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**FOREIGN ASSISTANCE LEGISLATION FOR
FISCAL YEAR 1978
(PART 7)**

**HEARINGS
BEFORE THE
SUBCOMMITTEE ON
INTER-AMERICAN AFFAIRS
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
NINETY-FIFTH CONGRESS
FIRST SESSION**

**Economic and Military Assistance Legislation
for Latin America**

MARCH 24, 29, AND ~~APRIL 1, 1977~~

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(II)

CONTENTS

WITNESSES

ECONOMIC ASSISTANCE LEGISLATION FOR LATIN AMERICA

Thursday, March 24, 1977:

Lion, Donor M., Acting Assistant Administrator for Latin America, Agency for International Development.....	15
Luers, William H., Acting Assistant Secretary of State for Inter-American Affairs, Department of State.....	1
Scanlon, Thomas J., president, Benchmarks, Inc.....	31

ECONOMIC ASSISTANCE LEGISLATION FOR THE CARIBBEAN AND CENTRAL AMERICA

Tuesday, March 29, 1977:

Lion, Donor M., Acting Assistant Administrator for Latin America, Agency for International Development.....	43
Wheeler, William B., Country Director, Office of Caribbean Affairs, Agency for International Development.....	59
Wyrrough, Richard R., Deputy Director and Senior Treaty Affairs Adviser for Panama Negotiations, Department of State.....	49

MILITARY AND SUPPORTING ASSISTANCE LEGISLATION FOR LATIN AMERICA

Tuesday, ~~March 29~~ 1977:

Mr. [redacted] U.S. Air Force, Director, Defense Security Assistance Agency.....	65
Todman, Hon. Terence A., Assistant Secretary for Inter-American Affairs, Department of State.....	69

MATERIAL SUBMITTED FOR THE RECORD

United States assistance to Mexico.....	57
Haiti—Malaria control program.....	60
Conventional arms control initiative.....	78

APPENDIX

Prospectus for the creation of an Inter-American Fund for Educational Development, prepared by Benchmarks, Inc.....	87
Canal Zone Military Schools.....	116

(iii)

The quality of the following
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source document(s)

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were blank.

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**HEARINGS ON FOREIGN ASSISTANCE LEGISLATION
FOR FISCAL YEAR 1978**

Part 1—Full Committee

The Presidential Request

Public Witnesses

**Part 2—Subcommittee on International Security and Scientific
Affairs**

Policies on Arms Transfers and Military Assistance Programs

Part 3—Subcommittee on Africa

Economic and Military Assistance Programs in Africa

Part 4—Subcommittee on International Organizations

*U.S. Voluntary Contributions to International Organizations and
Programs*

Part 5—Subcommittee on Europe and the Middle East

Economic and Military Aid Programs in Europe and the Middle East

Part 6—Subcommittee on Asian and Pacific Affairs

Economic and Military Assistance in Asia and the Pacific

Part 7—Subcommittee on Inter-American Affairs

Economic and Military Assistance Legislation for Latin America

Part 8—Subcommittee on International Development

U.S. Food Policy: Options for the Future

**Part 9—Full Committee Markup and Subcommittee
Recommendations**

(v)

ECONOMIC AND MILITARY ASSISTANCE FOR LATIN AMERICA

Economic Assistance Legislation for Latin America

THURSDAY, MARCH 24, 1977

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS,
Washington, D.C.**

The subcommittee met at 10:04 a.m., in room 2255, Rayburn House Office Building, Hon. Gus Yatron (chairman of the subcommittee), presiding.

Mr. YATRON. Today the subcommittee on Inter-American Affairs begins a series of hearings regarding the fiscal year 1978 authorizations for AID development assistance and security supporting assistance in Latin America.

I would like to welcome Secretary Luers and Mr. Lion, who will be our leadoff witnesses. Later on, Mr. Tom Scanlon will share with us some views regarding the Social Progress Trust Fund.

If it meets with your approval, gentlemen, Secretary Luers can go ahead with his remarks in whatever way he wishes. When you are finished, Mr. Secretary, we could then entertain questions and from there go on to the next witnesses.

Mr. Secretary.

STATEMENT OF WILLIAM H. LUERS, ACTING ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. LUERS. Thank you, Mr. Chairman. On behalf of the Bureau, I would like to welcome you to the Chair of this committee. I hope we can continue the cooperation we have had with this committee over the last several years.

I think it is perfectly clear that there is a great opportunity to improve the cooperation between the executive branch and Congress, and I think there is no area that is more important than the area of Inter-American affairs because, as I say in my statement, I think the understanding of the American people, including the American Congress and the executive branch, lags considerably behind the reality of Latin America and individual nations that are involved.

I think it is the responsibility of us together to try to illuminate some of this misconception of what is the reality of Latin America.

If I could, I would like to go through my statement. I will try to make it as brief as possible, and then I would like to have questions.

(1)

As I told you before the hearing, Ambassador Todman, who was just confirmed yesterday by the Senate, regrets very much he was unable to be here today because of the uncertainty over his confirmation. But he looks forward as I do, to cooperating with you over the months to come.

In this opening statement, I plan to describe briefly:

How our perceptions of the hemisphere have lagged behind reality.

How differently we and the other nations of this hemisphere perceive our mutual interests.

How strikingly different our perceptions are from the Latin Americans on the proper emphasis on rights.

And how we are setting out in this environment to improve hemispheric cooperation.

I mentioned, Mr. Chairman, that I think our appreciation of the attitudes toward Latin America and the Caribbean has not kept pace with the dramatic changes that have taken place in this hemisphere since the early days of the Alliance for Progress.

And I note that a month ago I read an editorial in a major newspaper published in this city in which a very important editorial was written about Brazil and the capital kept being referred to as Rio. I do not want to nitpick, but it suggests to me there is not sufficient attention and understanding given not only to the broad scope of our relations with the hemisphere, but to the details of each individual country.

Today the nations of Latin America and the Caribbean are more diverse, confident, independent, and self-aware than any regional grouping in the Third World.

They have a crushing burden of foreign debt, an alarming population growth, and a dizzy rate of urbanization. As change has transformed these societies, inequities have become exaggerated and poverty exists alongside prosperity.

Most of the nations of the hemisphere have given up one-man rule for more institutionalized forms of government. But the dominant institution is the military. Democracy, never strongly rooted in Latin America, is less prevalent today than at any time since World War II. Yet, while there are repressive governments, as we all know there is a paradox in the sense that throughout most of this hemisphere, democratic freedoms, press freedoms, freedom of assembly coexist with serious abuses of human rights.

Latin America and the Caribbean present most dramatically the importance of the North-South issues to the people of this country. From no other part of the world does foreign poverty impinge so intimately on our society or create such an implicit obligation to help:

As our living standards outstrip theirs, we become the illegal but logical haven for workers escaping the despair of poverty.

Regional proximity sharpens our humanitarian perceptions that poverty is a global rather than a national problem.

As our market for illicit drugs expands, our corruption and crime extends itself into the poor agricultural areas where the products of the poppy and the coca plant become valued commodities.

As our interchanges of finance, trade, and tourism grow, they impact deeply on citizens of this country. And I cannot avoid mention-

ing that as the citizens from our neighborhood enter the United States, our society is enriched.

The peoples of this hemisphere are no longer in awe of us. As they have grown in their sense of independence and self-confidence, they also have retained their respect for our vitality, success, technology, and prosperity. But many charge that we have an insatiable thirst for the world's resources, that we are unwilling to share our expanding wealth and that we have used our enormous power arbitrarily in the past.

It seems to me this is a classic dichotomy between rich and poor, but it has a particular intensity in this hemisphere because it is closer and because we have lived with it longer.

I would like to say a few words about how we view our mutual interest in the hemisphere and how, in general terms, the Latin Americans view our interests, and they are not the same. We do not have the same perceptions of how we should work together.

We hope this hemisphere would remain free from military conflict, from arms races and from the proliferation of nuclear weapons.

We depend on the expansion of two-way trade with a rapid growing and industrializing market.

As Mr. Lion pointed out, we have greater trade with this region than with any other part of the Third World.

We look to the leaders of this hemisphere to play a mature and moderating role in the international councils now exploring the re-ordering of the world's economic institutions and procedures. And we know here in this hemisphere there are more experienced governments, more experienced technicians, more experienced leaders who understand the dimensions of what they are looking for in a new international economic order.

We desire to see the end to torture, persecution, arbitrary arrest, and violence from the left as well as the right.

And we hope, along with all this, and with economic development, there can be a development of democratic institutions which provide the most certain guarantee of human rights.

What the nations of the Caribbean seek from us is somewhat the same, but with different priorities and with different intensity.

You will be examining with individual office directors from the bureau the problems of each country, and you will see the vast diversity that this hemisphere represents. But there are some common threads.

First, trade and resource flows are at the center of the concerns of all the countries of this hemisphere. They want expanded and preferred access to our markets and guarantees of stabilized earnings from their exports. They want our finance and technology, and they want financial backing for their heavy debt burdens.

Second, they insist we not intervene in their internal affairs. Countries of Latin America, particularly the Caribbean, have been obsessed with U.S. interventionism over a long period of history. And by interventionism, they mean explicitly military intervention and subversion, but some even extend this into cultural penetration and into the phenomena of U.S. products and television programs.

In other words, because we are so big, and we are here, often by our very presence we are interventionists. But they also want our re-

spect and our appreciation of their dignity, independence, and sovereignty. They want our understanding and our attention. And if we do recognize and finally discover interdependence, it means we have to be responsive to the interests of the nations of this hemisphere, otherwise, we cannot expect responsiveness from them to our interest.

Let me say a few words now about the question of human rights, which is so important in this hemisphere as it is worldwide.

Again, the Latin Americans and we see the issues differently, with different perspectives. Although we share common principles, they see our urging respect for human rights as a new type of U.S. interventionism.

They are annoyed that our comments and program restrictions reflect a failure to understand their particular domestic problems and security threat.

We do not pretend to measure or judge the domestic threat. It is the type and severity of the response of governments that concerns the American people. As President Carter said at the United Nations, no signatory of the U.N. charter "can avoid its responsibilities to speak out when torture or unwarranted deprivation of freedom occurs in any part of the world."

I want to be clear that although some governments have rejected our efforts and our statements on behalf of human rights, there are other governments who applauded them and many people in this hemisphere are heartened by the renewed attention of this country and this Government to these values which form such a unique part of the new world.

In our increased interest in human rights, we do not try to impose our political preferences on any nation, but we are summoning governments to respect the principles to which they have subscribed in numerous documents of the United Nations and OAS.

There is a second aspect of the human rights question, the perception of which separates us from many governments, leaders, intellectuals, and common citizens throughout this hemisphere. We have traditionally stressed the fundamental rights of liberty and the freedoms from physical and mental persecution. Ours was the first constitution and document in the world that stressed the issue of freedoms. And our Constitution formed the basis and the guide for constitutions throughout the hemisphere.

Yet many in this hemisphere see the rights to food, shelter, work, and survival as fundamental as well. If the right to be free from torture and persecution is vital to man's dignity, so are the economic and social rights invaluable to the maintenance of this dignity.

We in the United States must be alert to the charge as we press forward in our search for better performance in human rights that we are justifying our decision not to share our wealth on the grounds that others violate human rights which we find so important.

Our conscience thus eased, many will charge, we continue to devour a third of the world's resources.

Mr. Chairman, if we are prepared to match our morality with our generosity, if our compassion for the poor is equal to our passion for freedom and if we pay as much attention to the egalitarian as we do to the libertarian issues, our message will be heard and understood.

This is the fundamental combination of the American Declaration of Independence combined with the Constitution which gives us a

tradition of egalitarianism and libertarianism which we today are discussing at home and which I hope will be projected in our foreign policy.

Having said this, I am optimistic about the capacity of this Nation to shape a more cooperative relationship with other nations of this hemisphere.

First, we have with our neighbors a long experience in shaping economic change and growth. The North-South dialog, as it is called today, really began in this hemisphere, and many of the people who originated it are still alive and functioning well and actively.

But with them we must address simultaneously global, regional, subregional, and bilateral economic issues. Our approach to most of these issues will depend on solutions developed in a global framework. But many of them can best be worked out through a strengthened inter-American system with the Organization of American States at its center. Still others can be dealt with through subregional groupings and on a bilateral basis.

A second reason I am optimistic is that this hemisphere continues to be one of the few regions of the world that is at peace. The nations are at peace with each other, and although there are repressive governments, there is no serious threat of war today in this hemisphere. And while we all know violence is too often turned inward in the nations of the new world, including in our own country, the governments of this hemisphere have an interest and capacity to improve the lot of their people. And most people throughout the Americas respond instinctively to expressions of the fundamental humanitarian values.

Third, we must make clear again that the long era of U.S. interventionism has passed. Governments will remain skeptical of these assurances. But we must be open in our relations and abstain from our historic compulsion to design the future of our neighbors and to participate in the development of their institutions. We can only convince them over time by our performance and by our abstinence and not by our rhetoric.

A fourth reason for optimism is that there is a new sense of cooperation developing between the U.S. private sector and the governments of this hemisphere. After nearly a decade and a half of tension between the private sector and the governments, the nations of this hemisphere have become more confident and more clear on how to define the terms under which they accept foreign capital. U.S. companies, for their part, are showing greater sensitivity to the national pride, sovereign rights, and development priorities of their host governments. This environment of improved cooperation with the private sector is critical to the capital and technology transfers and offers great hope for the future.

Fifth, the increasing role of the hispanic Americans and people from the Caribbean in our society is beginning to raise the consciousness of the American people about the importance of our neighborhood. We must develop together with the Congress and the news media new programs for expanding our understanding of this hemisphere and its peoples.

It is likewise essential that nations of this hemisphere find ways to develop greater understanding of us.

Finally, President Carter has shown an unprecedented interest in Latin America. His first Presidential visitor was, by no coincidence,

from Mexico. And we have underway an energetic program of developing more cooperative relations with our neighbor.

The first priority of this administration after the inauguration was to give urgent attention to negotiating a new treaty with Panama for the canal. This is an issue of great importance not just between us and Panama, but for our relations with the entire hemisphere.

Also, several foreign ministers have already visited Washington from Latin America. We have indicated a readiness to talk to the Cuban Government without preconditions on a series of issues that divide us. We are committed to continued support for international and regional financial institutions and to sustain a significant bilateral assistance program which my colleague, Mr. Lion, will address. And we know it will be difficult to deal with central issues of trade with this hemisphere, but this administration is committed to engage these issues seriously.

I think, Mr. Chairman, we have an opportunity and obligation to cooperate constructively with the nations of this hemisphere. But we must do so without sentimentality but with an awareness of the strong traditions that lie behind us. We must not be paternalistic but be sensitive and aware of the sovereignty, independence, and dignity of each nation to find its own future.

Mr. YATRON. Thank you very much, Mr. Secretary, for an excellent presentation. I would like you to also extend my congratulations and best wishes to Secretary Todman on his confirmation yesterday.

I was interested in your comments and the distinction Latin America has made between political and economic rights. In your judgment, what kind of additional action can we take to show our compassion?

Mr. LUERS. I think we have to first be aware of the fact that the Congress now has before it a request for replenishment for international financial institutions. In several areas there are efforts to cut back significantly on these contributions. In this year, as we begin our serious effort to express to nations of this hemisphere our interest in human rights, we are at the same time cutting back significantly on our contributions to international lending institutions. We are voting against loans in these institutions on human rights grounds, and we are not devising new ways to transfer resources particularly to democracies which are so important to us. And I would mention the ones in the Caribbean. We are giving a dissonant signal, a signal which will not communicate and will not be supported.

So I would say I hope the Congress would come through with our full replenishment to the IFI's and support our efforts to develop a new approach through bilateral lending to the middle-income countries of this hemisphere.

Mr. YATRON. What about initiatives to stabilize world commodity prices? Would you care to comment on that?

Mr. LUERS. As I said in the statement, I think this is something that has to be dealt with basically through the conference in Paris (CIEC), through UNCTAD, through MTN, and through a whole series of global discussions which are going on and which affect our relations with the entire Third World.

Mr. YATRON. I would also be interested to have your assessment of the state of our relations with Jamaica. A recent Newsweek article

indicated that Jamaicans were being trained in Guyana by Cubans. Have you any information about this that you care to comment on?

Mr. LUERS. Yes. The Jamaican Government was extremely upset by the Newsweek article, and I will have to say it was filled with half-truths and inaccuracies about Jamaica and about our relations with Jamaica.

The Foreign Minister of Jamaica was recently here. He assured me and others there are no Jamaican security forces being trained in Guyana by Cubans. The vast majority of Jamaica's security forces and defense forces are trained in England, Canada, or the United States. Some are being trained in Guyana. A few, but by Guyanese. It is a cooperative arrangement between Guyana and Jamaica.

Our relations with Jamaica have been difficult over the last year. I think it is a mutual problem. But this administration has set out to improve these relations. Prime Minister Manley was recently elected by an overwhelming majority of the Jamaican people. He is setting about to bring about social change at a time when his economy is suffering severely from the problems of diminished tourist trade, which Jamaica alleges comes from the bad publicity Jamaica has gotten in this country, from the low price of sugar, and from the failure of the bauxite aluminum demand to be restored.

This, combined with the increased costs of imports, particularly petroleum, has given a serious blow to this country's economy and its capacity to bring about social change.

I think the test of whether we will be able to deal with the issue of egalitarianism abroad and demonstrate democracies mean a great deal to us will be in our ability to develop programs, support, and cooperation with the Government of Jamaica.

I take this as almost a classic example of how forward-looking we are and how serious we are on interaction between human rights and democracy, on the one hand, and our generosity with regard to our economic assistance, on the other.

Mr. YATRON. Secretary Luers, could you make some general comments about how you feel our human rights campaign is affecting our relations with Brazil, as an example?

Mr. LUERS. Well, you know, and your question presumably is based on your knowledge of the fact the Brazilian Government, because we submitted to Congress under our laws a statement on the human rights situation in Brazil, both rejected military assistance, which is based on such a condition, and subsequently denounced an agreement that we have had with them on military cooperation since 1952. This is within their right to do, as it is within our right to decide on what basis we give military assistance.

I will not conceal the fact there has been a great deal of press against us in Brazil and negative reaction on the part of the Brazilian Government to these actions on our part which are in response to law. But our relations with Brazil are too profound, too historic, and too important to both countries to have this period seriously affect the trajectory of where we are headed with Brazil.

There is no question this country, its size, its dynamism, its potential as a world power, make it of vital importance to us as we are to them. I am convinced we are in a stage with regard to human rights

in which we, in this country, are readjusting our value system; we are, as a government, coming more into harmony with the American Congress and the American people on our values. And during this period of readjustment, during this period of harmony at home, there will be problems in our foreign affairs which will reflect concern and wonder of where we are headed. But we are serious about the issue of human rights. And to the extent these governments understand it, I think we can find the adjustment, and I am convinced, particularly with Brazil, there is a great possibility to cooperate, as we have over the last 20 years, effectively in dealing with our mutual problems and in bringing about a more just economic system in the world.

Mr. YATRON. Thank you, Mr. Secretary.

Congressman Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Secretary, I regret we were delayed with another hearing. I skimmed through your remarks. I am sure these hearings are going to be beneficial to the work of our committee.

As we travel through Central America and Latin America, we continually hear remarks about the benign neglect to our own hemisphere as we look at world problems. And we continually hear concern expressed about our trade commitments with our neighbors to the south.

What are your recommendations with regard to improving our trade relationships with Central America and South America?

Mr. LUERS. Any improvement in the terms of trade between the United States and the Third World—developing world—will favor first Latin America. Since Latin America is the most developed of the Third World, has the most external trade and has the most trade with us, they will profit from expansion of the GSP list under the 1974 Trade Act, from any commodity agreements which provide improved terms of trade for their export earnings or any arrangement that provides some relief for commodity imports into this country.

But we are approaching these issues on a global basis. We are approaching them in Paris in the Conference in International Economic Cooperation. We are approaching them through UNCTAD, through the multilateral trade negotiations in Geneva, and it is our intention to try to improve our trade balance with the entire Third World and take the lead in this area. And it is our intention to make sure, in doing that, we will favor all the countries in the Third World, and Latin America will be first in line because of the conditions of our relationship.

Mr. GILMAN. I recognize the international thrust of trying to do it on a global basis. But do you see a need for concentration in this hemisphere of some initiative by us to develop a more active role by the United States in encouraging better trade relations in the Americas?

Mr. LUERS. We have some unique institutions through ECLA and the OAS to try to cooperate with the countries of this hemisphere, to make them appreciate the advantages they can—

Mr. GILMAN. I am familiar with the institutions. Are they doing the work that they should be doing? This is essentially what I am asking. Are we accomplishing what we should be accomplishing through those organizations?

Mr. LUERS. I would have to say no.

Quite frankly, they are not the vital core of our trade relations with this hemisphere, nor have they contributed significantly up to now.

Mr. GILMAN. Then there is a need for a new look at all of this; possibly a new organizational approach in this hemisphere? If there is neglect and there is concern and there is criticism of our relationship with regard to the trade in this hemisphere, maybe we should be taking a brand new look and come forward with some new initiatives.

Have you given any thought to that?

Mr. LUKE. We have. And, as I say, one, I do not think this hemisphere needs another organization. I think the existing organizations provide us the means of finding cooperation that is possible.

