. 20036

Dear Paul:

As per your request, here is my preliminary thinking on the type of pilot program that might be sponsored by the Peace Research Institute. I have used the following arbitrary guidelines: (1) The projects should be grounded in the pragmatic, "management" approach rather than utopian or pacifist philosophy; (2) The projects should be aimed at changing the goals and/or operating methods of power structures rather than adding to the reading lists of libraries and universities; and (3) The projects should be related to the special capabilities of the private sector -- which People-to-People represents -- rather than to the policies of, say, the Arms Control and Disarmament Agency or United Nations Peace Commissions, etc.

I -- The Suggested Method

For each subject, in my view, you will need to identify a Manager who can (a) supervise the preparation of a draft blueprint for action; (b) organize a Project Design Workshop for an interdisciplinary team of 10-12 influential men who will improve and enlarge the blueprint; and (3) ensure that the final edited Report is reviewed by the power structures whose operations are involved.

II -- Two Suggested Projects

A. Economic and Management Training for Foreign Military Elites

In many underdeveloped countries, the only viable

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alternative to a Communist takeover is the military. To Americans, military government is anathema. In other parts of the world, it may be the only way to overcome tribalism, feudalism and inert bureaucracies in the process of achieving modernization. In many young nations, the officer corps is relatively free from corruption, open to innovation and change, socially responsible and anti-Communist. Moreover, the military -- through skills in transportation and communication -- may have the largest capability for providing health, literacy and vocational training to peasant masses.

At any given time, literally thousands of selected foreign officers are enrolled in Military Staff Colleges in the U.S. Although they are studying infantry tactics, the use of armor and battlefield strategy, many of them -- when they return home -- may find themselves serving as executives of "militarized" Ministries of Agriculture, Industrial Production, Finance, Transportation, Mining, Health and Education.

Inasmuch as effective, stable and forward-looking military governments may be the only barrier to more Vietnams in many areas of the world, it would serve the cause of peace to upgrade the training of foreign military elites in "civilian" skills, especially in such areas as small industry development, food processing, conservation, flood control, irrigation technology, tropical medicine and basic economics. In addition, some training should be offered in the fields of motivation, ideology and propaganda analysis so that Communist political warfare can be exposed and neutralized.

Questions for research and analysis include:

- #1. What parts (if any) of existing training for foreign officers at U.S. military schools relate to skills and subjects that relate to averting or preventing insurgency, as opposed to fighting it after it's already started?

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- #2. To what extent is it feasible to expand training in the preventive skills and arts (including communications and economic development):
 - a. in U.S. military institutions?
 - b. in foreign military institutions?
- #3. To what extent could the private sector be utilized -- e.g., could courses in management developed by the IMA, or the Thunderbird School, or the BCIU, be adapted for use by foreign military leadership?
- #4. Can the diplomatic and public relations problems inherent in this program be satisfactorily resolved?
- #5. Would it be desirable to test the concept in one country where a friendly Military Government is already looking to the U.S. for economic counsel, aid and management and technical assistance -- such as Indonesia?

B. Inventory and Training Workshops in re Modern Capitalism's Peace Potential in Latin America

Although Che Guevara is dead, his spirit goes marching on throughout Latin America. Incipient guerrilla warfare threatens to become more serious in Brazil, Bolivia, Colombia, Chile and Venezuela. The goal of the insurgents is to present the U.S. with the challenge of "two, three, many Vietnams".

Given domestic pressures and priorities, it will be difficult for Washington to increase either military aid or economic assistance to Latin America in the near future, even though the threat of guerrilla warfare might justify such initiatives. Therefore, if peace is to be preserved, the private sector should be encouraged to upgrade its own efforts to create a climate for freedom on our Latin doorstep.

A number of good works are already in progress, but they are not widely known to the U.S. public or to opinion-leaders in Latin America. Thus, through lack of adequate publicity and inter-communication among elites north and south of the border, the efficiency and good deeds of private capital are often obscured by clouds of Marxist propaganda. Typically, U.S. business overseas "performs", while Castroite and Maoist agitators "shape opinion". Hence, even on the college

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campuses of the U.S., there are frequent uninformed charges of "Yankee imperialism" against the U.S. corporations and banks which are providing desperately needed capital and skills to our neighbors to the south.

It is proposed that (1) a master Inventory be compiled of the effective programs for social development currently sponsored by the private sector in Latin America. This would include such items as: workers' credit unions set up by U.S. labor groups to show that capitalism has benefits for the poor as well as the rich; the movement to create a "dividend for the community" by corporations (both local and U.S.) operating in Latin America; the human relations work of the Council for Latin America; vocational training schools for slum children financed by U.S. foundations; school-to-school programs; etc.

It is proposed that (2) workshops on "The Peace Potential of Modern Capitalism" be conducted in various regions of the U.S. for editors, college faculty and students, foundation executives, businessmen and selected foreign students who are already studying on U.S. campuses. The subject matter would be the Inventory (1, above).

The purposes of this project would be: (a) to provide specific, tested case histories of sound projects to U.S. corporations and foundations newly interested in Latin America; (b) to neutralize New Left propaganda vs. the business society on our own college campuses; (c) to create a healthier climate for understanding and cooperation inside Latin America as opinion-leaders there come to realize that modern capitalism is sensitive to humane values, workers' rights and a fair social dividend for the peasantry. Such a climate could reduce the too real possibility of "more Vietnams" in our own back yard.

III -- Conclusion

If either of the ideas briefly described above seem to be relevant to your concept of the special focus and human assets of People-to-People, perhaps you would want to establish a Task Force of some of your Directors and several educational consultants to begin the more detailed blueprint design that would be required. I would estimate that it would require at least six months and approximately \$20,000 of seed money to bring either of the projects to the action stage.

Mr. Paul Bradley

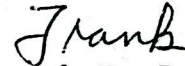
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We have extensive contacts with U.S. military colleges and with private groups involved in Latin America. If I can be helpful, please let me know. It was stimulating to meet with you, Mr. Slick and his fellow foundation trustees the other day.

With best regards, I am

Faithfully,



Frank R. Barnett

FRB:mmcg