I think you will find, Mr. Gilman, that most countries, most of the largest countries of this hemisphere, want to resolve these issues not through regional institutions but through the North-South dialog in Paris, UNCTAD, and other institutions. And they are not seeking a special trade relationship in the region.

There are some—Costa Rica and Colombia are two—who propose some type of regional approach. We looked at these last year. We were willing to consider them, but found most Latin American countries rejected these and do not want special consideration.

Now in the case of Mexico, which I think is a special case, as you know, we are going to try to devise some arrangements for their commodities; to give them better access to our market. But this will not be through trade preferences or tariffs.

I take your point, and I certainly will convey this to the Secretary and make sure he is aware of your interest in trying to develop a regional approach to trade.

Mr. GILMAN. Your remarks about the countries of South America not being interested in a regional approach come to me as a matter of surprise. You mentioned already that Mexico and Costa Rica and Colombia and you mentioned another nation that would be interested in some special arrangements, and I recall the issue was raised in Brazil and Argentina and some of the other nations have expressed from time to time, too, some interest in some special arrangements of trade.

I am just wondering, is there validity to that premise that there is not an interest in some regional approach to the problem?

Mr. LUKE. Let me try to be more precise. It is perfectly clear Brazil, in our bilateral arrangements, would like us to work out our approach to trade with them in a way that is favorable to their exports to us, particularly shoes at the present time. They hope we do not take measures that will decrease their access to our market because of the large amount of shoe imports.

And each nation in this hemisphere has its own bilateral concerns having to do with specific commodities which they export to us. The sugar exporters in the Caribbean are worried we are going to enter a new phase in which we are going to establish quotas or be more restrictive of our imports or take it off the GSP list. Mexico has its own concerns.

The only two countries that I know of who proposed a comprehensive, generalized approach to regional cooperation and a regional preference system just for Latin America are Costa Rica and Colombia.

I am not aware of any proposal of that type from Brazil, or from Argentina, for that matter.

In fact, Brazil and Venezuela are members, as is Mexico, of the Conference on International Economic Cooperation in Paris, where they are actively participating in the four committees trying to work out the various economic trade measures, monetary and energy.

And, indeed, at the OAS General Assembly in Santiago last year, the sort of tentative proposals of both the foreign Ministers of Colombia and of Costa Rica were tabled, but were not picked up.

But we were very receptive to some type of discussion in a regional context, and we are going to have significant representation at the IDB meeting which will be held this spring.

We hope to have high representation at the ECLA meeting, and we hope to find through OAS mechanisms ways in which we can provide the countries of this hemisphere an appreciation of how they can take greater advantage of our Trade Act.

Mr. GILMAN. Mr. Chairman, I know I am exceeding my time. With your permission, I have two other questions.

How effective has our OAS organization been and our work in the OAS? Do you find it to be an effective mechanism, or should it be strengthened; should we be trying to do more in that direction?

Mr. LUERS. The OAS is an organization which is the oldest of its type in the world. It has long traditions. It probably has many of the problems that comes with traditions. It has a lot of institutional baggage and activities which are not productive in the current period.

When we talk about strengthening the organization, we talk about cutting back some of the residue of the past. We talk about focusing its attention more clearly on things of interest to us. We talk about diminishing our contribution.

But when we talk about strengthening the institution, it is just the opposite of what Latin Americans talk about when they talk about strengthening institutions.

We would like to keep it for the purpose of furthering our interest; they for theirs. But my own sense is, we want to maintain a positive posture that it is an environment in which we can deal, particularly with some of the smaller countries of this hemisphere who do not have access to us as readily as they might.

Because of the very fact it does represent a long tradition of cooperation in this hemisphere, it represents a body through which the Latin Americans can together come to us and express their concerns. It is for us to keep attention to this very important part of the world.

I, for one, feel that we should continue to search for ways to trim the organization to our mutual needs, but I do not think we should be the ones to redesign it. It should be a cooperative effort.

Mr. GILMAN. But we should work to make some reforms. Are you in agreement with that?

Mr. LUERS. Yes.

Mr. GILMAN. Mr. Secretary, just one final question.

I noted with a bit of concern on page 3 of your testimony, you are saying:

As our market for illicit drugs expands, our corruption and crime extends itself into the poor agricultural areas.

Some of us on this committee have been doing a great deal of work with the narcotics problems; international narcotics. They have taken time to go down to South America and visit with some of the poppy-producing regions and the cocaine areas.

We find it is not a unique or unilateral problem. It is not just a U.S. problem. There is a growing narcotic problem in Central and South America that the producing countries are involved in the criminal part of the trafficking as well as being tied to the distribution criminal organizations in our own countries.

But the United States is not just the only market for these areas. It is not a unique problem to the United States, and I hope we are not approaching it in a unilateral situation. It is their problem as well as our problem. It is a worldwide problem. It is going to need international cooperation. We are not getting in some of these areas the type of cooperation we should be getting.

I just wanted to stress that point with you. I hope we are not off in the wrong direction.

Mr. LUERS. I know of your interest in this area, Mr. Gilman. You have been one of the leaders in Congress in bringing the attention to the multilateral aspects of the drug problem, and we have found throughout the cocaine countries, particularly, there has been an increase in the consumption of cocaine.

One of the reasons we are getting some greater cooperation from some of the governments who have a large urban population is their awareness that their own people are beginning to be affected; as their society is becoming industrialized, the more complex the drug problem.

I think to that extent this language is unhappy language and did not reflect the fact the crime itself is extending widely.

Mr. GILMAN. I just would like to keep the focus of our attention on the need for international cooperation, and it is an international problem and not just a U.S. problem.

Thank you, Mr. Chairman.

Mr. YATRON. Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

I am sorry I was late, Mr. Secretary.

What would you say is an accurate assessment of the coffee shortage in Brazil? Is it a real shortage or is it partially an artificial one in order to drive up the prices?

Mr. LUERS. I am not a coffee expert. I do know last year the frost seriously damaged almost a third—I think that is right—the damage to the actual plants damaged about a third of their capacity for coffee production, and it seriously cut back their capacity to produce.

The fact is they had enough storage. This year they have continued to export to the United States as much coffee as they did the year before. So the charge that they have been holding back reserves to push up the price of coffee is not valid.

In fact, one of the reasons they increased the price of coffee was to diminish the consumption in Brazil itself. Obviously, that cuts two ways. But as of now, we do not have any evidence that Brazil either is deliberately holding back on exports or has created an artificial situation with regard to their capacity to export.

Mr. LAGOMARSINO. How do we see or how does the Department see the action of Brazil in rejecting U.S. aid fitting into this picture? Is that going to cause us problems in regards to coffee and other products we import from Brazil?

Mr. LUERS. No. As I was saying before, I think that the depth of our interaction with Brazil is so deep that we cannot possibly—I do not think that over this period our trade interaction can be seriously affected by their decision with regard to not accepting any further foreign military assistance.

Mr. LAGOMARSINO. You say over this period. Would that indicate that perhaps over a longer period, we could have some problems?

Mr. LUERS. No; we are the largest market in the world. We are the largest source of science and technology. We are the largest source of capital. Our private sector is vital to the development of what they want in their country, and there is no question in my mind that we will continue to have a responsible relationship with Brazil.

The Government of Brazil and the President of the United States are on a course to continue the cooperation they have had for the last 15 or 20 years, recognizing we have a common future as probably the two most powerful countries in this hemisphere.

During this period, as they understand the importance we give to human rights, there will be some readjustment in the tone of these relationships. But I am very optimistic about the future of our relations with Brazil.

Mr. LAGOMARSINO. All of us sitting here and other members of this subcommittee were in Panama over the weekend, and we talked to the Panamanian Government officials, and we talked to private citizens, businessmen, and so on.

The businessmen, in particular, Panamanian as well as American businessmen, expressed great concern over the Brazil-United States situation by pointing out that they felt by the year 2000, Brazil well could have the economic power, military power, and what-have-you of West Germany and Japan. They were concerned about the way things seemed to be going.

I do not know what we do about it. I would like to point out it is not just something of concern in Brazil.

Mr. LUERS. I think you are absolutely right.

Mr. LAGOMARSINO. With regard to that, we have five nations who have rejected U.S. military aid because of our criticism of their human rights problems. In addition, we have another country, El Salvador, that says U.S. congressional hearings are the reason for its rejection of military aid.

We held the hearing on El Salvador, this subcommittee with Mr. Fraser's subcommittee, about 2 weeks ago. Deputy Assistant Secretary Bray made the statement he did not think there was any serious—I might be misstating this a little bit—there was no serious violation of human rights in El Salvador as far as State knows.

Was that a fairly accurate description of the State Department position on El Salvador?

Mr. LUERS. I cannot remember what Mr. Bray said.

Mr. LAGOMARSINO. I have been told no pattern of consistency—

Mr. LUERS. No pattern; which is a term with significant legal implications. I think he did recognize there were some violations.

We were disturbed by the state of siege which was introduced following the elections that were held.

I think El Salvador's concern was that the Congress was having hearings on their elections. And I think that does, frankly, enter a difficult area for us to be making judgments on other people's elections.

Quite frankly, they are one of the few countries in the hemisphere that has elections.

Mr. LAGOMARSINO. I might interrupt you at that point.

I pointed that out or asked Mr. Bray about that, and he was able, at that time, to name only one other country. He did not say where to where, in Central or South America, that had elections that would conform to the U.N. requirements.

Mr. GILMAN. Would the gentleman yield?

Mr. LAGOMARSINO. Yes.

Mr. GILMAN. How many of the South American and Central American countries are classified truly as a free democratic institution?

Mr. LUERS. I am not sure, on the record, I really want to get into that type of judgmental approach. It is clear Venezuela and Colombia and several of the Caribbeans, all of the Caribbean Commonwealth countries, have open elections in which parties have changed power, as we just saw in India with great excitement. That probably is as good a test as any.

But there are other countries which have elections, and very serious elections, such as Mexico. The same party has been governing there for many years, but they have an internal party process which has a very special quality to it which provides for a good deal of participatory democracy.

As the President of Colombia once told me, we should not consider the Jeffersonian democracy the basis on which all institutional democracy is based. I think that is a valid guide.

But basically five or six—Costa Rica, Venezuela, Colombia, a few in the Caribbean, Mexico; not many more.

Mr. GILMAN. Thank you.

Mr. LAGOMARSINO. Certainly not Panama?

Mr. LUERS. In terms of an electoral process, no.

On the other hand, Panama is an open society. They have a free press. They have local elections all over the place, I am told, needless to say.

But it is a country which, as you know, has been governed by one man since 1968.

Mr. LAGOMARSINO. There was a survey of human rights, as I understand, that classed Panama well below what we regard as great violators of human rights.

Mr. LUERS. A lot of the information on Panama and the problems that have been reflected in reports on Panama come from the period between 1968 and 1971. I understand in 1972, Amnesty International issued a report which indicated there had not been any serious reports of torture since 1970.

There have been some recent reports, and we are constantly examining these. We submitted to the Congress our report on the human rights situation in Panama, and it was not very negative. I think I will have to stand with the report we submitted to Congress on that score.

Mr. LAGOMASSINO. When we were there we were told of, I believe, 11 businessmen who were deported last year for criticizing the government, as well as several Americans who were arrested because they opposed the Panama Canal treaty negotiations.

Since the outcome of the Panama Canal negotiations does have serious consequences in Central and South America, has the Department of State ever pursued seriously with OAS the possibility of its assuming defense of the canal or perhaps even operating it?

Mr. LUERS. No; we have not approached the OAS on that score.

I think the issue of how the neutrality of the canal is preserved after the termination of a new treaty which we hope to negotiate is a central factor, as you know, in the negotiations themselves. We are exploring various possibilities, but I think before approaching other parties on this issue, one has to find some sense between us and Panama as to what we want.

Mr. LAGOMASSINO. One further question, Mr. Chairman. I know I have taken more time than I should.

Mr. Gilman was asking about the narcotics problem and pointing out it is at least a bilateral problem, certainly not just our problem or the problem of the countries involved in the production and distribution.

One thing that seems to be a growing problem is our attitude, part of our Government's attitude with regard to drug law enforcement in some of those countries; most especially Bolivia.

On the one hand, we have concern about the human rights of American citizens who have been arrested and confined there. How are we approaching this? I think this appears to me to be a very, very delicate situation. I am afraid if we are not very careful, we could have Bolivia and other countries saying if you don't care, we don't either, and we are set back a great deal on your drug enforcement efforts.

Mr. LUERS. You are right. This seems to transmit another dissonant signal to governments. On the one hand we say, please don't punish our American citizens who are trafficking drugs. On the other hand, strengthen your activity against the trafficking of drugs.

The fact is in Bolivia and Mexico, there is no inconsistency, and they have seen this over time. In the case of Bolivia, most of the 35 Americans in jail there have been sitting for 2 to 3 years without sentence. They have not even been tried yet. And since the legal process has not even been allowed to flow, we approach the Government of Bolivia on the grounds that we are not saying you should not have them in jail; we are saying you should provide them trial as required under your law.

In fact, our cooperation with the Government of Bolivia brought about a change in their law last year, and we are hopeful that over the next couple of months or sooner, there will be some final relief for some of these kids who have been sitting for as much as 3 years under very difficult conditions.

Mr. GILMAN. If the gentleman would yield.

That has been our thrust in Mexico, too, has it not? It is not the severity of the sentence we complain about, but it is the lack of the protection of adequate civil rights; of having the right for defense and opportunity to be represented and notice to our Embassy of the arrest—

Mr. LUERS. And the torture problems immediately after arrest.

Mr. LAGOMARSINO. I understand one of these "kids" is 55 years old.

Mr. YATRON. On that subject, I have a young lady who is a constituent who has been in jail there for over 2 years.

Mr. LUERS. Does she qualify as a kid?

Mr. YATRON. Yes; she would.

I certainly hope the State Department will be doing everything they can to be helpful in this.

Mr. LUERS. This is in Bolivia?

Mr. YATRON. Yes, sir.

Mr. LUERS. If you will give me her name.

Mr. YATRON. I will.

Congressman Ireland.

Mr. IRELAND. Thank you.

I apologize for the overlapping meetings that makes us rudely late, and I apologize.

Earlier, I understand you discussed Jamaica at some length. I am particularly interested in one thing in Jamaica. I am from Florida, and when South America and Jamaica start suffering from sugar cane smut, as it is called, it makes us nervous in Florida. What goes on there, and what is the status of the attempt to control it?

Mr. LUERS. My understanding from the Jamaican Government is that less than 2 percent of the total sugar crop may be affected by the smut in Jamaica. They have undertaken a rather extensive research program.

The Department of Agriculture, I gather, has offered to provide some assistance, and I understand from the Department of Agriculture, their experts down there have been learning something from what the Jamaicans have been doing.

But their sugar is a livelihood of Jamaica and they are every bit as motivated as we are to make sure they control the smut. I am hopeful they will be able to manage it.

STATEMENT OF DONOR M. LION, ACTING ASSISTANT ADMINISTRATOR FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LION. Mr. Ireland, it is estimated, because of the introduction of new cane stocks which the Government of Jamaica and the researchers there are planning to introduce, that the likely maximum damage next year will be something like 5 percent of total production.

Mr. IRELAND. With sugar prices as they are now, maybe they do not care as much; but obviously we care.

One other question, Mr. Secretary. As we know, the Cuban discussions are beginning this morning in New York. What kind of things—

Mr. LUERS. We do not know that yet, Mr. Ireland.

Mr. IRELAND. Shouldn't they have begun this morning? What is on the agenda?

Mr. LUERS. Let me make clear for the record that I cannot make this clear for the record. I think when discussions begin with Cuba, the central focus of discussions will be on trying to reach an agreement, a

negotiated agreement, on the maritime boundary between us, the boundary between us and Cuba and a fishing agreement which will permit them, if you can reach an agreement, to participate in some fishing in our economic zone.

Cuba has traditionally fished for some categories of fish in the zone that has now been declared our 200-mile economic zone. We have arrangements for such an agreement and will be considering that.

In the process, we will be exploring other areas of cooperation, of discussions. We are not, as the Secretary and President have both said, placing any preconditions on this discussion. But it is no secret to you we have had some serious problems.

Mr. IRELAND. Thank you, Mr. Secretary.

Mr. YATSON. We thank you very much, Mr. Secretary, for being with us here today.

We have a rollooff in progress right now. So I would like to request that we take about a 10-minute recess and then come back, and then we will be happy to hear our next witness, Mr. Lion.

So thank you very much. And if you feel you want to stay, you are certainly welcome. You are free to leave, sir.

Mr. LUZZA. Thank you, Mr. Chairman.

[Whereupon, at this point, a brief recess was taken.]

Mr. YATSON. I think we should resume the hearings. The other members will return as soon as they possibly can. I think we should get on with our next witness, Mr. Donor M. Lion, Acting Assistant Administrator for Latin America.

Mr. Lion, it is a pleasure to have you here. The floor is yours, sir.

Mr. LION. Thank you, Mr. Chairman.

I have submitted a written statement but do not plan to read it. It is rather lengthy.

What I would like to do, Mr. Chairman, with your permission, is to make a few remarks of a highlight nature and then proceed to questions.

Mr. YATSON. Without objection, it will be made part of the official record.

You can go ahead and proceed, Mr. Lion.

Mr. LION. Mr. Chairman, my colleagues in the Latin American Bureau and I hope that you and this distinguished committee will find that our proposed program for fiscal year 1978 in Latin America and the Caribbean will be what you consider an effective translation of the congressional guidelines which focus on the rural poor.

We also hope, Mr. Chairman, that this adventure—and for some of us it is a new experience—will develop into a model of congressional committee and AID relationships. We are hoping earnestly and intend sincerely to collaborate fully, to exchange information and to meet as well as we possibly can the needs of this committee.

As this committee knows, Mr. Chairman, development assistance issues in the world and in Latin America are but one part of an extremely complex international environment—an increasingly and extremely complex part of an increasingly difficult foreign policy context.

Development issues are important; but one part of this arena.

Some of the issues relating to development have been described this morning by Secretary Luzzo, in fact, by the word "interdependence."

That word, that concept, has become a part of our conventional wisdom. It is illustrated in the Latin American scene—by the way, Mr. Chairman, as you know, we sometimes stop short and say Latin America and what we mean, of course, is Latin America and the Caribbean. It is a substitute for the entire region we are discussing here this morning.

In Latin America, this concept or word of interdependence is reflected in many ways. Secretary Luers has mentioned one of them as an illustration. He referred to the fact that the region is a major importer of U.S. goods and services—more than all of the developing regions of the world put together, Latin America also purchases more from us than Japan does. It purchases from us some 70 percent of what the European Economic Community does. This, of course, is one illustration of our interdependence.

Another is that the region is our primary supplier of some very critical materials, such as bauxite, coffee, cocoa, bananas; and it is a major supplier of oil, sugar, copper, iron ore, and other minerals.

Another illustration of interdependence is the fact that of all of our private investment abroad in the developing world, 70 percent of it is in this region. Annually earnings on this investment are on the order of \$2 billion.

Secretary Luers also referred to another aspect of this interdependence. He referred to the north-south—some people call it the rich-poor, others call it the industrialized-nonindustrialized—dialog or confrontation. He referred to this and made clear that both the United States and Latin America are intimately involved in these dialogs and confrontations.

We are involved with Latin America in these dialogs, and we are also involved as leaders of our respective parts of the world.

Because of our interesting, important, long, and unique relationship with countries in the region, there is the prospect that Latin America will play a constructive, positive role and perhaps even act as a bridge between the developed and the developing world, and in particular, between us and some of the developing countries. This is another aspect of interdependence which is important to us.

Let me say a brief word about our AID strategy in Latin America. As we all know, Latin America has the highest per capita income of the developing regions. But except at the extremes of the per capita income spectrum, except at the low end and the high end, per capita income figures are miserable measures of development. They are poor indicators of the need for external concessionary assistance. They are poor measures of the ability of countries to repay. And worse, they tell us very little about the extent and level of poverty; in fact, it may even be misleading.

Each country in our region, each country south of the Rio Grande, is a dualistic society. That is to say, it has one component that is modernized and the other characterized by all of the traditional measures of poverty. The per capita income figure, in fact, measures the performance of the modern sector; it does not tell us very much about the poor.

Thus, it does not tell us very much about the more than 100 million people who are considered to be in the abject poverty category in

Latin America. That is to say, almost one out of every three people who live south of the Rio Grande.

And so our strategy attempts to respond to this very complicated situation. Let me put it in two or three sentences.

We respond to the development requirements of the very poorest countries by focusing a relatively large share of our resources on them. At the same time, we also focus on the target group, the rural poor, in those countries with higher per capita incomes than the poorest countries in the region.

A few words about the Latin America proposal in fiscal year 1978. We are requesting \$221.4 million in economic assistance for that year. If you think of Latin America as a region containing some 325 million people, this says the Agency is requesting from the Congress something less than 70 cents per inhabitant to carry out our program in fiscal year 1978.

Our major thrust is in the food and nutrition category, as you know, with about three-quarters of our request in that category. Here we are stressing the small farmer; the producer of food. We wish to raise food production and we seek to raise rural incomes. This is a highlighted way of expressing our primary focus in our request.

Our other programs—health, education, et cetera—also focus on the rural area, although in different functional sectors. We have, of course, submitted details on these programs in our written statement as well as in the presentation to the Congress.

I should like to conclude with a few words on the question of whether or not U.S. assistance really makes a difference. Obviously, bilateral assistance can play, has played, a humanitarian role. There are many ways in which this is visible. Also, we know our bilateral assistance programs can and do function as a political instrument of our foreign policy. But does it make a difference in development terms?

I would like to address that by saying a few things about our past programs and a few words about our fiscal year 1978 proposal.

We very carefully have estimated what we think would be a reasonable calculation as to how many of the poor would be directly and indirectly affected by our programs during fiscal year 1978. And what we say is that if you look at our food and nutrition activities, we calculate something on the order of 20 million poor people will be directly and indirectly affected by these programs.

Our other programs which fall into the health and family planning and education and other sectors, we are estimating, will directly and indirectly affect 5 million to 7 million poor people. That means we are projecting an impact on the lives of some 25 million people over the next several years.

Now, I could refer to other expected results, but let me just summarize our expectations by making a few generalizations about past programs.

We think that past programs have contributed to significant economic growth in the region. We think our past programs have increased self-help by the countries with which we are cooperating. We are persuaded that our past programs have helped to build better institutions, more effective institutions, in these countries. We are convinced that what we have helped to do is orient the policies of these countries more and more toward equity concerns, toward more participation by the poor in what is going on in their societies.

So you can see we believe that we are making and will continue to make, with the approval of the Congress, a beneficial and permanent difference in the lives of the poor in this region. I believe we are engaged clearly, you can see, in a task worth doing. I believe it is high in the order of U.S. interests.

I believe we should at least stay the course, and I think the new directions are the way to go.

[Mr. Lion's prepared statement follows:]

PREPARED STATEMENT OF DONOR M. LION, ACTING ASSISTANT ADMINISTRATOR
FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

INTRODUCTION

Mr. Chairman, my colleagues and I hope you and this distinguished committee will find AID's proposed program for the Latin American and the Caribbean region for fiscal year 1978 an effective translation of Congressional guidelines.

This statement covers the following points:

- Growing U.S. and Latin American/Caribbean interdependence;
- AID strategy in the region;
- The proposed fiscal year 1978 program; and
- Why assistance? Does it make a difference?

GROWING INTERDEPENDENCE

Our relations with Latin America and the Caribbean are characterized, above all, by growing interdependence. In the case of trade, U.S. exports to Latin America more than tripled between 1968 and 1976, rising from \$5 billion to over \$16 billion. They now exceed the aggregate of our exports to all the rest of the developing world. They are larger than our sales to Japan and nearly 70 percent of our sales to the European Economic Community. Our exports to Latin America of many items have grown spectacularly. Chemicals in 1976 were up \$1.5 billion over 1971, electrical machinery grew \$1.2 billion in the same period.

U.S. imports from Latin America have grown at the same rate as exports, rising from \$5 billion to nearly \$16 billion between 1968 and 1976. The region is our primary supplier of bauxite, coffee, cocoa, and bananas. It has been a dependable and proximate source of petroleum (28 percent of our 1976 petroleum imports). It is also a major supplier of shellfish, sugar, copper, and iron ore.

Latin America accounts for about 15 percent of both our exports and our imports. The U.S. trade balance with the twenty-two OAS countries in Latin America has moved from a deficit in 1974 to a surplus in 1975 and 1976. In 1976, the surplus exceeded \$1 billion FAS even though we imported about \$8 billion in petroleum products from these countries. This 1976 surplus in our trade with Latin America compares with an overall trade deficit for the U.S. in its trade world-wide of about \$6 billion in 1976. Latin America, clearly, plays a critical role in our international accounts.

With its development well underway, Latin America is in a better position than other developing regions to take advantage of new technologies. Latin America also offers broad new opportunities for U.S. investment, already well over \$20 billion. Nearly 70 percent of total U.S. foreign private investment in the developing world is concentrated in Latin America. Earnings from these U.S. investments now exceed \$2 billion annually.

Our interdependence with Latin America is also illustrated by strong ties outside the economic area. There are about 14,000 U.S. missionaries in Latin America. There are approximately 96 U.S. private voluntary organizations operating in Latin America with over 600 representatives in the field. Currently 46 partner relationships are active between 43 U.S. states and cities and counterparts in 18 Latin American countries. Over 5,000 Latin American students are attending U.S. educational institutions.

AID STRATEGY IN THE REGION: GROWTH WITH EQUITY

In addition to expanding trade, investment, and other ties, the U.S. attempts to respond to Latin American needs with both bilateral and multilateral assistance. In addressing the development problems of the Latin American and Caribbean countries, we seek to provide a tangible expression of our concern for their

poor. We hope to demonstrate to the developing world as a whole that U.S. cooperation with the LDC's works and is in their interest, thereby making it possible for the Latin American region to play the role of a "bridge" in the North-South dialogue. Our long-run aim is to help bring Latin America to the point where its future growth can be fueled essentially by domestic savings and private capital flows. As Latin America moves closer to self-sustaining growth, we look to it to play an increasingly stable and constructive role in our interdependent world.

While economic growth has been impressive in recent years, most Latin American and Caribbean countries began 1976 with weak reserves and high short-term debt. The world economic recession and high oil prices have had a severe impact from which many countries in the region have not recovered. These difficulties have compounded serious problems which have been obscured by past impressive national growth rates. Per capita agricultural production in most countries has not increased over the past decade. The population problem remains critical. Urban growth is accelerating. Unemployment and underemployment remain high. The benefits of growth have obviously not been distributed equally. The problem of the "little man" is camouflaged by national growth rates and per capita income figures. The majority of the region's inhabitants still live in appalling poverty.

AID's strategy addresses the differing needs of Latin American and Caribbean countries at various stages of economic and social development. Taking into account the diversity within the Hemisphere, these countries can be divided into three groups. First are the least developed, with the lowest per capita incomes. Second are those with higher incomes but with profound problems of development and poverty and still lacking the human resource and institutional capacities to manage sustained and balanced growth. Third are the more advanced countries, further along in their capacity to manage development, but still needing substantial external help, although on a less concessional basis. Essentially the Latin American countries can be viewed on a broad continuum in terms of their development requirements, with the distinction between groups somewhat arbitrary, and with wide differences between countries even within each category.

Nearly half of AID's proposed Latin American country program funding will assist the least developed group: Haiti, Bolivia, Honduras, El Salvador, and the Associated States of the Caribbean. For the countries in the group, we propose to bring to bear the full range of AID development tools and resources consistent with absorptive capacity and a logical division of labor with other donors. Our aim is to help these countries move as rapidly as possible up the development scale of providing projects in all sectors of concentration, putting special emphasis on equity, broad participation by the poor, and improving the institution base so as to increase absorptive capacity in future years.

The other half of AID's proposed country program funding will assist the second group which includes Costa Rica, the Dominican Republic, Guatemala, Guyana, Jamaica, Nicaragua, Panama, Paraguay, and Peru. In these, income has increased, though in a highly concentrated fashion. Obstacles to broad-based and sustained development are as deep-seated and severe as in the "poorest" countries. Our strategy with this group of countries is to focus on selected development bottlenecks, usually of a human resource or institutional nature, with projects directly benefitting the poor in the primary sectors of AID's emphasis. Projects are chosen on the basis of thorough and comprehensive sectoral analyses. The aim is to help these countries create the conditions for accelerating sustained and broad-based growth. We seek to encourage the governments in both groups to adopt policies and undertake programs which will benefit the disadvantaged and move their societies toward greater economic and social equity.

The third group encompasses all countries in Latin America where AID has phased out or is currently phasing out programs. It includes Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Uruguay, and Venezuela. These countries with diverse but higher incomes and varying levels of institutional and human resources capacity, still require external assistance, including flows of technology and capital resources. Trade, investment and flows through the IFI's would provide the major channels for resource transfers with these countries.

FISCAL YEAR 1978 PROGRAM

The program proposed for fiscal year 1978 continues AID's focus on the region's poor through projects in those sectors which will directly benefit them. Ninety-

four percent of our proposed program encompasses projects in: agriculture, education, and health (including family planning).

The proposed fiscal year 1978 Development Assistance program totals \$221.4 million, which will finance activities in 14 countries, as well as regional programs. The composition of the program is:

Food and nutrition.—\$164.7 million, or 75 percent;

Population planning.—\$5.4 million, or 2 percent;

Health.—\$17.9 million, or 8 percent;

Education and human resources development.—\$19.6 million, or 9 percent; and

Selected development activities.—\$13.8 million, or 6 percent.

FOOD PRODUCTION AND AGRICULTURAL DEVELOPMENT

AID agricultural programs directly address the problem of increasing small farmer agricultural production and income. Most of the rural population in Latin America live in small-farm holdings. As major producers of food crops, these poor small farms represent considerable potential for increased food production through the application of new and improved yield-increased technologies. The importance of small-farm production potential is supported by increasing evidence that small farms can be efficient producers per unit of capital investment or per acre because of the intensity of labor inputs from the small-farm family.

Our bilateral agricultural programs address the problems of small farmers by seeking to (1) improve the effectiveness of national policies with respect to food production (2) promote more equitable and productive land tenure arrangements, and (3) strengthen institutional capacities to deliver agricultural inputs such as seeds, fertilizers, credit, and equipment appropriate for small-farm production activities.

But increased production alone is not sufficient. Our programs, therefore, also strive to improve transportation and marketing systems, employment-generating food processing facilities, and food distribution programs. The development of integrated programs which encompass the entire production-marketing-consumption system is being emphasized in many countries.

The following examples illustrate present and proposed AID program activities which address the problems of the poor, small farmers in Latin America:

In Nicaragua, we are proposing a fiscal year 1978 loan of \$11 million to extend a major program of integrated agricultural services to the country's small farmers. These services will be provided through a new rural development agency (INVIERNO), which, on the basis of preliminary evidence, is achieving marked success on a pilot basis with AID support under a 1975 development loan. The INVIERNO approach includes: intensive technical assistance to small farmers utilizing credit, a land sale guaranty program, rural access roads, establishment of cooperatives, and credit for home improvement.

In Costa Rica, we are proposing a fiscal year 1978 loan to increase small farmer profits and rural employment opportunities, and to help remedy land maldistribution. Working with the Government of Costa Rica and the private sector, AID will assist small farmers to move into non-traditional, high-value crops which will yield higher income as well as being more labor intensive. The project will also stimulate the growth of small agro-industries in rural areas. The combination of new crops and new enterprises for processing and marketing are essential to improve the position of the small farmer and the rural landless in the Costa Rican economy. The project will also help the government expand its activities in land distribution and resettlement to benefit small farmers whose present holdings are too small to provide a decent living and to benefit the landless poor.

In Panama, a fiscal year 1978 proposed loan will stimulate agribusiness development in selected rural growth centers and market towns—thereby increasing value-added of farm commodities marketed by low-income producers. The towns in which agribusiness will be located have in the rural hinterlands some of Panama's most impoverished rural groups. The project will strengthen economic exchanges between farm areas and rural towns through technical assistance in regional planning, credit to small agribusiness, and development of infrastructure necessary to the establishment of agribusiness. Agribusiness enterprises are crucial to the growth of income and employment in rural Panama—both for small farm producers and low-income town dwellers.

NUTRITION IMPROVEMENT

We have learned that poverty, or low income levels, constitute the chief cause of malnutrition. The lower income half of the population in the region

consumes only 16 percent of the total goods and services available. FAO projections for 1985 indicate that Latin America as a whole will triple its 1970 cereals surplus to 18.4 million tons. However, the aggregate data tend to mask the underlying situation: most of the surplus will be accounted for by two countries, Argentina and Brazil. Unless major changes in the agriculture sector occur, Central America is projected to increase its 1970 deficit by 66 percent, the Caribbean by 40 percent, and the Andean countries by 190 percent.

Low family income and inadequate aggregate food production for domestic consumption, however, are not the sole determinants of malnutrition. Unequal food consumption patterns within families result in greater malnutrition in the youngest age groups and among pregnant and lactating mothers. Nutritional deficiency is considered the most important contributing factor to excessive mortality in developing countries. Of 35,095 deaths of children under five examined in nine Latin American countries by a 1978 AID/PAHO-financed study, 57 percent of the children were malnourished or of low birth weight. Low birth weight, which is directly attributed to the poor nutritional status of the mother, increases the child's vulnerability to disease and increases the probability of mortality.

AID assistance in the nutrition sector has received a major program emphasis in the last three years. Most countries are requesting assistance for evaluation of nutrition problems, development of nutrition planning capabilities, and implementation of nutrition intervention programs. Examples of AID assistance in the nutrition sector include:

A fiscal year 1978 nutrition improvement loan/grant project in Bolivia to improve the nutritional status of children under six and pregnant and nursing mothers in three areas of the country and to increase the government's institutional capacity to implement the National Food and Nutrition Plan.

A grant project for fiscal year 1978 in El Salvador, including national nutrition planning, identification of priority programs, and establishment of a mass media nutrition education campaign.

In addition to loan and grant funds for nutrition, bilateral PL 480 Title II food resources are being provided to needy recipients in ten Latin American countries. To the extent possible, Title II programs are being integrated with loan and grant projects to maximize their impact on nutrition and other priority development problems. e.g., a project in pre-school education scheduled for fiscal year 1978 in Peru will feature child feeding using Title II commodities and a strong nutrition education component.

POPULATION PLANNING AND HEALTH

High population growth and the high incidence of disease remain important constraints to economic growth and improvement of the condition of life in the hemisphere.

Latin America, with a population growth rate of 2.8 percent, is beginning to show significant fertility declines in countries with vigorous family planning programs. Latin American governments are increasingly recognizing that rapid population growth hinders social and economic development. Some are providing family planning services, generally in the context of overall health programs. Proposed fiscal year 1978 family planning programs will support population projects emphasizing family planning services designed to reach the poor majority, particularly in rural areas. AID will finance programs in ten countries at a proposed level of \$5.4 million. But just as important as family planning programs, are our other activities designed to raise income, improve job prospects, promote better health services, and extend the educational process. These activities, in addition to directly contributing to the welfare of the poor majority, will in the long run affect attitudes and the entire social climate in which family planning decisions are made.

In health, AID plans to provide funds during fiscal year 1978 to Bolivia, Haiti, Guatemala, and El Salvador to support health planning and test integrated health delivery systems.

In Guatemala, AID proposes to strengthen the Ministry of Health's administrative, technical, and supervisory support of rural health technicians, and to finance public health outreach projects developed by the health workers and local communities.

In Haiti, AID will help the government replicate a model health delivery system in selected areas where the incidence of malaria has fallen to the main-

tenance level. The system will utilize paraprofessionals to deliver integrated public health service, including maternal child health, family planning, and nutrition.

The proposed fiscal year 1978 Bolivia Rural Health Delivery System loan will assist in applying a pilot integrated rural health delivery project nationwide.

AID also plans to help El Salvador test an integrated low-cost rural health delivery system in selected communities using rural health workers. Through an outreach system, trained rural health aides will provide a variety of services, including health education, primary care, and family planning.

EDUCATION AND HUMAN RESOURCES DEVELOPMENT

Despite considerable progress, Latin America's high population growth rate has impeded progress towards universal access to education. In absolute terms, the numbers of primary- and secondary-aged children out of school was reduced only slightly from 12.4 million to 10.2 million over the past 15 years.

AID has been concentrating its assistance towards assuring better distribution of the benefits of learning, relevance of education to the poor, and cost effectiveness of formal and non-formal education systems.

Education programs in Latin America have been increasingly broadened in recognition of the role education can play in a country's overall development. To meet development needs more adequately, educational programs aimed at children and adults stress attitudinal changes, the need for information skills training, and ways to improve the quality of life. Formal school programs are being supplemented by a wide range of non-formal programs. To determine educational needs and evaluate alternative ways to providing assistance, AID-supported sector assessments have now been completed in Colombia, Bolivia, Nicaragua, Guatemala, Panama, and Peru, and are in process in El Salvador, Honduras, and the Dominican Republic.

Loans and grants are proposed for fiscal year 1978 in the Caribbean, Peru, Honduras, Costa Rica, and Guatemala:

The AID education program in Peru will focus on bilingual education, development of Education Service Centers in rural areas, rural job-skills training, and experimental pre-school education.

In Honduras, a major effort is being mounted to improve rural primary education.

Throughout the smaller islands in the Caribbean, manpower training needs will be analyzed, and training-and-employment coordination services developed.

In Costa Rica the needs of low-income women for expanded employment opportunities will be addressed through a program designed to coordinate skills training with specific local job requirements.

In Guatemala, an educational reform of primary schooling will be strengthened in fiscal year 1978 through replacement and modernization of over 1,000 schools damaged or destroyed by the recent earthquake.

SELECTED DEVELOPMENT ACTIVITIES

The proposed fiscal year 1978 program reflects new initiatives in two areas: appropriate or light technology and urban development.

A combined loan/grant project will assist the Caribbean Development Bank to identify, develop, promote, and disseminate appropriate technologies in the Caribbean region.

A combined loan/Housing Investment Guarantee project in Costa Rica is designed to raise the incomes of the urban poor and to establish a self-supporting shelter program for this group. Since 1973, the real income of the urban poor has declined by some 22 percent, largely because of increased food prices. Housing is extremely scarce, with several families often sharing a single dwelling.

PVO's

For years, AID-supported programs in the hemisphere have benefitted from the unique expertise of the U.S. private sector. Our universities, agricultural community, labor organizations, and business community have helped in efforts to improve living standards of the people of Latin America and the Caribbean countries. Two years ago, our efforts to tap the talents of the U.S. private sector included a new dimension—"Operational Program Grants" to private voluntary

organizations (PVO's). Central to this approach is the use of AID funds for people-to-people programs, planned and carried out by PVO's, in the key sectors of rural development, education, and health and nutrition.

We are encouraging PVO's to experiment with strategies and methodologies for reaching the poor majority, particularly through projects which have potential for replication. In our program reviews we assess whether non-AID contributions are sufficient to demonstrate PVO and local commitment to the project both during and after AID funding is provided. To streamline the project development and approval process we have now delegated authority to our overseas missions to approve most Operational Program Grants.

Among the Operational Program Grants planned or underway are:

Projects with CARE in Colombia to experiment with high lysine corn production and small farmer risk sharing programs.

A grant to the Cooperative Crafts Council to develop crafts in Haiti.

A grant to Catholic Relief Services to help establish a mobile health delivery system in eastern Bolivia.

A project with a local PVO in Guatemala to develop village water systems.

Our request for fiscal year 1978 appropriations anticipates an expansion of this effort to strengthen the developmental role of the PVO's. We anticipate funding PVO activities totaling \$5.0 million in fiscal year 1978 compared to \$4 million in fiscal year 1977.

WOMEN IN DEVELOPMENT

We have made progress also in carrying out the intent of the Congress, under Section 118 of the Foreign Assistance Act, for fostering the integration of women into national economies. As an integral part of our approach to the key development sectors, we now accord particular attention to women—both as agents and beneficiaries of the development process in the hemisphere.

In Nicaragua a new grant project will be undertaken to strengthen the new Women's Office within the Nicaraguan Ministry of Labor. Training will also be provided to rural women's groups.

Rural health projects in Guatemala, Chile, Panama and the Dominican Republic advance the role of women in rural communities by identifying women leaders and training them as health promoters and auxiliary nurses. In El Salvador a health sector assessment will study means of expanding the role of women in rural areas under a proposed new Rural Health Delivery System project.

SUPPORTING ASSISTANCE

Subject to further discussions with the Government of Jamaica, supporting assistance of \$10 million is proposed for that country during fiscal year 1978 to finance essential commodity imports and grant technical assistance.

The program is proposed to augment the efforts of the Jamaican Government in dealing with its current economic crisis. The commodity import financing will help alleviate Jamaica's increasingly severe balance of payments difficulties, supplementing assistance which has already been provided by other friendly nations such as Canada and Trinidad and Tobago and which is being sought by Jamaica of other donors. Counterpart generated from the commodity import loan will be programmed for priority development activities.

Grant Supporting Assistance will be provided to complete projects in rural health improvement and national planning, to continue the Special Development Activities project, and to begin a project aimed at increasing the Jamaican Government's capability to analyze the country's employment needs and reshape education and training programs to meet these needs.

WHY ASSISTANCE? DOES IT MAKE A DIFFERENCE?

In summing up, we see our assistance as a response to a range of very substantial U.S. interests in Latin America. Our trade, investment, and other ties with Latin America are growing ever stronger. Our traditional concern for the poor and disadvantaged has been, and will continue to be, an important concern in this hemisphere.

But we also see our assistance as playing a major role in the North-South conflict. We hope to be able to demonstrate to all LDC's that cooperation in development is workable and in everyone's interest. We feel that in Latin America, which is the most advanced among the developing areas and the closest to us in heritage as well as geographically, we may have the best chance of suc-

cess in this demonstration. Furthermore, we realize that it may be difficult to move rapidly on other LDC demands such as trade concessions and access to capital markets and technology. With our assistance programs, we have a ready foreign policy vehicle allowing us to make a positive contribution to development and to the political climate in which the North-South agenda is negotiated and decided.

To the question of whether foreign assistance makes a difference, we might point first to the beneficiaries. Of the 300 million Latin Americans, about 100 million live in extreme poverty and of these some 65 million are in rural areas. Although AID programs focus on countries containing only about 18 percent of the region's population, we estimate that our food and nutrition programs in fiscal year 1978 will reach directly or indirectly about 23 million of the poor; our health and family programs, about 4 million; our education programs, about 2.5 million; and all our other development programs, about 1 million.

We could also point to some measures of overall performance which show progress in Latin America's development. AID has contributed to this progress:

Economic growth rates, slowed during the recession, are recovering. A return to the pre-recession 6 to 7 percent for the region as a whole is possible this year.

Total agricultural production is up substantially. In 1975, it was 56 percent higher than in 1960.

Population growth has slowed, including a slight drop in the rate of growth last year.

During the past 15 years there has been a remarkable increase in the numbers of children attending school in Latin America. In 1960, only 46 percent of primary-aged and 18 percent of secondary-aged children attend school. By 1976, attendance had risen to 60 percent and 40 percent, respectively.

Perhaps most important for Latin America's poor, there are significant indications of even greater support in the host countries for programs aimed at meeting the basic needs of the poor majority of their populations. A country's commitment is reflected by the policy and program actions it takes. As encouraging examples, government expenditures for education as a percent of total government expenditures in three of the poorest Latin American countries, Bolivia, Haiti, and Paraguay were 17 percent, 9 percent, and 11 percent respectively in 1973; in 1975, the same figures are markedly higher, 26 percent, 12 percent, and 18 percent respectively.

AID, in accordance with the Congress' direction in last year's legislation, is taking steps to improve and refine the criteria and data we use for assessing development impact of our assistance.

We may also get a sense of whether assistance makes a difference by looking at a few specific examples of notable successes:

In Bolivia, AID has provided both loan and grant assistance for development of a National Community Development Service. In scattered and remote communities averaging less than 500 people, this service, emphasizing community self-help, has provided basic agriculture, health, education installations and improvements that conventional government services are not capable of providing. Since 1965, some 1,640 community development projects have been constructed. These include much-needed schools, clinics, irrigation dams and canals and potable water systems. In addition, the community development training program has trained approximately 16,000 campesino leaders in basic skills related to health, agriculture, manual arts, community development and cooperatives.

The National Community Development Service has structured a program and developed a philosophy which involves the active participation of the rural population in all phases of project development. This technique has been successful in avoiding the traditional problems of paternalism in government relations with peasants, and has improved the life of nearly 50 percent of Bolivia's rural population.

Trained rural health workers are still in short supply in Panama, but the problem is being solved in part by the increased participation of rural women in a community nurse program. Prior to 1972, all the nurses in Panama (968 in 1972 or six per 10,000 population) had graduated from the four year university program or had been trained overseas. Besides the time-consuming and expensive nature of the training, there was also the problem of posting graduates in remote rural areas after long periods of training in the capital or abroad.

In 1972, at the request of the Ministry of Health, U.S. AID/Panama financed a team of consultants from the American Public Health Association who, working

with the Mission and Ministry counterparts, developed the curriculum for a 2-year course of study in practical community nursing. The Government of Panama supported the concept. Through the Ministry of Health and the Social Security Agency, it provided classrooms and dormitory space at the Azuero Regional Hospital in Los Santos, one of the more populous agricultural areas of the Interior. U.S. AID/Panama helped to equip the school and provided materials for a total of \$100,000.

In August 1974 the first graduating class of 40 young women from rural Panama received their diploma and their assignments to serve in rural health centers and regional hospitals in the interior. Class size has continued at approximately 50 students, but there are plans for increasing the class size to as many as 100 students by 1978. All of the participants in the program to date have received outstanding evaluations on their performance, and there has been a continued demand, by regional medical directors, for the trained community nurses who have graduated from the Azuero School.

The success of this approach is not only the reduced time and cost of training a nurse, but the acceptance of these nurses by the Ministry, the nursing profession and most importantly by the communities they serve. Rural women are trained in a rural area; the courses are geared to community needs and to the prevailing conditions and equipment; they live and work happily in the rural communities. Their success is a model for a low cost health delivery approach which is being expanded in Panama and being looked at by other Latin American countries for replication in rural areas.

In the last 20 years Chile has made substantial progress in reducing levels of malnutrition in its preschool population, dropping to a rate of 18 percent in 1976. But what is most critical now is the severe malnourishment that exists in the 0-2 age group. Severe malnutrition at this vulnerable age is extremely dangerous, leading to increased susceptibility to infectious diseases and in many cases to the death of the child.

The severely malnourished at this age needs professional care; recuperation in the home is impossible and even hospital care has proved inadequate. Studies in Chile indicate that if deaths from malnutrition were eliminated, rates of infant mortality would be decreased by 40 percent.

In response to this problem, a private Chilean foundation began an experimental project to eliminate severe malnutrition in the infant population. The project is based around a recuperation center that provides an integral program of adequate feeding, psycho-motor stimulation, affection and care of the child by trained personnel and extension social-work to the families and communities of the malnourished children.

The first recuperation center started in 1975 with 30 severely malnourished children under two years old, taken from a nearby pediatric hospital. The results were astonishing. In only five months all 30 children could be discharged as totally recovered. Their physical recovery was complete as well as a return to normal mental and psychomotor levels. By October 1976, 70 children had been discharged from the center and followed for six months by home visits from the center staff. Only 1 percent of these children were not gaining weight at the proper velocity. This is a breakthrough not only for Chile but for many other developing countries who are finding that increased urbanization and decreased breast feeding are increasing malnutrition in the youngest age groups and inhibiting reduction of infant mortality.

The Chile Government has committed funds for the operation and partial construction of approximately 42 centers throughout Chile. Many of these centers have been donated by communities, and contributions from private citizens have been overwhelming. The program not only has been able to stimulate great popular support but also involvement. Trained volunteers are the core of each center. More than 600 volunteers have already graduated from a special two-month course, preparing them for the care of the severely malnourished child. Four thousand volunteers will be needed for the operation of the centers.

An AID Operational Program Grant, will be used for development of a systematized training program for the complete staff of the centers, including the 4,000 volunteers. An extensive evaluation system will also be developed under the grant. The system will enable the centers to improve their efficiencies as new information is collected and analyzed. It is anticipated that both the evaluation and training components of the project will provide other developing countries important information concerning costs, feasibility and effectiveness of this type of nutrition intervention.

CONCLUSION

For a number of years, the United States has been assisting Latin American economic and social development. Much has been accomplished, but much still remains to be done. Some countries in the hemisphere no longer require traditional bilateral development assistance, but even for these and certainly for the poorer ones, the reduction of poverty remains a formidable task. U.S. bilateral support can be of significant help to them in that task. Our proposed program in fiscal year 1978 continues our efforts to help these poorer countries break out of their stagnation and move toward economic growth and a better life for their people. The goal of reducing poverty is worthy of our support through the programs such as those proposed for fiscal year 1978. Our joint continued efforts will help enable them and us to realize its achievement. I urge your support for these efforts.

Mr. YATRON. Thank you very much, Mr. Lion, for your outstanding presentation.

I have noticed that on page 19 of your prepared statement, you have programed a significant increase in funds for the private voluntary organizations from \$4 million to \$5 million.

Can you give us the reasoning behind this decision; why the increase from \$4 million to \$5 million?

Mr. LION. Mr. Chairman, there are several factors which have gone into the increase in our request. Let me just name a few.

One, AID has taken more and more seriously the encouragement, in fact, the instruction of the Congress, to enlist the private sector and to make use of the resources, the energy, the experience, the motivation, the dedication of private voluntary agencies in our society. We have learned in recent years that these agencies can do many things that directly relate to the quality of life of the poor in education, in health, and in the rural areas.

It took us a little while to believe it, but it is happening. We are believers, as the television phrase would have it. We have gone about making this happen in a couple of ways.

First, there is a program known as development program grants (DPG's) which help private and voluntary institutions improve their capability to develop strategies and to enhance their technical capabilities to perform. AID has made several million dollars worth of DPG's available for that purpose.

Second, we make grants to carry out specific projects, and that, in fact, is what that \$5 million request is for; to carry out specific projects primarily in the rural areas—in rural development, health, education, agriculture production, water supply, et cetera.

These are some of the considerations which have led to this increase, and we expect, Mr. Chairman, that in future years this figure will grow.

Mr. YATRON. Could you spell out in more detail the comments you make in your conclusion that some countries no longer require traditional bilateral aid? How do you decide when a country does not need it?

Mr. LION. The criteria we use, Mr. Chairman, in determining allocation of resources reflect the following kinds of considerations.

First, the needs of these countries. Second, their ability to use assistance; something referred to as absorptive capacity. Third, what are other donors doing; what is available to these countries from other sources?

The United States cannot and does not wish to take on this collaborative effort all by itself. Indeed, there are many other donors in the field, both national and international.

A fourth consideration would relate to political considerations, which sometimes have some impact on what countries we work with and to what extent.

And finally, another consideration would be what is the country's wishes? We do not work with countries where we are not asked to collaborate or assist.

These five considerations, when you put them together, have to be balanced, and it is a very subjective kind of thing. They have to be balanced and we will end up with some kind of indication as to where to go and at what level and what to do within that level.

I might also add, Mr. Chairman, that obviously when you make a decision for 1 year, you will be relating it to what has gone on before. You might start a grant in fiscal year 1975 to build up the capability in the Ministry of Education in Bolivia to expand basic education. By fiscal year 1978, that Ministry may be able to carry out an effective program; then a loan comes.

These are some of the considerations we think about constantly.

You also asked, Mr. Chairman—I wanted to be sure not to miss it; that is why I wrote it down—you mentioned that “some countries no longer require traditional assistance.”

If you like, I can enlarge on that question. It is somewhat separate from the question of criteria for allocation.

Mr. YATRON. Please do so.

Mr. LION. What we mean by traditional concessional bilateral assistance might be summed up as follows: An AID mission in place in the country, a combination of loans and grants and possibly Public Law 480 commodities, possibly a housing guarantee mechanism and so on, with, traditionally speaking, the softest terms like 40-year terms, 2 percent interest during a 10-year grace period, 3 percent interest during the remainder of the loan.

That sort of encapsulates what we mean when we say traditional bilateral assistance. What we are saying is, some countries no longer need that combination. They may not need 40-year terms for loans. They may be able to pay more than 2 or 3 percent interest. We may not have to have a U.S. mission located in the capital city. We may be able to work out other arrangements which involve collaborative assistance; technical and financial. It does not require an incountry mission of 15, 20, 25 people.

Some of these countries referred to are already in that position; have phased out or are phasing out of our program.

Mr. YATRON. Thank you.

Congressman Lagomarsino.

Mr. LAGOMARSINO. Mr. Lion, you present some very interesting statistics with regard to the gross national product of Latin America; the trade relationship with us. I think a lot of people would be quite surprised to discover our trade relationship with Latin America exceeds that of Japan.

I really have to admit it came as a surprise to me.

Mr. LION. I was surprised, too.

Mr. LAGOMARSINO. One thing that seems to come true loud and clear in constituent mail and discussions is that many, many people,

if not a majority—probably a majority, at least in my district—are very much concerned about and many of them are opposed to “foreign aid,” but they are all very strongly for foreign trade.

Is there any way of relating what our foreign aid has done with regard to foreign trade? In other words, is there any way to show a correlation between the aid we have given and the increase in foreign trade which, of course, creates jobs and all for people?

Mr. LION. I can think of two ways, Mr. Lagomarsino. One is immediate and one is very long run.

The immediate way, of course, in that whenever there are commodities involved in a loan project, most of these commodities are purchased in the United States. And if we look at AID worldwide, a very significant proportion of our money goes into commodities, most of which, as I mentioned, are purchased in the United States.

So there is that correlation. It is short run. It is immediate and it has its effects, as you mentioned, on jobs, on factories, on employment in the United States.

The longer-run connection seems to me to come out of what we have learned from history by analyzing trade of the United States with other countries. And that is, our trade relations are more and more significant with the better-off countries—the countries which have already moved into the industrial category and are called industrialized countries.

Our biggest exchanges of goods and services, of major exports, in fact, are with the countries with the highest per capita incomes. And so you might say in a very real long-run sense, to the extent our aid programs help those countries to develop and to raise their incomes, we are helping them to become, in the very long run, significant trading partners with the United States.

But I think it would be misleading if one were to argue that the basic purpose of our aid program is to create increased trade between us and the developing world.

I think, as Secretary Luers has mentioned and as I tried to state, there are other interests and other goals which are more appropriately pursued through the assistance program. In fact, over the very, very long run, I think the United States and the developing world would prefer that concessionary assistance become less significant and that trade become more significant as a way of transferring resources.

Mr. LAGOMARSINO. I think the United States is faced with a very difficult policy question. I sure do not have the answer in terms of our aid to Latin America and other places as well.

On the one hand, as you just said, we want to help raise the standard of living. On the other hand, we want to promote democratic institutions. If our aid programs are successful in raising the standard of living and increasing the satisfaction of the people with their lot of life, doesn't this tend or cannot the argument at least be made this tends to support some repressive governments that are not aiding and promoting democratic institutions?

How do we do that? How do we look at countries with regard to that?

Mr. LION. Congressman, I believe the relationships between some of these human rights problems, the performance on human rights and on aid and how we seek to relate economic assistance is a very difficult

question, full of dilemmas. I can understand some people who might say, well, you are supporting a repressive regime.

I think if one has the time to discuss this and the person we are talking to has an open mind on it, one can make some of the following points:

One can point out that the aid itself, in macroeconomic terms, is generally not significant in economic terms and that the regime itself, its importance, its survival, does not depend in any way on whether you have an \$11 million program, let's say, in El Salvador. You can point out that in many cases the people who are "repressed" are the ones who are benefiting from our assistance.

One can point out and can make the distinction between some of these terribly important human rights, civil rights and other rights, such as the development rights, the economic and social rights to which our aid is addressed.

That is the kind of discussion I would get into to deal with this question.

Mr. LAGOMARSINO. Just one other question.

I have a number of these. Perhaps we could submit them for the record if we are not able to finish here.

Mr. YATRON. Yes.

Mr. LAGOMARSINO. You have three classes of countries you discussed. The first class, second class, third class.

In the first class of countries you include El Salvador, and in the second class Guatemala; both countries that have recently told us they do not want our military aid any more.

Has there been any indication that they feel the same way about AID programs?

Mr. LION. No, sir.

Mr. LAGOMARSINO. There has not been.

Thank you.

Mr. YATRON. Mr. Lion, I have one final question here. The question of the level of public debt of Latin American countries has been much in the news lately.

Are we adding to this problem by loans under the AID program, and do some of these countries that were given grants, do they owe us money already?

Would you care to comment on that?

Mr. LION. Mr. Chairman, you manage to ask two or three questions at the same time, and I want to be sure to get them all down.

Most of the funds that these countries borrow are from private capital markets. The second largest source of their credits is multilateral financial institutions, such as the Inter-American Development Bank and the World Bank. Except in one or two cases, bilateral assistance is the least important of these three categories.

In some countries, we may be somewhat more important than the Inter-American Development Bank but, by and large, bilateral assistance is the least significant of these three major sources of credit so that, in fact, our addition to their debts is relatively minor.

Now, we take this into consideration when we sit down and negotiate with these countries on the terms of the loans that we are talking about. Where we think there may be a repayment problem, we are

inclined to go to a 40-year amortization period, and a 2- or 3-percent interest arrangement.

Where a country is better able to handle our loans we would go to, as we are planning in fiscal year 1977 in some countries, to 30- or 20-year amortization periods.

So this is how I would respond to the first question, Mr. Chairman, on are we really adding to the debt burden significantly.

On the question of do countries owe us money who are receiving grants, yes, some of them do. In fact, as of December 1976, there were two or three countries in Latin America which had debts that were over 90 days delinquent. With one exception, these debts were very small; in the hundreds or thousands of dollars; a fraction of the total amount of assistance which we were making available to these countries.

In one case, the debt is significant. It is a little over \$1.5 million. It happened to be made many, many years ago to a private company in one of the countries. That company is out of business and has no recognized assets.

This is not a problem really, Mr. Chairman.

Mr. YATRON. In the case of these countries that are delinquent, what efforts could be made in order to try to have them paid up in time or have them make good for their loans?

Mr. LION. Let me say, Mr. Chairman, that there are several courses of action open to us. Obviously, our Embassy is asked to, and does, and our AID Mission is asked to, and does, several times should the occasion require it, sit down with the Ministry of Finance or, if necessary, with people even at higher levels—such as Presidents of countries—to bring this problem to their attention.

We are aware of what the Congress has instructed us to do. We are aware of the legislation which suggests the importance of reducing these obligations to the United States.

In Latin America, from December 1975 to December 1976, we reduced the amount of delinquent loans by more than 50 percent, and these delinquencies were small to begin with. So that in our region, happily, it is not a problem.

Mr. YATRON. I am happy to hear we are making progress in that area.

Thank you very much, Mr. Lion.

Do you have any more questions, Mr. Lagomarsino?

Mr. LAGOMARSINO. No.

Mr. YATRON. There have been discussions with your staff about the Social Progress Trust Fund. We have Mr. Scanlon here. He has some testimony on that matter.

Mr. Scanlon, it is with pleasure we welcome you here today to our committee meeting and look forward to your service.

**STATEMENT OF THOMAS J. SCANLON, PRESIDENT,
BENCHMARKS, INC.**

Mr. SCANLON. Thank you, Mr. Chairman.

I have a prepared testimony which I would like to submit for the record at this time.

Mr. YATRON. Without objection.

Mr. SCANLON. I will try to summarize as briefly as I can. I know your time is getting short.

Mr. Chairman, my name is Thomas J. Scanlon. I am president of a consulting company which I established several years ago. My entire career has been in Latin American matters, starting off as a Peace Corps volunteer in the first group that went to Chile. For that reason, I am concerned about what is going on in Chile right now.

In the last couple of months, I have been developing some ideas related to the Social Progress Trust Fund and have done some research on it which I would like to bring to your attention today.

The Social Progress Trust Fund which is a trust fund of U.S. moneys administered by the Inter-American Development Bank, is a very important source of resources for Latin American development at the present time.

The total amount of moneys available in the Fund, Mr. Chairman, is \$525 million, which is over twice the total amount that the AID program is requesting for Latin America this year.

It is an important resource which 16 years after it was established by the Congress, deserves a second look at this time in terms of how you want these moneys to be spent. The original \$525 million has been expended as loans, and the problem that we have before us today is what to do with the reflows or repayments which come back in local currencies.

I have some problems with some of the proposals that the Inter-American Development Bank has for use of these local currencies.

Before getting into those problems, I would like to point out two things about the Inter-American Development Bank. First of all, I am a great admirer of the Bank. It has become a symbol—and I know this from traveling in Latin America a great deal—it has become a symbol of how our country and Latin American countries can collaborate together on an international plane. It is the major source of external financing for Latin American countries today.

The Congress has made available close to \$6 billion to the Inter-American Development Bank; about 70 percent of all the funds available for their Fund for Special Operations. So I do not want anything I say to be taken as a criticism of the Inter-American Development Bank in general terms.

I also feel the Inter-American Development Bank, in a financial sense, has been a very reliable and prudent administrator of the Social Progress Trust Fund. When the original moneys were loaned out, there was no provision made for the maintenance of value of the local currencies that were to be repaid to the Fund.

The Bank, around 1967, developed a mechanism which is very, very complicated. It is described in my written testimony. I will not try to describe it in detail to you here.

Basically, the Bank purchases participations in loans from the Fund for Special Operations, which are repayable in dollars, with the Social Progress Trust Fund local currencies. This means that as the Social Progress Trust Fund loans are repaid, they have to be paid at dollar equivalencies. This was a mechanism developed by the Bank in order to maintain the value of the local currencies in the

Social Progress Trust Fund. I think it shows they have been a very prudent and reliable financial administrator of the Fund.

However, I do have problems with the plan the Bank has at the present time for spending the reflows. And I think it is a very good time for the Congress to take a close look at the Social Progress Trust Fund. Again, the Fund consists of U.S. moneys—moneys to which the United States still has title—administered by the Inter-American Development Bank. This Fund is quite different from contributions to the Bank itself.

In 1976, \$88 million became available in reflows from the Social Project Trust Fund, and over 90 percent of the \$88 million became available in Argentina, Chile, and Brazil.

At this time, I would like to make just a brief explanation of how I got involved in this problem. I was asked by Father Theodore Hesburgh, president of the University of Notre Dame, to help develop some programs for the Social Progress Trust Fund which might deserve the support of the Bank and which might be able to assist some of the academicians, the intellectuals, and development technicians, many of whom were trained by AID—and rightly so—who now find it very difficult to find employment in repressive military governments.

The fact of the matter is that thousands of very qualified, highly trained people, have left these countries. I think that this is a tremendous loss of brainpower for Chile and Argentina and for Brazil.

Father Hesburgh asked me if there was some way I could help him develop some programs which would involve support from the Social Progress Trust Fund to the private sector in Chile in a way which would both do an important development task and also create some employment for some of these people and keep this brainpower in the country; not to ferment revolution or to create political problems, but to remain there so their talents and education could be put to work in Chile.

It turned out, as we looked at the problem in a more general way, that this is a problem not only in Chile but in Argentina and Brazil and in most countries in Latin America where there are military governments.

Of the \$88 million that became available in 1976 in the Trust Fund, over \$70 million of that is available in Chile, Argentina, and Brazil, and has been programed by the Bank for a very indefinite "special program" in these three countries. There have been a few projects that have been developed; very few. In large part, these projects basically rely on government agencies, although they have involved some private groups in the projects. In general, the \$70 million will go directly to these three governments; and I am opposed to that.

The Bank responds to some of my questions about this \$70 million going to these governments by saying, "Well, the U.S. Director has a veto on the Bank's board."

My feeling is that, rather than have a number of projects proposed by the Governments of Chile, Brazil, and Argentina come before the board and be vetoed by the U.S. Director, it would be better if we thought the whole thing through and came up with a more positive role for us to play.

One possibility for a more positive role for us in programing these funds would be to provide more of these funds to the Inter-American Foundation which, by the way, was created as an experiment by this subcommittee. It is an experiment that has worked out very well. I congratulate the subcommittee on the success of the Inter-American Foundation.

However, I do not think the Inter-American Foundation can make use of the entire \$70 million. Therefore, I have developed an idea for another institution similar to the Inter-American Foundation, called the Inter-American Fund for Educational Development. I would like to submit a prospectus for it at the end of my testimony, for your consideration.

The Inter-American Fund for Educational Development is basically a mechanism through which the Congress could indicate to the Bank that it would like some of these funds—the amount the Congress would indicate, in its judgment, to be programed independently of the Bank, just as the Inter-American Foundation programs. Social Progress Trust Fund moneys independently of the Bank, these moneys could be programed to benefit the private sector so we would not have the problem of whether these funds should or should not go to the governments in question.

By the way, Mr. Chairman, there are many possible uses for these funds. I am not sure that the Bank views these funds as an additional development resource. I think their primary interest is in dollar financing and in external capital. And I think these local currencies are something of a headache for the Bank, as they have been a headache in other parts of the world. We had the same kind of problem with rupees in India. I am sure you recall that.

So I urge you today to take a look at the Social Progress Trust Fund in its entirety. It is an entity that was created by the Congress and now needs your review. I ask you to look at the \$88 million available as of 1976, most of it being available for Argentina, Chile, and Brazil.

I hope you would consider more funds for the Inter-American Foundation. I hope you will consider the prospectus that I have developed. I spent several months developing it. This has been done by me strictly as a private citizen in an attempt to clarify public policy, to help Father Hesburgh; and to help my Chilean friends, many of whom I was with in the Peace Corps in Chile.

I also ask you to look at other possible uses for the funds. There are many institutions that could use these funds, many U.S. private voluntary institutions.

The Pan American Development Foundation has development foundations in many of these countries that could benefit from these local currencies. I think the Peace Corps ought to be able to help create domestic peace corps using these local currencies. They may not be an important source of new external financing in the form of dollars; but they are a very, very important development resource that could be used by many institutions based in the United States.

In conclusion, I would like to make some general observations about the fund and then address myself to a political question. First, I think that, although the Bank has been a very able and prudent administrator in a financial sense of the Social Progress Trust Fund, it should be asked to give more accurate and complete financial reporting to the Congress.

I saw an excellent statement prepared by the Bank 2 weeks ago which projects the revenues that will be coming into the fund for the next 3 years. It has very valuable information in it. It was classified confidential. I do not see any reason in the world why the Congress should not receive that kind of financial report on a regular basis or why the report was labeled confidential.

Second, I think you should address yourself to whether or not these funds, as they are repaid, should be respent in the form of loans or grants. That has never been clear.

In my view, they should be all grants; otherwise, we will be here in the year 2010 wondering what to do with the new local currencies we have in the social progress trust fund. Whether reflows should be spent as loans or grants is not clear, and I think the Congress should clarify this.

Third, I think there should be a mechanism developed whereby the Bank, the executive branch and the Congress can discuss and consult on just what should be done with these funds in the light of the legislated preferences of the Congress, especially those having to do with new directions in aid and with human rights.

Fourth, in my opinion, all of these funds should go to the private sector, as the Congress has already allocated \$78 million of the reflows through the Inter-American Foundation to pursuit groups.

The Inter-American Foundation, which was a creation of this committee, has proven that a great deal of experimentation and innovation and real progress can be made working through the private sector in Latin America. For this reason I say that these funds should be channeled entirely through the private sector.

Finally, I would like to address myself to a political question. People tell me, and it has been told to me in very strong terms occasionally, that if the Congress and the U.S. Government assert themselves and say how they want these U.S. moneys to be spent, that this will create a tremendous political problem in the Bank, and the Government will dump the money back on us and it will lose its value through inflation.

They have also said that what I am proposing, the private use of these funds to help the private and sometimes oppressed sectors of these societies, would not be acceptable to the governments.

I would like to address myself to both those questions. First of all, no one is trying in any way to create a problem for any of these governments. It is not our business to get in there and try to create problems. We are just saying these moneys should be spent on people who deserve them; people who deserve to stay in their native countries.

I feel if we can work out educational programs which show the governments that these people are not a threat to the society—there is no organized opposition in Chile—and if the governments and the intellectuals can begin to work together in strictly nonpolitical ways, we might begin the reconciliation in these countries which has to come and which is so necessary. And if these governments can reconcile themselves with their own citizens, then they will have a better chance of reconciling themselves with the rest of the world and gain some of the respect they have lost.

Thank you.

[Mr. Scanlon's prepared statement follows:]

PREPARED STATEMENT OF THOMAS J. SCANLON, PRESIDENT, BENCHMARKS, INC.

Mr. Chairman, my name is Thomas J. Scanlon. I am the President of Benchmarks, Inc., a consulting company whose major activities are in the area of consulting with private companies, private educational institutions, and foundations regarding social and educational programs in Latin America. I have been personally involved with Latin America during my entire adult career, as a Peace Corps volunteer in Chile, and subsequently, as a staff member of the Alliance for Progress Program prior to forming my own consulting company 8 years ago.

I wish to thank you, Mr. Chairman, and the distinguished members of this subcommittee for the invitation to testify before you today on future uses of the U.S. Social Progress Trust Fund, administered by the Inter-American Development Bank. The Social Progress Trust Fund (SPTF) is a major source of U.S. moneys available for spending in Latin America. The total resources in the SPTF which will become available for spending over the next decade represent almost twice the total request of the Agency for International Development for financial assistance to Latin America in the coming fiscal year. At the same time that it is a major source of funds, it also presents certain important administrative considerations and questions related to human rights which need to be looked at carefully by the Congress.

I recognize, Mr. Chairman, that in speaking to your distinguished Subcommittee about the SPTF and human rights, I am speaking to a group of legislators who know far more than I about the background of these two subjects. It is this Subcommittee that conducted some of the most important hearings and initiated the most important actions related both to the SPTF and the human rights issue. And it is because of the background and interest of this Subcommittee that I feel confident that you will take the steps necessary to assure that U.S. moneys will be put to their best and most proper use in accord with the legislated preferences of the Congress.

This Subcommittee was also the creator of the Inter-American Foundation as an independent, government foundation which would make grants to important social development programs throughout Latin America. The Inter-American Foundation was essentially an experiment of the Congress, and it has been an experiment which has worked. The IAF has succeeded in—

1. Strengthening the bonds of friendship and understanding among the peoples of this hemisphere;
2. Supporting self-help efforts designed to enlarge the opportunities for individual development;
3. Stimulating and assisting effective and ever-wider participation of the people in the development process; and
4. Encouraging the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

Also, and most relevant to the subject at hand today, the IAF has demonstrated that funds available in the SPTF can be spent on worthwhile projects in the private sector in Latin America. Again, this was made possible at the initiative of the Congress and especially of this Subcommittee.

Today, I would like to propose that the Congress create an additional mechanism to assist the Inter-American Development Bank in programming SPTF funds. The fund I will propose, the Inter-American Fund for Educational Development, should be in no way seen as competitive to the IAF. As a friend of the Foundation and an admirer of its work, I would favor the IAF's receiving the maximum possible use of SPTF resources. The educational fund which I propose will be a brother organization of the IAF, using the funds for educational development, an area which is not a priority area for the IAF.

At this point, I would like to clarify for the Subcommittee my own role and interest in developing the idea for the Inter-American Fund for Educational Development. I became involved with this issue last summer at the request of Rev. Theodore M. Hesburgh, President of the University of Notre Dame, a religious leader whose concerns for human rights and international development are well known to you. Father Hesburgh asked me if I would assist him to develop educational projects for possible SPTF funding in Latin American countries which are suffering a loss of brain power because development technicians and academicians were leaving in fear of repression by military governments. The

irony of this problem of the brain drain is that many of these persons being lost to those countries had been trained with the assistance of U.S. AID funds. AID had created training opportunities for them because it recognized the importance they could play in the future development of their countries.

Father Hesburgh first spoke to me about this problem with regard to Chile. We share a common interest in Chile because he and I worked together in Chile with the first Peace Corps program to go there. At that time, I was a volunteer, and the University of Notre Dame was the administrator of the program. However, it became clear that the exodus of scholars and development technicians is a problem which exists in any country with a repressive military government.

Neither Father Hesburgh nor I has been pursuing any part of SPTF funds, for ourselves or our respective institutions. No one has paid me for the time I have spent during the past six months developing the ideas which I submit to you today. I have developed the information on the SPTF, have developed a prospectus for the fund idea, and have prepared this testimony as a private citizen who cares about Latin America and about the right, proper, and productive use of U.S. monies to assist Latin American development.

THE U.S. SOCIAL PROGRESS TRUST FUND

At this point, Mr. Chairman, it would be useful to provide a short background on the SPTF.

The SPTF is comprised of \$525,000,000. These are monies belonging to the United States and entrusted to the Inter-American Development Bank (IDB) to administer under an agreement of June, 1961, between the IDB and the U.S. government.

According to the agreement, the resources of the Fund are to be used to further "social improvement" in Latin America. The areas for investment activities are specified and encompass land settlement and improved land use; housing for low income groups; community water supply and sanitation facilities; and financing for advanced education and training. The agreement also specifies that the IDB can use resources of the Fund to provide technical assistance related to these areas and to the mobilization of domestic financial resources and the strengthening of financial institutions.

The basic SPTF agreement has been modified four times. The first modification in 1964 increased the amount of the Fund from the original \$394,000,000 to \$525,000,000. In 1968, the U.S. agreed to create a "Preinvestment Fund for Latin American Integration," with resources of the Fund. In 1972, \$15,000,000 from the Fund was offered by the U.S. to establish a Special Project Preparation Program and, finally, through the Foreign Assistance Bill in 1973, the IDB was directed to make available to the Inter-American Foundation up to \$30,000,000 over a three-year period to finance social development projects in areas specified in the original SPTF agreement. This latter arrangement has recently been extended through 1978 for up to \$16,000,000 annually.

By the end of 1965, the original resources of the Fund were virtually exhausted. More than \$500,000,000 in loans had been committed. A decade later, in 1975, the balance sheet showed that \$494,191,000 had been disbursed, \$189,303,000 repaid, \$304,888,000 was outstanding, and income collected amounted to \$94,891,000.

The total repayments over the next five years (1977-1981) in local currencies are expected to be on the order of roughly \$30 million a year. The repayments are made in national currencies equivalent to the dollar value of the original loan.

THE IDB AND MAINTENANCE OF VALUE OF SPTF FUNDS

The original terms of SPTF were soft and repayment in local currency was authorized. In the original agreements between the IDB and the U.S. government, and between the IDB and the countries receiving the loans, no requirement was made with regard to maintenance of value of repayments to the SPTF.

The Bank has been a prudent administrator in that it has taken steps to prevent SPTF reimbursements from diminishing because of prospective exchange losses.

In 1967, the Board of Directors authorized the use of SPTF resources in currencies of the Latin American member countries for the purchase of participations in FSO loans. Through this mechanism, the Bank replaces with available local currencies derived from SPTF holdings the portion authorized in that currency of an FSO loan. Thus, the amounts of SPTF resources disbursed maintain their value in their U.S. dollar equivalent from the time of disbursement.

SURPLUS OF 1976 AVAILABILITIES

Largely because of the recent availability of large amounts of the same local currency in the Fund for Special Operations, substantial balances developed in 1976 in the SPTF currencies of five major Latin American countries—Argentina, Brazil, Chile, Colombia, and Peru. A total of \$88.8 million became available in local currencies in 1976; 92 percent was available in the above five countries. With regard to each of these countries, the availabilities are: Argentina, \$15,573,000; Brazil, \$26,861,000; Chile, \$9,567,000; Colombia, \$14,669,000; and Peru, \$14,241,000.

In the next three years (1977-1979), it is not expected that such large surpluses will accumulate, given the \$48 million commitment to the IAF. Thus, today we have an extraordinary occasion at which \$88 million is available for programming.

THE BANK'S PROPOSED SPECIAL PROGRAM

Today I would like to raise the question of what the best uses are for these national currencies. The Bank has proposed to commit them in their entirety to a Special Program, in each country, which will be basically controlled by the governments—even though in a few cases governments may involve private groups. The projects in the Special Program will be, in large part, carried out by government agencies. In the case of three of these governments—Chile, Argentina, and Brazil, I would strongly disagree with the proposal, and I certainly feel that a \$26 million expenditure of U.S. monies to Brazil, a \$16 million expenditure in Argentina, and a \$9 million expenditure in Chile should be reviewed by the Congress.

Mr. Chairman, I have great respect for the work of the IDB in Latin America. I feel the Bank has acted responsibly and effectively in maintaining the value of these national currencies. In the larger perspective, it has become a symbol to Latin Americans of how the United States and Latin American countries can cooperate in achieving a better life for the people of Latin America. It has assumed a greater and greater burden in external financing of development in Latin America, and it is the most important international financial institution operating in Latin America today. However, I fundamentally disagree with the Bank's intended use of these particular SPTF funds.

And I believe, as Congressman Fascell pointed out in 1973, that "the Bank is not really equipped to carry out projects designed primarily for social development. Their orientation is toward large-scale projects and increasingly they do a good job in their chosen areas of operation."

In fact, I regard the proposed "special program" in all five countries as a catch-all phrase which really means "we don't know what to do with the currencies now, but we'll do something with them." As the "special programs" are proposed, they are really meaningless programmatically.

The Bank maintains that the U.S. can veto any particular project proposed as part of the "special program" in any of these countries. I would prefer us to play a much more positive role. And in this spirit, I have developed a prospectus for uses of these funds in the field of education which I would like to submit at the end of my testimony.

THE INTER-AMERICAN FUND FOR EDUCATIONAL DEVELOPMENT

The prospectus calls for the creation of a programming mechanism called the Inter-American Fund for Educational Development. This fund will have, as its basic objective, the creation of new educational opportunities for the most needy persons in Latin America. It will be funded entirely through currencies available in the SPTF. It will develop innovative programs in basically three areas:

- Basic education for the masses,
- Technical training in employable skills, and
- Democratization of higher education.

Returning to my original involvement and the concern of Father Hesburgh, I believe that many of the program possibilities outlined in the prospectus could be pursued in a way that employs a maximum number of Latin American scholars, intellectuals, development technicians, and professionals who are presently tempted to leave their countries. The fund could involve them in projects which are strictly non-political in nature, which would develop innovations in their educational systems, and provide them with a livelihood at the same time.

In developing this prospectus over an eight-month period, I have kept in mind the concern of the Congress that U.S. aid funds affect the lives of the majority

of the people in Latin America, that aid should be carried out to the maximum extent possible through the private sector, and that U.S. funds not be given to countries which engage in a consistent pattern of gross violation of human rights.

With regard to the program area of education itself, I have developed the prospectus for the Inter-American Fund for Educational Development with a close eye to a report issued by the Senate Appropriations Committee last year. In the following few paragraphs of the report, the basic problem of education in the developing world has been outlined succinctly and brilliantly:

"The force of ignorance is powerful. It holds man in time and place and arrests his development. Where there is ignorance, there is poverty, and hunger, and disease. In the daily lives of millions of people this linkage remains as strong today as it was two centuries ago. For, the explosion of knowledge, which signaled the agricultural, industrial, and scientific revolutions of the developed world, has been but distantly heard in vast areas of the developing world.

"Ignorance of modern agricultural practices, of basic health and sanitation measures, and of the means to limit the size of their families still binds the illiterate and untutored multitude to a life of want. Governments, in the developing and developed world alike, long ago recognized the necessary connection between learning and development. Over the past twenty years they expended vast sums of money in the effort to eradicate illiteracy. But something went wrong. Or, rather, many things went wrong.

"Population growth outpaced the capacity of governments to expand school systems; primary school construction doubled, yet the number of children unable to find a place in school continued to grow. Education programs transplanted from the developed world often had no relevance to the needs of the less developed. The rural poor, numbering in the hundreds of millions, remained beyond the reach of a course of development which favored urban-centered schools.

"As these facts became known they brought a broad understanding that traditional approaches to education could not reach enough people, nor teach them what they needed to know. This awareness led to a demand for a new direction in education assistance, which found expression in the 1973 amendments to the Foreign Assistance Act. Section 105 of the Act set forth the purposes of the United States foreign assistance in the field of education: " * * * to reduce illiteracy, to extend basic education and to increase manpower training in skills related to development. * * * "

GENERAL AND POLITICAL QUESTIONS

The experience of developing information on the SPTF has not always been an easy one and, if I may, I would like to submit a few suggestions about what the Congress might do to clarify the situation. As I said at the beginning of my testimony, these are important funds which deserve the attention of the Congress.

1. The question of whether the reflows of SPTF funds should be loaned or granted needs to be clarified. In my opinion, all the SPTF reflows should be spent in the form of grants.

2. The bank should be asked, and expected, to provide much more timely and complete financial information regarding resources in the SPTF. This information should include specific information on present year availabilities, projections for future years, convertibility of currencies and other financial information necessary for review. I have seen an excellent report on the SPTF prepared by the Bank which was given to the U.S. Director. The report was classified "confidential." I see no reason for this and feel that this report should be given to the Congress by the Executive Branch.

3. Some regular mechanism should be developed to work out an agreement on the "bottom line" for use of these funds by the IAF, the Bank, and any other party. This mechanism should involve consultation with the Congress.

4. The Congress should indicate to the U.S. Director of the Bank that the original SPTF agreement should be interpreted in the broadest possible way to include programs—such as basic education—which are of great interest to the Congress.

5. The Congress should indicate to the Bank through the U.S. Director a preference for programs carried out through the private sector. In my view, all SPTF national currencies should be spent through the IAF, the Inter-American Fund for Educational Development, or private voluntary agencies. This is consistent with the past policy of the Congress toward the SPTF and the Inter-American

Foundation. It is also consistent with the New Directions in development assistance legislated by the Congress.

In conclusion, Mr. Chairman, I would like to address myself to certain political aspects of this problem. I have been told that for the United States to insist on a strong input in programming these funds would be very badly received by the governments of Brazil, Argentina, and Chile—that such an effort would be seen as intervention in the political affairs of these countries. My answer to that is that no such intervention is intended. The intention here is to see that U.S. monies are spent consistently with the desires of the American people. No attempt is being made to create problems for these three military governments or to embarrass them in any way. In fact, it may be that educational programs, such as those proposed for the Inter-American Fund for Educational Development, could help bring about, in some small part, reconciliation between these governments and the people whom they regard as a threat today. And if these two elements in those societies can be reconciled, Chile, Argentina, and Brazil may be closer to gaining back some of the acceptance and respect they have lost throughout the world.

Mr. YATRON. Thank you very much, Mr. Scanlon, for your very fine presentation and also for your suggestions dealing with the Social Project Trust Fund.

How long and what years were you in Chile as a Peace Corps volunteer?

Mr. SCANLON. 1961 to 1963. I was with the first group that went to Chile.

Mr. YATRON. I have one question. What would you think about an arrangement or program which would make it easier for the private voluntary organizations (PVO's) to use the funds in the Social Progress Trust Fund?

Mr. SCANLON. I think such an arrangement would be most welcome and a very healthy development. If there is any way in which I can work with you, Mr. Chairman, in helping to develop a design for the mechanism, I would be happy to. I would hope you would consider seriously the proposal for the Inter-American Fund for Educational development which could be the brother organization of the Inter-American Foundation, which I am submitting for the record.

Mr. YATRON. Thank you very much.

Mr. LAGOMARSINO.

Mr. LAGOMARSINO. Just a couple of very quick questions.

One on your proposal to create a new organization. It may have a lot of merit. I am very concerned about creating new organizations, generally. I think we have too many already. That is part of our problem.

Wouldn't it make sense to improve already existing organizations or at least to get rid of some of those?

Mr. SCANLON. The way I would answer that is, first of all, that the organization I am suggesting would be financed totally by local currencies which are available in these countries. We are not talking about new dollar requirements, anyway.

Second, the organization is really not a large organization that would be conducting a lot of programs. It would be basically a fund which could provide these local currencies to the organizations which already exist.

Mr. LAGOMARSINO. One other thing. You say you think the repayments should be then distributed again in the form of grants. I was talking about this earlier with one of the other witnesses. One of the problems we have with our constituents is with foreign aid. That is one

of the things that is universally opposed, I guess, by most people in this country, at least who are not aware of all the ramifications, and I think we would really increase that feeling if we said, in effect, we do not even have these loans repaid because they are given back again.

How would you respond to that?

Mr. SCANLON. I have seen polls that have said if you ask the American people if they are in favor of foreign aid, they say no. If you ask them if they are in favor of helping feed the hungry overseas, they say yes.

Mr. LAGOMARSINO. That is not the way my mail comes.

Mr. SCANLON. Basically, Mr. Congressman, and I think our friends in the executive branch would bear me out, if we do not dispose of these funds on this go-round, it will be a tremendous administrative problem for the Congress and for the Bank and for AID and Treasury in future years. All of the SPTF funds, for instance, which the Congress has directed toward the Inter-American Foundation have been given in the form of grants.

There is also the question of maintaining the value of the currencies. If we were to loan them out again, I doubt that the national governments would accept any maintenance of value provision and then by the time they repay, they may not be worth anything, given inflation rates.

Mr. LAGOMARSINO. I understand your concern.

Mr. SCANLON. Also one final point. Since these funds are in local currencies, in many cases the Government has to print them to pay them back. They do not want to print money to borrow money for themselves.

Mr. YATRON. Thank you, Mr. Scanlon.

I would just like to say to Mr. Lion that it seems to me the issue of the Social Progress Trust Fund boils down to this: Should not Congress take another look at the method in which the reflows are spent? I do not have any answers, but I feel I have to agree with Congressman Fascell that we need to reevaluate the situation.

Would you like to comment on this, or do you agree?

Mr. LION. Mr. Chairman, we would be delighted to work closely with the committee and review the mechanisms, the process by which these programs are spent and if there are ways to profit, to secure our interests. We would be delighted to discover them with you.

Mr. YATRON. Then our two staffs will get together and pursue that course.

Mr. SCANLON. Thank you for the opportunity to testify.

Mr. YATRON. Thank you for being here today.

That concludes our hearing.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, subject to call of the Chair.]

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Date: Oct 23, 2018

ECONOMIC AND MILITARY ASSISTANCE LEGISLATION FOR LATIN AMERICA

Economic Assistance Legislation for the Caribbean and Central America

TUESDAY, MARCH 29, 1977

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS,
Washington, D.C.**

The subcommittee met at 3:35 p.m., in room H-236, the Capitol, Hon. Gus Yatron, chairman, presiding.

Mr. YATRON. I apologize for being late, but we had a roll call and I thought we would tend to that first and then start the hearing.

I would like to welcome you back, Mr. Lion. This afternoon we will be discussing AID's proposed programs for Central America and the Caribbean states. It is my understanding that these areas contain most of the countries in the group I and II AID categories.

It is in these two groups that I understand AID is investing a good deal of its resources. Here is where the idea of "people" oriented programs ought to be showing some success.

Since there will be no additional written testimony, you might start, Mr. Lion, by giving the committee some highlights of your presentation material but, first, perhaps you may like to introduce your colleagues who are here with you today.

STATEMENT OF DONOR M. LION, ACTING ASSISTANT ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LION. Thank you, Mr. Chairman. We are also very pleased to be with you again. It would give me great pleasure to introduce my colleagues. All of them are much more knowledgeable about many aspects of the program than I am and, of course, we have some colleagues too from the State Department who are more competent to discuss certain matters, should they arise this afternoon.

On my right is Ray Garufi, who is the Assistant Director of Development of the Office of Central American Affairs, with the Latin American Bureau, AID. To his right is Michele Bova, who is the Senior Country Officer, Office of Central American Affairs, Department of State. To her right is Ted Heavner, who is in charge of the Office of Caribbean Affairs, Department of State.

(48)

On my left is Dick Wyrrough, Deputy Director, Office of Pan-American Affairs, and Senior Treaty Affairs Adviser. On his left is Bill Wheeler, who is head of the AID Office for Caribbean Affairs.

This gentleman is Ken Milow, who is in charge of the Latin American Bureau's congressional presentation work.

If I might, Mr. Chairman, I would like to make a few introductory remarks of a general nature.

Mr. YATRON. You certainly may proceed.

Mr. LION. As you have already indicated in your introduction, the areas we are examining today account for about two-thirds of our proposed fiscal year 1978 development assistance program for all of Latin America and the Caribbean. That comes to about \$140 million.

Now, these countries, as you have indicated, do fall in both groups, and they run the gamut in per capita income terms from the lowest, Haiti, to Panama, which has one of the highest per capita incomes in the region.

All of these societies, however, are characterized as dualistic societies. They have a modern sector and they have a poor, traditional sector characterized by all the indices of poverty which we discussed the last time. All of the countries are small.

So even though our assistance, our economic assistance, represents low fractions of total government, total host country, development revenues, it can have significant development impacts on individual sectors.

The countries are small in physical terms and are small in population terms. Guatemala, in fact, has the largest population of all the ones we will be discussing today.

As in the case of the program for the whole region, as we mentioned the other day, the focus here is on rural development, the rural poor. The major funding category, on the order of 70 to 75 percent, is the food and nutritional account.

Now, in our approach to the Central American and Caribbean countries, we approach our assistance mechanisms in two ways. First, obviously, is the bilateral program with each of these countries. And the other approach is, in the case of the Caribbean, through the Caribbean Development Bank, which is a regional development institution; and in the case of Central America, through the Central American Bank for Economic Integration.

By approaching the problems in these ways, we have maximized our effectiveness in stimulating both economic development and economic integration, which tend to support one another.

We also work very closely and coordinate carefully with other donors in the area, including the World Bank, the Inter-American Development Bank, the United Nations Development Program, the OAS, various bilateral donors such as Canada, the United Kingdom, and so on.

So much for these general observations. We are at your disposal.

Mr. YATRON. Thank you very much, Mr. Lion. I would like to ask you with regard to the \$10 million of supporting assistance for Jamaica which you discussed at the last hearing, has Jamaica requested these funds? And, may I ask, what are they going to be used for?

Mr. LION. As you know, Mr. Chairman, the United States has had a rather modest bilateral development program in Jamaica, a program

focusing on rural development and education, with some activities in family planning and health.

During the last year or so, relations between Jamaica and the United States deteriorated. A few weeks back, both of our countries, through a visit of Foreign Minister Patterson of Jamaica, here to the United States, with Secretary Vance and other people have indicated the wish to improve relations and to come up with the most productive kind of relationship possible.

In that context, the Foreign Minister of Jamaica did indicate his wish for increased economic assistance from the United States, and, as a matter of fact, Secretary Vance and Foreign Minister Patterson agreed to set up a joint team, work group, of experts who would consider together over the next several weeks what were Jamaica's requirements, needs, and problems. Not that this would necessarily indicate what the United States should do, but it would set the framework for what the United States could do and what other donors might also be encouraged to do, such as the World Bank, the IADB, the International Monetary Fund, and so on.

So we have had this interest and expression and request for additional assistance. The \$10 million specifically is essentially for a loan to the Government of Jamaica which would allow it to import commodities, a commodity import loan.

The reason for that is, while Jamaica has serious longrun development problems, what the economists call structural problems, deep unemployment, for example, or stagnant agriculture, its most immediate problem is a terrible balance-of-payments crisis.

It is estimated that Jamaica will run \$200 to \$300 million in deficits this year, and it is estimated that it has only 2 weeks of reserves to cover imports. So Jamaica has an immediate balance-of-payments crisis.

The \$10 million will help them purchase commodities, imports, which will help them to solve or to deal with the balance-of-payments crisis.

There is one other point, Mr. Chairman. When we make a loan of this kind, the Government sells the foreign exchange to a Jamaican who imports something with the dollars. The Jamaican will pay local Jamaican currency. So there will be \$10 million worth of Jamaican currency. That will be used for development programs.

So the counterpart, the mirror side, of our loan will be used for rural development projects and for activities to fight urban unemployment.

Mr. YATRON. Thank you. You mentioned the \$80 per capita as the lowest, I believe, for one nation. Which nation is that?

Mr. LEON. I am sorry, Mr. Chairman. I meant to say "Haiti."

Mr. YATRON. I am sorry.

Mr. LEON. Was the—

Mr. YATRON. I am sorry. Haiti. Panama—I know that their per capita income is a little over \$1,000 per person. Why is Panama, which has one of the highest per capita gross national products, GNP's, in Latin America, receiving a comparatively large amount of AID assistance? Why are they receiving a large amount when their GNP is the highest?

Mr. LEON. You will remember, Mr. Chairman and Congressman Lagomarsino, the last time we were together, we discussed the question

of how AID allocates assistance, what are the criteria, what are the principles, and we mentioned four or five.

One was the need of the country for help. Another one was: Was it doing something to help itself? Did it merit this kind of support? Another was: Could it use it? Could it absorb it? Could it make effective use of this?

We also mentioned that in any one year assistance is related to what you have done before. Finally, we said that another important set of considerations related to political factors, and that all of these taken together help us, the Department of State and AID, to allocate aid.

Well, if you look at these factors in Panama's case, I think you will see that it is reasonable for Panama to have a relatively high level of assistance per capita despite its high per capita income.

The amount of assistance per person in Panama has been higher for several years than most other countries. This is not a new phenomenon. We are not arranging it this year or suddenly requesting it for next year.

If you look at institutions, the Panamanians, generally speaking, are further ahead than many of the other Latin American countries. If you look at needs, you will find in Panama that you have the typical dualistic situation where the growth sector in Panama is in the metropolitan areas of Panama City and Colon. The rural areas are not sharing growth, and, in fact, average income in rural Panama is one-third of the national average. So the need is there.

I don't think I need to go into political considerations. They are apparent. It is in our interest, from the political point of view, to associate with Panama.

So, for all of these reasons that we discussed before, that one can apply particularly in Panama, the fact is that per capita help is high, has been higher, in Panama than in most other countries in Latin America.

Mr. YATRON. How much aid is earmarked for Panama this year?

Mr. LION. Well, for this year—

Mr. YATRON. How much—

Mr. LION [continuing]. For fiscal year 1978, I believe it is a little over \$23 million. This is the proposal.

Mr. YATRON. Thank you. Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. I would like to follow through on the Jamaica portion of the request. You know, there was a lot of criticism last year and during the campaign—and I still hear it once in a while—about Secretary Kissinger's using what people called "dollar diplomacy" in buying people off or trying to buy friends.

And I have heard statements made—and you just made such a statement—that need and not politics would be the major factor in determining where moneys would go in our AID program.

Well, I agree with both points of view in a way. I do think the need should be the major determinant, but I think we would be extraordinarily naive if we thought that politics shouldn't have something to do with it.

It would seem to me that in the case of Jamaica it is—at least it seems rather obvious to me that it is a political thing, more than a need problem, being as they have a very high standard of living compared to other countries that we have either cut back on or are not furnishing anything to.

Would you care to comment on that?

Mr. LION. Mr. Lagomarsino, if the description of Jamaica as a relatively well-off country or a country with a high standard of living should, it seems to me, be qualified by an examination of how most of the people in Jamaica are living.

Their rates of unemployment are in excess of 25 percent. Agriculture in Jamaica has been relatively stagnant. The island is a major food importer, I think on the order of \$400 million or \$500 million a year. It has all the characteristics of a poorer country, except that its modern sector, a small part of the country, is based on a very high export and tourism situation, both of which are vulnerable to international fluctuations.

It is not a stable situation. Jamaica is long on development problems and has a highly vulnerable economy. At the present time, I think it is fair to say that Jamaica has the most serious balance-of-payments problem in the Western Hemisphere, bar none.

Our assistance, it seems to me, is a reflection of a political wish, clearly, to improve relations. It is also a reflection of the importance we attach to Jamaica as one of the major independent sovereign countries in the Caribbean. How the United States relates to Jamaica gives a message as to how the United States wants to relate to the developing countries in the whole Caribbean region.

So I would say that here too these aspects are all combined. Again, it is not straight political; it certainly is not solely economic. Both sets of considerations are very much present, and we are responding to both of them.

Mr. LAGOMARSINO. I might say I agree with that, but I must say I regret some of the statements that were made before by some people who now seem to say it is all right if this administration does it. I am just not very happy about some of the double standards I see around this place, and I appreciate your statement today, admitting and acknowledging that politics does have something to do with the fact that we get 51 percent of our bauxite from Jamaica, that that fact is important, and I don't think we ought to be kidding people about it. I commend your acknowledging that. I think that is a good way to start off.

Now, with regard to Panama—and you said the same thing there is involved, as I understand, because we have a very important situation with regard to Panama, that our aid might be higher perhaps than it would be if we didn't have that, if we were just looking at that as a country with its needs and so on.

But one of the things that concerns me—well, let me ask you this. Is the increase in aid for Panama a part of the treaty negotiations?

Mr. LION. The program requested for Panama for fiscal year 1978, as I mentioned, is about \$23 million. The fiscal year 1977 request was a good bit lower, but, if you look at the figure for fiscal year 1976, you will see a figure of about \$20 million or \$21 million also.

As a matter of fact, over the last several years, the average figure for Panama is pretty close to \$20 million, so that I think it is quite fair, quite accurate, to say the proposal for fiscal year 1978 is not part of any consideration relating to the treaty situation.

Mr. LAGOMARSINO. Is not. Now, under the—well, you know, this is—could I ask you this. You say it would average about \$20 million a year?

Mr. LION. It averages just under \$20 million.

Mr. LAGOMARSINO. How would that—if you have this figure available, how would that compare with a comparable country of like size and population makeup?

Mr. LION. Well, as I mentioned earlier, the per capita assistance from the United States to Panama is the highest in the region, so that, if you found other countries with similar populations, you would find that the U.S. assistance is higher on a per capita basis, has been for some years, to Panama.

There are some other considerations too. Our decisions respecting Panama are also related—and we mentioned this last time—to what other donors are doing.

Because of our collaboration with these other donors, we agree to complement each other's efforts; so, instead of our taking on a \$10 million program in the agricultural sector, we might only arrange, for example, a \$3 million or \$4 million loan while the IADB or the World Bank do the rest.

Mr. LAGOMARSINO. One of the complaints the Panamanians have—and I think rightly so on this issue. I don't agree with them on all issues, but on this one I think they are right—is that the rent or whatever you want to call it that we pay for the canal is only \$2.3 million. However, they don't mention that they receive something like \$20 million a year in AID programs. That is what I was getting at with regard to comparing it to other regions, and postulating perhaps that the difference might be considered as, in effect, an additional payment because of the canal and not because of humanitarian considerations.

Mr. LION. I would like to say, though, that, if there were no political considerations of the kind that we are discussing, we would still very likely have an important bilateral development program in Panama, because the Panamanians are doing something about the rural areas. Up until recently, no, but, in recent years, they have said: "We want to work on rural health. We want to work on rural agriculture. We want to work on rural education." That is what we think Congress has told us to associate with.

So we would be there, if the Panamanians were interested, even if there were no canal.

Mr. LAGOMARSINO. Now, under the proposed treaty revisions, we were informed that in all likelihood the rent for the canal or whatever you want to call it, is going to increase drastically. We were told, for example, by one of the Panamanian negotiators—not ours, but one of the Panamanian negotiators—that they had rejected an offer of—on a sliding scale of \$33 to \$44 million per year—indicating to me, at any rate, that they wanted something larger than that.

The upper limit, I guess, is what they said the United States saved by having the canal, \$700 million a year. But, in any event, it sounds like a rather large increase.

Do you foresee the need for increased amounts of AID assistance if the Panama Canal Treaty is signed?

Mr. LION. I would like to say that the treaty negotiations are now underway. These are very important negotiations and I would not like to say something here which in any way might prejudice the successful outcome of those negotiations.

Mr. LAGOMARSINO. I don't want you to. I am not asking you to.

Mr. LION. However, if the committee wishes, we would be delighted to sit down privately and share views with you on this subject. Others know more about this than I do, Dick Wyrough, for example. We would be delighted to share with you what it is we are thinking about. As there are new developments in negotiations, then it would be appropriate perhaps to do that.

Mr. LAGOMARSINO. The figure—the statement I made has been in the public record in a speech by Dr. Lopez Guevara before the American Bar Association in Mexico City, in addition to what he told us when we were there, so I wasn't disclosing anything that isn't public knowledge.

STATEMENT OF RICHARD R. WYROUGH, DEPUTY DIRECTOR AND SENIOR TREATY AFFAIRS ADVISER FOR PANAMA NEGOTIATIONS, DEPARTMENT OF STATE

Mr. WYROUGH. I could say that by mutual agreement between the two negotiation teams this entire question has been reserved until the final stage of the negotiation. It simply hasn't been addressed yet in any significant way.

Indeed, our thinking has—in the past has looked at this question in terms of what traffic projections are likely. But, with the recent problems which the canal company has had, this is really under examination.

Beyond that, if you would like further information, that could be arranged.

Mr. LAGOMARSINO. Thank you.

Mr. YATRON. Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman. My apologies for not being here at the outset. If I go over ground that has been covered, I apologize.

Two areas of particular interest to me on either end of the scale. One is Haiti and one is Costa Rica. I am interested in Haiti especially in that the reports we have from Florida, where I come from, are that the population is, if anything, getting poorer and poorer, and I wonder to what extent you feel that our program is really helping the poor people.

On the other side of the coin is Costa Rica, which is regarded as doing so well. Why do we continue to put our funds there when they perhaps could be going somewhere else with greater results?

Mr. LION. Shall we take Haiti first? As we all know, Haiti has the lowest per capita income in the Western Hemisphere. Haiti appears on any list that is prepared by any agency of the poorest or the most severely affected by this crisis or that crisis.

If you take a look at the kinds of things that we have been trying to do, I think you will discover that our programs have made a significant difference in the following areas.

We have helped over the years with malaria. This is a very difficult problem not just in Haiti, but in the world, because we are discovering that the carriers are becoming more resistant to the pesticides and materials we are using. In fact, they even like this stuff. So it is a very serious problem requiring continuing effort.

However, we are estimating that hundreds and thousands of families are now able to survive and work and live in areas that previously were too risky.

In the agriculture sector, we are right now working with the Haitians in building feeder roads. These are roads which will allow the farmers to get their produce to market and not be confined to carrying produce on their heads for miles and miles and miles.

We are engaged also in a program which already has shown dividends, even though it is in its early stages, and that is related to strengthening the capacity of coffee farmers in Haiti to produce better coffee and get more money for what they produce.

Several thousand Haitian coffee farmers are already involved in cooperatives, when they were not before, which are helping them to market their produce and get better prices.

Our family planning efforts are beginning to take hold in Haiti. While Haiti used to have a higher rate of population growth, it is now down to a little over 2 percent, which, while high, is still a good bit lower than it was before.

Just as important—and maybe in the long run more important—are the kinds of things that we are doing that will help to strengthen the Haitians' capacity to help themselves, which is to build up their institutions, to strengthen their Ministry of Agriculture, to strengthen their Ministry of Health, so that they can design programs, arrange for their financing, and manage them well. That is going on and that is a very important part of our efforts.

It is a long struggle.

Mr. IRELAND. I sense a degree of optimism on your part?

Mr. LION. I think anybody who works in the development business has to be an optimist. I am an optimist. I think that things have been changing in Haiti internally. I think the attitude of the Haitian Government has changed, so that it is concerned with its poor and is concerned with development. They have a long way to go even in these areas, but it is markedly different from what it was 10 or 15 years ago. I think part of this can be attributed to our assistance as well as to assistance from other donors.

Costa Rica is a different picture altogether. Here is a country with an \$840 per capita income, close to the top of the list in our region. But, strangely enough, in spite of many of the indexes which suggest that this country is in good shape—if you look at the education, illiteracy, mortality, Costa Rica comes out very high on the list—about 40 percent of the people have per capita incomes of less than \$300 a year. As you can see, there is a very formidable income distribution problem in Costa Rica. However, we find that the Costa Rican authorities—besides being attractive in many ways, in the Costa Rican approach to life, namely, political democracy—have adopted several very important programs.

Costa Rica is the leader or one of the leaders in the region on nutrition programs, on nutrition policy. This is an area in which AID is learning how to do things. We are not expert in it. We are learning. And one of the reasons for working in Costa Rica is that we can, together with the Costa Ricans, develop approaches to improving nutrition in a development situation.

Another reason I think Costa Rica provides an interesting opportunity for us is that it is in a sense a model middle- or upper-income country in the developing world. Should the United States, the executive branch, and the Congress together, believe that it is in the U.S. interest to develop some kind of cooperative assistance relationship with developing countries of the middle income variety, this is one of the countries where we will learn how to do certain things. We can explore harder terms, higher interest rates, shorter maturities on loans, different kinds of programs such as guarantee programs which do not require flows of appropriated dollars, a different kind of AID organizational arrangement in relating to the host country. In other words, Costa Rica is a good place to examine a variety of approaches to a bilateral cooperative assistance relationship with those countries with incomes above \$500 per capita, countries that are in many ways quite poor, still developing, but which we may determine, the branches of government together, that it is in our interest to continue to assist.

These are some of the reasons why I think it is important for us to continue the bilateral program in Costa Rica.

Mr. IRELAND. Mr. Chairman, I have one followup question.

Mr. YATRON. Proceed.

Mr. IRELAND. Can I compliment you in putting the Haitians in the coffee business in this period. It is very timely. In looking at the economy of these people, the reference is always made to the per capita income, and it seems to me that the thrust there is to the degree that they are below the per capita income stated in U.S. dollars, that the hardship is proportional.

Is this just me reading this into it, or is that the yardstick you would go by? Are we judging what is happiness and the good life in these other countries by the American per capita standard of six televisions and two cars in the garage and everything else? Are we using our money to chase a false goal?

Everything I always hear about this program is based on the comparison of some other country's U.S. dollar per capita income, compared to ours, as a criteria of whether they are doing well or poorly, and I would be interested in your thoughts.

Mr. LION. Well, aside from being optimistic, AID people are also called upon to be philosophers. If I can engage in a moment or two of philosophy, I think that per capita income as an index of the development status of a country is a very poor measure indeed, but, in addition to that, it is not a useful measure of the value system that a country possesses. This can be illustrated in a variety of ways.

There are countries in the world with very high per capita incomes which we do not feel have achieved a quality of life, a measure of happiness, or whatever, using our own terms. There are countries with fairly low per capita income whose society, the environment, the atmosphere, is one that one could admire and enjoy.

So that, on both counts, I find myself agreeing with what you are saying. In AID, though, as professional development persons, we are being called upon to use per capita income as a rough measure, as one of the indicators of where we should be putting our money.

One of the points we have been making here today and last week, was that, at the two ends of the per capita income scale, such as Haiti

with \$170 per capita income or another country with \$2,000—it is clear that there are significant differences in terms of requirements and development status.

But, in the middle, from \$400 or \$500 up to \$1,000 or \$1,100 or \$1,200, it is very difficult to use per capita income, at least for me it is difficult to say that this country has X development status and it needs this kind of assistance, et cetera, et cetera.

Thus, many things are not revealed in per capita income data. There is no one person who can be described by his per capita income in these countries.

Mr. IRELAND. That is a refreshing comment. Thank you, Mr. Chairman.

Mr. YATRON. Mr. Lion, has there been any thought given to using some indicators other than the GNP to measure whether or not our AID programs are helping? If the dual nature of these countries is obvious, does it really do any good to measure per capita GNP?

Mr. LION. I myself think, Mr. Chairman, that, if one is going to use income figures, that it would be much better to use something you would call typical income or what the statistician would call modal income. Where are most people centered around? That is quite different from an arithmetic average, which is per capita income.

So, if you are going to use income, I think there are better figures that get at the distribution problem and not just this arithmetic abstract number. There are other ways of measuring countries' needs and there are other ways of measuring the impact of our work.

For example, in several countries in Latin America, we have noticed that where there are active family planning programs, funded either directly in bilateral programs or through intermediaries, such as the International Planned Parenthood Federation, there has been a significant drop in the birth rate over the last several years. That is one measure of the success of the program.

Another measure would be indicators that get at measuring health or, for example, calorie consumption. This would be another indicator, not only of the development status of the country, the average consumption of calories per day, but also the success or lack of success of our programs or the countries' own programs.

There is the measure of the number of children in school. For example, the number of children of school age, of primary school age, who are in school, has increased by over 50 percent in the last 10 or so years in Latin America, and that can be attributed significantly to AID programs. That is another way of measuring the impact of our work and it also gives you insights into the development status of the country.

Mr. YATRON. Thank you, Mr. Lion. I am wondering if we could recess for about 5 minutes. We have a final vote on Presidential authority to submit governmental reorganization plans to the Congress. Suppose we go over and come back in about 5 minutes. Would that be OK?

[A short recess was taken.]

Mr. YATRON. OK. We will resume the committee meeting. At this time I would like to acknowledge Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. Gentleman, I am a bit confused about the objectives with regard to improving the infra-

structure of the various countries. You mentioned that—I think it was in Haiti you were spending some money in trying to improve the infrastructure there. We understand that in other countries we are not doing anything.

Is it our general approach at the present time to put some money into the improvement of infrastructure?

Mr. LION. Congressman Gilman, we do not engage in what we can call massive capital infrastructure programs, \$200 or \$300 million dams, hydroelectric power stations, hundreds and hundreds of miles of concrete highways.

Mr. GILMAN. How about roads to market?

Mr. LION. Farm to market roads or what are sometimes called feeder roads make sense in certain situations.

Mr. GILMAN. Are we doing that generally?

Mr. LION. We are doing that in some countries. Haiti is one of them.

Mr. GILMAN. Are we being selective then? In other countries we are not doing any of that?

Mr. LION. Well, for example, we are not doing it in Costa Rica. The kinds of projects that we end up doing in these countries, especially as related to agriculture, come out of what are called sector studies. We take a look at the agricultural sector. We and the host government people ask ourselves what are the bottlenecks to raising small farmer income, to increasing food production? And, if we find in some cases that there is a need for a feeder road or a farm to market road, then that is something that we would consider as eligible for project assistance.

But there are other situations where we are not doing that. We are not doing that in Paraguay.

Mr. GILMAN. What about the rural areas in Panama? Are we involved in farm to market roads?

Mr. LION. Yes, sir.

Mr. GILMAN. I understood when we were in Panama that you had stopped the farm to market roadways, that, while we were providing aid to some of the farm people, that they had no way of getting their products to market.

Mr. LION. Well, I am not so sure how that information was transmitted to you, but we are helping to finance some rural infrastructure in Panama.

Mr. GILMAN. At the present time?

Mr. LION. At the present time.

Mr. GILMAN. Another area that bothered me was—and I think I discussed this with you before—a per capita figure on—you take an average, per capita average of income in a country and use that as a guideline. Yet, there are distinctions between the rural area and the urban area with regard to income. If they happen to have a fairly good income in the urban areas, it skews the whole per capita average structure for the whole country.

Are you balancing this today in deciding how much assistance is rendered to that country?

Mr. LION. Our focus, as you know, is the rural area, so what we are really concerned with is the income of the people in the rural areas. When we work with countries on projects in the rural areas we try to target our assistance on as low an income group as possible.

That means that, if there are 45,000 farmers in Honduras in an area in which we want to work, we will try to get our assistance to the poorest of even those poor farmers.

Mr. GILMAN. That I can understand, but, when you decide whether Honduras gets any funding, one of the criteria, I understand, is the per capita income, and that is done on a countrywide basis, is it not?

Mr. LION. That is right.

Mr. GILMAN. Then there is some imbalance there, isn't there? If you happen to have one or two particularly good urban areas, it throws off the whole average of the whole country, when three-quarters of the country is impoverished.

Mr. LION. I think you are absolutely right, Mr. Gilman, and this is why per capita income by itself is an inadequate indicator or guide to how assistance ought to be allocated.

Mr. GILMAN. Then how do you balance that factor? What do you throw in to balance it?

Mr. LION. Among other things, we take a look at income distribution. We take a look at the rural area. We see that in Panama, Colon, and Panama City are the two centers that are bringing per capita income for the country up to \$1,000, while the typical farmer is living at \$300 a year. We understand that.

We try our best to get a look at income distribution information.

Mr. GILMAN. Again, is income distribution based countrywide or is it to segregate the urban area from the rural area? What I am trying to determine is: Do you rely on a countrywide criterion in these things or do you really dig into the regional problems and use those as a guideline?

Mr. LION. I would say the latter. It is pretty clear to us that that is what Congress is saying. Congress has said to us in the 1973 legislation: Focus on the rural poor.

Mr. GILMAN. I seem to recall, looking at your charts, your calling per capita income one of the major criteria. I can't put my finger on your charts, but you said you are always looking at the country's per capita income and you are always talking about that as one of your main criteria.

Mr. LION. Perhaps we talk about it too much.

Mr. GILMAN. Maybe that is the situation. But I am pleased to hear you are using other guidelines. For example, in Brazil, we know that up in one segment of Brazil there is hardly any income at all, but, when you go into São Paulo, it would be highly competitive with our country by way of income.

Mr. LION. I served 5 years in northeast Brazil.

Mr. GILMAN. You certainly know what the problem is.

Mr. LION. Brazil has one of the highest per capita incomes in Latin America, and yet there are some 30 million people in northeast Brazil who have an average income of less than \$200 a year.

Mr. GILMAN. All right. Now, when you make that presentation to the Congress, where do you focus in on that? Maybe I haven't read these in as much depth as I should, but I have—I rarely see that kind of a regionalization.

Mr. LION. It is there. However, to find it you need the patience and the time to read every single line in the text. Then you will see

the focus on the rural areas. We are looking at the farmers with per capita income of \$200 or less. We are helping the landless farm-workers in Costa Rica. That sort of thing comes out of this detailed description of the individual country programs. Perhaps we should be showing, where we can, two or three kinds of income figures, rural income, urban income, typical income for most people.

One of the difficulties, of course, is that it is very hard to get reliable data. There are only a few countries in Latin America where we could get reliable measures of overall per capita income. Costa Rica, by the way, is one of them.

Mr. GILMAN. You base it on the countries' information?

Mr. LION. Yes; their censuses.

Mr. GILMAN. Can you tell me why you are phasing out your AID assistance in Uruguay beginning in fiscal year 1978?

Mr. LION. The last loan that we made to Uruguay was in 1975. There have been some modest grant programs since then. The decision to diminish the program, which was made a couple of years ago, relates to considerations like per capita income—the country of Uruguay was one of the better off countries in the region. And, while it could use help, it did not need as much of the kind of help we were giving to other countries.

So, instead of loans to Uruguay on a concessionary basis, 2 or 3 percent, 40-year loans, we shifted out of loans to Uruguay and maintain a small grant program which is focused on the education sector.

As I say, the decision to cease any new lending was made some years ago, and our last loan was in 1975.

Mr. GILMAN. Are there portions of Uruguay that are pretty much in need as compared to some of the urban areas in Uruguay?

Mr. LION. I would say so, Mr. Gilman. I would point out, however, that over 80 percent of Uruguay's population lives in large cities, and one in particular. I don't know what the exact percentage is, but I think that Montevideo has more than half the people of Uruguay in its metropolitan area, just Montevideo. So that, although they have a rural sector which could be helped, and in fact some of our technical assistance work does relate to assisting the Ministry of Agriculture—I don't think the situation is as bad, that the rural/urban contrast is as serious in Uruguay as it is in Panama.

Mr. GILMAN. Is the population growth in Central America the problem? Is it a severe problem?

Mr. LION. Progress has been made, but I would say that the rate of growth of population in Central America is a serious problem. This is particularly true in a country like El Salvador in which the people/land ratio is very, very high compared to some other areas of the world. Central America and Latin America have a very favorable people/land ratio, comparatively speaking, but there are some selected countries where that is not the case, such as El Salvador.

Beyond that, when one thinks of the investment required to provide jobs, education, housing, good health, it is clear that, if these countries are to make more rapid strides in the future, they are going to have to reduce even further their rates of population growth, which on the average is 2 percent a year. As you know, ours is well below that—about one-half of 1 percent now.

Mr. GILMAN. Then it would be a fairly substantial problem then, would it not?

Mr. LION. Yes, sir.

Mr. GILMAN. Why are we spending so little money in population planning?

Mr. LION. How much we spend is a function not only of what we would like to do, but what the countries would like us to do. That explains in part why we do not have more funding in our bilateral assistance programs in family planning. It also explains why a very large proportion of AID's family planning money does not go directly to bilateral programs, U.S. Government to Latin American government, but rather to international intermediary private organizations.

As a matter of fact, the amount of money that will be spent in Latin America in fiscal year 1978, if our family planning proposals are accepted, as I recall, totals over \$20 million. Around \$5 million will be funded bilaterally with the balance funded through other agencies.

Mr. GILMAN. Which countries are rejecting population assistance?

Mr. LION. In Latin America, Mr. Gilman, we have a mixed picture. There are some countries that are neutral and are not taking a stand either for or against family planning programs. There are some countries that are encouraging them, such as El Salvador, Colombia, Peru, Mexico. In some countries where this has taken on more of a religious aspect, there is opposition to family planning programs, not just help, but by the country itself internally. There is such internal opposition in Bolivia.

So you have a combination of factors which determine how much we can spend, what we can do, and under what circumstances we can do it.

Perhaps the single most important longrun activity that we can engage in to reduce the rate of population growth has nothing to do with family planning programs. It has to do with raising the levels of income, providing jobs, having people changing their attitude toward life, toward their need for children to take care of their old age, improving their health so that their children don't die after 1 or 2 or 3 years.

All of these other things that we get into and do as part of our development business is awfully important and may, in the long run, be the most important determinant of what the birth rate is and what the rate of population growth is.

So I think one has to be a little careful to conclude that we are not spending enough on family planning or population planning. We might want to spend more if we could, but there are some restrictions, and, in addition, we are attacking the population problem in other ways.

Mr. GILMAN. Just one final question, Mr. Chairman, if I might. What sort of assistance are we giving to Mexico? I know it doesn't come under AID, but we are assisting Mexico. How much aid are we giving? I have heard figures ranging up to \$100 million. Can you tell us how much assistance we are giving to Mexico?

Mr. LION. As you have said, Mr. Gilman, there is no bilateral assistance program for Mexico. The last new bilateral program we had with Mexico was in 1965. There is a program under the international narcotics control effort which amounts to about \$10 or \$11 million a year.

Mr. GILMAN. Besides that, there are some substantial programs. What other programs are we involved in?

Mr. LION. Are you referring to a Treasury loan of some sort?

Mr. GILMAN. I am talking about assistance. Could I ask you to submit for the record any other programs that have been made—that we are involved in with Mexico? Maybe some of the other members—

Mr. YATRON. Mrs. Collins would like you to yield.

Mrs. COLLINS. On the question of Mexico, you mentioned a \$10 or \$11 million aid program in narcotics control. Can you tell us how that money is being used? Under what programs?

Mr. LION. I can tell you a little bit about it. It is not an AID program. Although the moneys are appropriated under the Foreign Assistance Act, the Secretary of State is responsible for these international narcotics control programs. He has delegated these in turn to the senior adviser for narcotics.

The Mexican authorities have discovered that the best way to deal with heroin is to kill the poppy while it is growing in the field, so that literally thousands and thousands of acres of poppies have been destroyed with what might otherwise be called a weed killer. I don't know the technical name for that herbicide.

Now, that requires aircraft, spare parts, equipment, et cetera, so that some of the money would be going for that. Training—

Mrs. COLLINS. Has any of it been used for transfer of crops? You know, to show the farmers that it is just as advantageous to grow beans as it is to grow poppies? Do you know anything about that?

Mr. LION. There is no crop substitution program in Mexico. However, this is very much what the Peruvians are thinking about and what the Bolivians are thinking about. We are working with them, and part of the approach—this is cocaine rather than heroin—part of the approach there is to try out alternative crops and to demonstrate, if possible, that these crops will yield satisfactorily and earn no less than the coca leaves.

Mrs. COLLINS. Thank you, Mr. Gilman.

Mr. GILMAN. Mr. Chairman, I would like to request that, if the representatives appearing today could present to us any further information on the Mexican assistance program, that we make it part of the record at this point.

Mr. YATRON. Would you do that, Mr. Lion?

Mr. LION. With pleasure.

Mr. GILMAN. Thank you, Mr. Chairman.

[The information follows:]

U.S. ASSISTANCE TO MEXICO

Fiscal year 1965 was the last year that new AID bilateral development assistance activities were undertaken in Mexico. After that a small amount of bilateral development assistance was provided to monitor and continue these activities, but such assistance was terminated in fiscal year 1969.

Currently AID development assistance activities in Mexico are limited to certain Latin America Regional and Inter-Regional programs in which Mexican people or institutions are eligible to participate. For example, faculty members of Mexican universities are receiving academic training under a Latin America Regional project with the Latin American Scholarship Program of American Universities (LASPAU). Mexico is the site of the Regional Technical Aids Center (RTAC), for which AID financing is currently being phased out. The Centro de Estudios Educativos (Center of Education Studies) in Mexico is participating in the Economics of Education Studies (ECEL) project. Also, Mexican credit

unions are eligible for subloans under the AID loan to the Latin American Confederation of Credit Unions (COLAC).

Some \$10.5 million is being requested in fiscal year 1978 under the Security Assistance Bill for the International Narcotics Control program in Mexico. The program is controlled by the Department of State, which has an agreement with AID to assist with program implementation. A major concern under the Narcotics Control program continues to be the amount of heroin in the U.S. coming from Mexico. Thus the Mexico Narcotics Control program is the largest in the world, accounting for two-fifths of the total Narcotics Control funding for country programs. During 1976 some 28,000 poppy fields were destroyed in Mexico, which was a substantial improvement over the previous year. The Mexican Government has begun a year-round eradication campaign and expanded its efforts to nine Mexican states encompassing nearly one-half of the area of the country. Indications suggest that the amount of Mexican heroin in the United States has begun to decrease slightly during the last year as a result of these efforts.

Mexican institutions have also received financing from the Inter-American Foundation (IAF), which was created as a public corporation in the Foreign Assistance Act of 1969. The Foundation is governed by a seven-member Board of Directors, the majority of whom are drawn from the private sector. It provides seed capital for innovative projects at the "grass roots" level by making grants generally to private, non-profit organizations. Through fiscal year 1976 the IAF had provided \$1.0 million in grants to Mexican institutions.

In summary, aside from the International Narcotics Control program, Mexico receives only a small amount of financing under U.S. Government assistance programs. On the other hand, Mexico is a major recipient from the Inter-American Development Bank and the World Bank, receiving over \$100 million annually from each institution in recent years.

Mr. YATRON. OK. I would like to acknowledge Mrs. Collins now.

Mrs. COLLINS. Thank you. Mr. Lion, could you give me a breakdown of the fiscal year 1977 development assistance in Haiti? OK. Here it is. Never mind.

You mentioned that the Haitian Government has appeared to have a changed attitude toward economic problems. Can you tell me what evidence you can offer or tell me more about this change in attitude? From what to what?

Mr. LION. Well, there are a number of indicators of a more development-oriented administration than had characterized Haitian history up until the last few years. One is the Government's attitude toward its own development ministries. In the last few years, many people have been trained in the various ministries of Agriculture, Health, and Public Works.

Another indicator of improved attitude has been the amount of money that the Government of Haiti is spending on programs that benefit the poorer sections of the population, such as in education and health. The portions of the budget devoted to these sectors have increased not only in absolute terms, but in relative terms as well.

Another indication is that, in conferences with us and representatives of other international financial organizations, Haitian officials' interest in acquiring external assistance for development projects has increased enormously and is persistent.

There is some evidence too that the Haitians are exerting more systematic control over their resources. The Government is now using for development purposes some funds which arose from taxes on various commodities, which heretofore had not been made part of the regular Federal budget.

Bill Wheeler, who is head of our AID programs in Washington relating to the Caribbean may wish to elaborate further on that.

STATEMENT OF WILLIAM B. WHEELER, COUNTRY DIRECTOR, OFFICE OF CARIBBEAN AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WHEELER. I would add that the Government of Haiti has established a health goal of trying to raise life expectancy during the next 5 years by 6 months per year, and is increasing its funding and paying more attention to health administrative functions.

They have designated education, professional training, as a key priority. This is something which the Haitians are working on primarily with the Inter-American Development Bank, with the World Bank, and with the French.

They have also cited agriculture as being a very important area of focus and have indicated that increasing the production of the small farmer—and almost all the farmers in Haiti would fall into that category—as being extremely important.

They have, for instance—

Mrs. COLLINS. Do you feel that—could you say at this time that there is any real hope that the agricultural sector can be developed to support the population? I understand it is still growing by leaps and bounds.

Mr. WHEELER. This is a very difficult problem in Haiti. There is no question that it is indeed a race to reduce the rate of population growth and to increase the production in agriculture in order to achieve a better balance. Haiti, as you may know, has one of the lowest nutritional standards of any country in the world. I think it is 127th in the list of countries in caloric intake, about the second from the bottom of the countries rated. There is also a severe erosion problem in Haiti.

There have been steps taken by the Government to increase rural income. Where they cannot grow food crops, they are trying to increase coffee production. The Government raised the base floor price that it will pay to or allow to be paid to Haitian farmers for coffee, in order to increase rural income.

We are working in Haiti to help develop new corn varieties that are suitable to their local environment. This program, if it is successful, could have an impact.

Mr. LION. I was down in a rather fertile part of Haiti, the southwest part, and noticed how the corn that Bill just referred to was growing. I am a bit of a farmer myself, although without any training. And it seemed that, even though things are desperate, the opportunity for improvement is so substantial that, with technical assistance, with seed, with credit, with irrigation—all of these things are going on—one could increase the productivity per hectare or per acre by two and three times very easily.

This will make a difference, even though the problems will still remain great.

Mrs. COLLINS. I think earlier somebody mentioned something about the malaria control program. Is there anything in this little booklet to show how successful that has been over the past 2 or 3 years?

Mr. LION. Well, we have been working within Haiti on malaria for perhaps 20 years, and we can give you for the record an analysis of the consequences, the results, of these efforts, how many people have bene-

fited, what institutions have been created, how much money we, the Haitians, and others have put in.

Mrs. COLLINS. That will be helpful. Will you please do that?

[The information follows:]

HAITI—MALARIA CONTROL PROGRAM

In 1961, the Government of Haiti, UNICEF, the Pan American Health Organization (PAHO) and AID jointly agreed to initiate a malaria eradication program. Spraying with DDT started in January 1962.

Based on entomological and epidemiological surveys carried out during 1961, the area of attack was defined as all localities with elevations under 500 meters. It was estimated that the areas comprised some 80 percent of Haiti's inhabitants and that 860,000 houses would be sprayed twice a year with DDT.

By the end of 1962 the rate of positive cases of malaria among blood samples checked was down to 1.7 percent compared to 3.4 percent a year earlier. In 1963 and 1964 hurricanes Flora and Inez deposited large quantities of water which increased the mosquito population and the positivity rate rose to 4.0 percent. A massive drug distribution campaign was begun in May 1965, and by 1966 the rate was down to 0.4 percent. It remained at that level in 1967, and then reached a low point of 0.2 percent in 1968. It then started to increase, reaching a high of 8.3 percent in 1972. Since then, the positivity rate has declined slowly.

The increase in 1968 coincided with the resurgence of malaria elsewhere in the Americas. The reasons are varied and not entirely clear. It is known that mosquito populations have become increasingly resistant to DDT. Increased mobility of rural populations and increased crowding of urban areas may also be factors.

Recent actions in the Haiti malaria program include: An increase in PAHO staff residents from 2 in 1975 to 5 at present; administrative strengthening of the Haitian malaria organization; and the development of an improved annual plan of action.

Between 1966 and 1976 the Government spent approximately \$2.5 million, UNICEF \$3.0 million, PAHO \$2.3 million, and AID \$22.0 million on malaria control. Contributions to the program by the Government of Haiti have increased steadily from about \$35,000 per year in 1965-1972 to \$500,000 in 1976.

The Haitian malaria control organization (SNEM) has been developed over a long period and now possesses certain administrative and logistical capabilities beyond those of any other organization in Haiti. In addition, a voluntary collaborator (VC) system has been developed to dispense drugs and collect slides for analysis. In 1962 some 450 VC posts were established. The number has grown steadily to the present network of 7,600 posts.

The number of Haitians currently at risk of contracting malaria is estimated to be about 4.1 million in a total population of 5.2 million. The present malaria rate is under 8 percent compares favorably with a rate of at least 20 percent which existed before 1960. No estimates exist of the number of deaths averted, but malaria is no longer among the leading causes of death in Haiti.

Mrs. COLLINS. May I ask a question about Jamaica? Well, Jamaica and Costa Rica? I think somebody mentioned that 40 percent of the Costa Rican population has so low per capita income that Costa Rica is an example of a country with income distribution problems.

Can you tell me any other Caribbean countries that show large gaps between the rich and the poor, or even larger than they have in Costa Rica? Would Haiti be one? Jamaica?

Mr. LEON. Well, I don't think there is any country, sovereign, independent, a ministate, or whatever, of these 17 countries in the Caribbean that does not suffer from that problem.

The English-speaking Caribbean, however, suffer from it somewhat less than does Haiti or does the Dominican Republic. But it is still a problem.

Mrs. COLLINS. It is my understanding that Secretary Vance has called for supporting assistance money to aid those countries with significant military budgets. Now, when it comes down to Jamaica, is there—is the assistance going there being sent as economic assistance? I understand they have some military problems there as well.

Mr. LION. The supporting assistance request which we are making to the Congress is to provide funds to help Jamaicans import what would essentially be food, commodity imports.

Mrs. COLLINS. I thought it was going out of security supporting assistance.

Mr. LION. That is correct. If you would like, I will try to explain why it is called that.

Mrs. COLLINS. Please. I am a little confused on that.

Mr. LION. The typical kind of assistance which the U.S. Government makes available through AID is to meet so-called development problems, long-term problems, poverty, stagnant agriculture, family planning problems.

Along comes a requirement in the judgment of the United States to assist a country for reasons that include other reasons besides development problems. It would include strictly speaking political problems or military security problems or balance-of-payments problems, economic problems of a shortrun emergency nature.

But shortrun emergency balance-of-payments help is not what the Congress wants us to do with development assistance. So we have this funding category which is called security supporting assistance. It includes a variety of things. It is not just military assistance.

In this case, in Jamaica, in fiscal year 1978, it includes \$10 million for economic assistance to help them meet their emergency short run balance-of-payments crisis.

Mrs. COLLINS. All right. Thank you very much.

Mr. YATRON. Mr. Lion, today we hear the term so often "transfer of technology." Can you tell me what AID is doing with its intermediate technology programs at the present time?

Mr. LION. I will mention one effort that relates to the whole agency and then, if I might, actually refer to a few examples in the Latin American region.

The Congress instructed AID, as you know, to stimulate intermediate technology or, as Congressman Long calls it, light technology, or as we have come to call it in the Agency, appropriate technology. We have been called upon to stimulate private sector participation in the effort to help transfer light or intermediate technology.

Last year AID helped set up Appropriate Technology International, a private organization. AID has made a \$1 million grant to this organization. It is hoped that this institution will stimulate the identification of appropriate or light technology possibilities for use in developing countries. That is one large agencywide effort.

In Latin America, we are engaged in several such projects in several countries, and we are proposing several more in fiscal year 1978. For example, in Haiti, we are talking about exploring new energy technologies which would be low-cost and appropriate to Haiti, such as windpower and solar energy.

The University of Florida is working on a solar cooker, eliminating the need for such fuels as lumber, trees, gas, or oil.

In the Caribbean, we have a very interesting proposal for fiscal year 1978, a \$4 million loan and a \$500,000 grant, which would help the Caribbean Development Bank do several things.

One, identify what kinds of technologies would be appropriate or light or labor-intensive and would not cost a lot of money. We will not only help identify them but also promote their use by lending money to those small enterprises that would use these new technologies in the Caribbean.

So all of that loan, in fact, would be used for loans to companies, small enterprises, that will use technology. It is one thing to say this kind of small machine will work. It is another to get a company to make them and use them.

Another aspect of the project is to ask the question: What kind of policies would stimulate the business people to use light or intermediate technology? What policies are we following which are discouraging the use of these technologies? These policy studies will be part of this project in the Caribbean.

There are other projects such as in Peru and in Paraguay in fiscal year 1978 where part of an agricultural loan will be to identify new technologies for the small farmer.

Mr. YATRON. Is Haiti the only country using solar technology?

Mr. LION. I think we are further ahead there with solar energy explorations and research. Actually, the University of Florida has already designed alternative models of solar cookers, and they are about ready to try them out.

Mr. YATRON. Thank you. Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. Back to the formulas and gross national product and all. I understand—I should not say I understand. Last year, this committee did change the formula with regard to Public Law 480 funds, and we imposed, as I understand it, a limit of—a ratio of 75 to 25, 75 percent having to go to countries with less than \$300 per capita income. Is that your understanding?

Mr. LION. Yes.

Mr. LAGOMARSINO. I understand the administration has asked that we modify that. From what you have told us here this afternoon, I think we probably should because obviously the gross national product in a country as a whole may not reflect the conditions in the countryside very much. I presume you would not want us to apply that kind of a formula to your operation.

Mr. LION. No; I would not. I believe that the per capita income is a good measure of only one thing, and that is how well the modern sector is doing. That may be a less than important part of the total economic situation, of the nutrition situation, of the poverty situation, or of the employment situation.

As I have said before, it is not, I believe, a useful guide all by itself. It is one of the factors one must take into account. The trouble, Mr. Lagomarsino, is that we haven't developed very good alternatives. So the argument goes: Well, it ain't good, but it is what we have got. And some of us would like to argue with that and say that that isn't good enough.

Mr. LAGOMARSINO. I understand the Overseas Development Council has developed a formula that takes into consideration infant mortality, death rate, longevity, and so on. Have you examined that? Is that something—

Mr. LION. I have looked at the basic quality of life index that they have developed as a way of identifying where the needs are the greatest, as a way of comparing needs among countries. I think that that is a useful and valuable contribution to looking at this problem of resource allocation from the need side. It doesn't say anything about ability to use. It doesn't say anything about self-help efforts. And those are very important measures, it seems to me, or indicators that we ought to look at when we ask ourselves the question that you have been asking this afternoon and last week: How do you allocate your assistance?

If you look only at needs, you put all your money in Haiti, and obviously they cannot use it. So I think, as a contribution to this important discussion, the Overseas Development Council's quality of life index is valuable indeed, but other criteria have to be consulted.

Mr. LAGOMARSINO. I might say that the most common criticism by constituents of AID-type programs is "it doesn't get to the people; it goes to Swiss banks" or what-have-you. So I think that obviously has to be a major part of your decision. Does it get where it is supposed to go and does it do the job it is supposed to do?

Are you aware of the newspaper allegations that there was a lack of accountability in AID funds provided to Nicaragua after the earthquake there?

Mr. LION. Yes, I have heard that there have been some stories dealing with that. The story that I am familiar with is somewhat misleading. There was no AID money involved, as a matter of fact, in the purchase of the land on which houses were built for the people who suffered from the emergency. The land was contributed by the Government of Nicaragua.

It is not something that AID funded and, in fact, much of that land was purchased even before the earthquake. If the article that you are talking about is the same one I am referring to, it was inaccurate if it implied that AID funds were involved in those land acquisitions.

Mr. LAGOMARSINO. They were not. There was a 60-minute program last Sunday which carried a story about how U.S. pesticides—and I have forgotten the name of the pesticide that was mentioned—have killed a lot of animals in Egypt. Egypt was one country that it spoke about. And they also pointed out that that particular pesticide could not be used in this country.

Now, how do we handle that type of situation? What kind of standards are we using for pesticides?

Mr. LION. That particular pesticide as of 1976 was not described as acceptable in this country. And, as of that time, we would not finance any pesticide which is not accepted by the EPA.

Prior to that time, that particular pesticide, Letophos, or something like that. If you mutter softly, you can probably pronounce it.

Mr. LAGOMARSINO. I don't think that is the one, but it is something like that.

Mr. LION. That particular pesticide was judged OK for use abroad, even though it may not have been acceptable in this country. That is not as terrible as it might seem.

Mr. LAGOMARSINO. I agree with you. That is why I am asking you the question.

Mr. LION. Some pesticides which are all right in the United States should not be used abroad, because there are ecological conditions which would make them unsafe abroad.

Mr. LAGOMARSINO. I might just also interject that one of the pesticides that is most controversial in the United States now is DDT, and, for probably good environmental reasons, it is very controversial. However, it is a lot safer to use, to people using it, and to the surrounding population, at least over the short run, than some of the ones that we have developed to replace it here, which are very poisonous. So I am sure all those things are taken into consideration.

Mr. LION. We make a very serious effort now at looking at the environmental question in every single project that AID undertakes. We do an environmental review to determine if it is going to have a substantial impact on the environment.

If we say "no," that ends it. If we say "yes," then a very intensive environmental assessment is done.

In addition, on pesticides in general—pesticides rather than the overall environmental picture—the agency is right now developing a series of guidelines which will determine how we will function with respect to funding pesticides, which ones, under what circumstances.

Part of the answer here is to help the governments and the various ministries to become better able to handle the pesticides so that safety standards and practices are developed. So that people who are using them will be properly trained. We search to develop alternatives to dangerous or possibly dangerous pesticides. These are the kinds of things we are doing.

Mr. LAGOMARSINO. Mr. Chairman, I could go on all afternoon, but I feel I must end somewhere.

Mr. YATRON. Thank you, Mr. Lagomarsino. Mr. Gilman?

Mr. GILMAN. No further questions.

Mr. YATRON. I have no further questions either. Let me say, Mr. Lion, that members of the committee may have some other questions they would like to send over to you for you to answer and have made part of the written record. I would appreciate if this could be done. Would this be satisfactory?

Mr. LION. Yes. Certainly.

Mr. YATRON. Well, thank you very much, gentleman and lady.

[Whereupon, at 5:07 p.m., the subcommittee adjourned subject to the call of the Chair.]

ECONOMIC AND MILITARY ASSISTANCE LEGISLATION FOR LATIN AMERICA

Military and Supporting Assistance Legislation for Latin America

TUESDAY, APRIL 5, 1977

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS,
Washington, D.C.**

The subcommittee met at 10:10 a.m. in room 2255, Rayburn House Office Building, Hon. Gus Yatron (chairman of the subcommittee) presiding.

Mr. YATRON. Our committee meeting will come to order.

I would like to take this public opportunity to offer my congratulations, Mr. Secretary, on your confirmation. In my judgment, the record of your 25 years of service in the Department of State is one of which you can be justifiably proud.

You have demonstrated a sincere concern for people, and, to my mind, that is what foreign policy is all about.

I am sure that, from time to time, we will have some differences of opinion, but I feel certain that your experience and dedication will serve to minimize these differences. The tasks ahead may be difficult, but you can count on my full support and cooperation, as I am sure you can count on the other members of the committee.

I want to welcome your colleagues, General Fish and his counsel, Mr. Forman.

Now, I understand, Secretary Todman, that you are prepared to make a statement, and then we can open the floor to questions.

It is a pleasure to have you here today, sir.

STATEMENT OF HON. TERENCE A. TODMAN, ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. TODMAN. Thank you very much, Mr. Chairman. I am most grateful for your very kind and generous remarks. I can assure you that I reciprocate your feelings about the manner in which we will go about reconciling whatever minor differences might exist between us from time to time. I can assure you of my full and complete cooperation with the committee in every way that I possibly can.

I am pleased to appear before your subcommittee today to discuss our security assistance programs for Latin America.

(65)

The United States for many years has maintained close working ties with the Latin military, both in purely military-to-military terms and in dealing with individual military leaders in their capacity as presidents and ministers of the various governments in the region.

This long association has developed an arms relationship with the Latin American countries that has helped us maintain access to their military establishments, a matter of importance since 15 Latin and Caribbean nations today are governed by or under the aegis of the armed forces.

Security assistance to these governments thus is a political tool that provides us an opportunity to exert some influence on their attitudes and actions. It is, in short, a means for protecting or advancing our interests, which are many and varied.

Among those interests in sharpest relief today is our commitment to the defense of human rights. President Carter has made that commitment a priority consideration that will help shape our foreign relations in the years ahead.

His administration is adjusting the attitudes of the executive branch to conform to the demands of the country, which are reflected in this Congress, for a foreign policy that is based on values the U.S. prizes most highly.

Another is his interest in limiting the role of the United States as arms supplier to the world and changing the thrust of our policies to the promotion of disarmament.

In the region for which I have responsibility for U.S. foreign relations, this means the United States will strongly support local initiatives seeking to lessen the burden of armaments. We would hope that flowing from such initiatives will come a reduction of tensions and the strengthening of stability which has allowed the countries of Latin America to pursue their affairs at peace with one another.

A specific case is our support for the Declaration of Ayacucho, signed in December 1974, by the Andean states plus Argentina and Panama. The intent of the signatories is to arrive at arrangements that restrict the acquisition of offensive weapons.

We have more traditional interests in the region that engage our diplomatic energies. None could be classed as strategic concerns that are vital to the safety and well-being of the United States. Yet, there are latent security interests which must be attended with some care, among them the Panama Canal and its approaches, our lines of communication in the Caribbean, and the maintenance of important sea lanes in the region.

There is finally the range of economic interests we have in maintaining access to Latin American and Caribbean raw materials, our position in the foreign trade of the region, and the promotion and protection of extensive investments of the American private sector.

In this brief review of our political/military relations in the hemisphere, I would like to take this opportunity to put our security assistance programs into some perspective.

Ten or fifteen years ago, the United States was the principal source of armaments for the countries of the region. From the middle to the late 1960's, however, that relationship began to change radically, so that today we rank fourth or even fifth as the area's arms supplier.

In fiscal year 1975, for example, new orders under our FMS program for Latin America totaled \$174.9 million. In fiscal year 1976, a year which had an extra quarter, they were under \$100 million. We do not have figures for the current fiscal year, of course.

The Carter administration's request for new FMS credit financing for fiscal year 1978 is \$140.5 million for the region as a whole. I would expect that actual new orders would fall far short of this in fiscal year 1978.

The U.S. share of the total Latin market for the past 2 years has been under 15 percent. Of what we did sell in that period, only about 25 percent went for major items such as aircraft, ships, weapons, ammunition, and the like. The balance is for spare parts, supporting noncombat equipment, and supporting services including training.

A number of factors have contributed to this tailing off in our arms transfers to the region in recent years. One that is important, but which is frequently overlooked, is our restrictive transfer policy of limiting the sophistication and quantities of armaments that we will permit to be sold in Latin America, particularly to the smaller and poorer countries.

However, even for the larger and richer countries, we refuse to sell aircraft more advanced than the F-5 and A-4 level of sophistication. We also deny the sale of certain advanced technology weapons—smart bombs and laser-guided missiles—and unconventional munitions like napalm and flame throwers and major combatant naval vessels. Other munitions not prohibited by regional policy are still denied in some cases. These include short-range tactical missiles.

Imposing limits of this kind often is seen in Latin America as arbitrary and patronizing, particularly with the larger countries which today have significant arms-manufacturing capabilities of their own.

In any case, most governments in the area have developed important arms relationships with Western Europe, Israel, and the Soviet Union. In a real sense, our restrictive policies have been an incentive for the Latin military to turn to these suppliers, even though in many cases we know they would have preferred to deal with American suppliers.

Recent actions by five governments rejecting fiscal year 1978 security assistance underscore the independence of Latin America in this and other fields. Their sharp reaction to our surveys of human rights practices in their countries, stipulated by section 502(b) of the Foreign Assistance Act, reflected their deep attachment to the principles of sovereignty and noninterference in internal affairs.

Quite apart from the requirements of the law for future security assistance programs, President Carter, as I said at the outset, has made it clear he believes that human rights considerations are a matter of proper international concern. The governments of Latin America know this.

As we look at the wide scope of our interests and concerns in the region, we face an important question: How do we, working together with these governments, find ways of achieving improvements in the way the people of this hemisphere are treated? It is not a black or white proposition, but rather a complex question which must be approached with great sensitivity.

We submit that wholesale elimination or even substantial reduction of our security assistance programs in Latin America would be inadvisable. Such an abrupt approach now, after maintaining political and military relationships with these governments dating back to and beyond the Second World War, would produce widespread resentment and alienation.

We cannot predict the results of such an approach, whether it might produce improvements in the human rights situation in these countries or, paradoxically, bring about even worse conditions.

We hope, therefore, that the executive branch will be allowed leeway to work with the military in Latin America, using the traditional tools of a relatively modest security assistance program to take advantage of whatever opportunities we might have to advance the cause of human rights and our other, real interests in the hemisphere. That remains the central issue.

Thank you, Mr. Chairman.

Mr. YATRON. Thank you very much, Mr. Secretary, for an excellent statement.

In your statement, you argue against substantial reduction because, you suggest, we cannot predict whether or not this action would improve a country's human rights situation. Would it be fair to ask you under what conditions you would act?

Mr. TODMAN. I would be in favor of any action of reducing our support where we find that the support would, in fact, permit a government to worsen the human rights situation. I think that human rights should be a thread running through our entire foreign policy, and we should insure that we do nothing which would allow any country with our assistance to worsen the situation.

But we ought look for whatever positive steps we can take to help them to improve their situation.

Mr. YATRON. You have posed what I think is a central question. How do we find better ways to improve the situation of the common man in Latin America? Would you care to share with us your answer to this question?

Mr. TODMAN. In many cases, I think human rights problems arise because of the existing disparity in the economic level of the population, because of the conditions of poverty and suffering in some places.

The people who cannot find a way of making a livelihood then seek to improve their situations. The Government, if it is unable to respond then finds it necessary to take repressive measures, and a vicious circle in fact begins.

I think that, to the extent that we can make some contributions to helping to remove situations of poverty or starvation, to the extent we can help governments working on projects that improve the lot of the needy, we will be in fact creating the kind of atmosphere that would be more conducive to a better human rights situation.

Mr. YATRON. Since the FMS credit program was rejected by the Argentine Government, why don't we remove those funds from our foreign assistance budget? Would you care to comment on that, Mr. Secretary?

Mr. TODMAN. Yes, Mr. Chairman. We will be discussing with all of those governments that have said that they are not interested in our assistance exactly what they understand to be included in this. As they

have thought about their initial action, they are beginning to realize that there are some things that they need for the maintenance of their equipment that they would not like to see removed.

We will be talking to them, and, if it is clear that they intended a complete cutoff, then we will certainly make that change. One of the factors to be considered is that 75 percent of the security assistance goes for such things as spare parts for equipment that we have provided previously. If we do not provide those spare parts, we leave them with what will amount to a lot of junk that we have some obligation to maintain in operation.

Another part of it is for noncombat equipment, for trucks and other things that are in fact nation-building equipment and we are not sure whether they really are interested in having these things cut off.

Mr. YATRON. Do you think there is a continuing need for international military education and training program in Latin America? There is a criticism of these programs, which is that the military is being trained to suppress legitimate opposition.

Mr. TODMAN. I don't believe that that is a fair judgment of the purposes for which the military are being trained, and I have enough high respect for our military to believe that the contract that the military of other countries would have with our military should work exactly in the opposite direction. It should help to infuse in them what should be the proper role of the military.

We obviously cannot overcome all the tendencies that they might have, nor can we decide how an individual would respond in any given situation. It may be also that a look should be taken at the curricula of the various training institutions, to be sure that we are not in fact involved in things which might contribute to the sort of criticism you mentioned.

But I think that, as a whole, contact between the U.S. military and the foreign military has been positive and salutary.

STATEMENT OF LT. GEN. HOWARD M. FISH, U.S. AIR FORCE, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE

General FISH. May I expand on your remarks?

Mr. TODMAN. Please.

General FISH. We do examine the curricula carefully to ensure that it meets the very highest standards of American democratic principles. We are not teaching ideology. We are teaching technical skills. But, to the extent that there is any input at all from a philosophical standpoint, it is very carefully examined to make sure that proper democratic principles are supported.

As the chairman probably recalls, there is a specific prohibition in the law against providing any kind of police training or any training to any individual who is involved in civil police activities or to any unit that is involved in police activities.

Mr. YATRON. Thank you, General Fish. Congressman Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. Mr. Ambassador, we welcome you here, and we congratulate you on your new responsibilities. General Fish, we welcome you.

In the congressional presentation document, the international military education and training program in the Canal Zone is described as providing courses that are specifically tailored to meet the training needs of the Latin American countries. Would you please explain for us what the training needs for Latin America are? And also would you provide for us more details on the mission and activities of those schools in Panama, since there has been a great deal of contention with regard to the need for the continuation of those training missions?

Mr. TODMAN. If you would permit, Mr. Gilman, I would ask General Fish to respond to that question.

General FISH. Yes, sir, Mr. Gilman. The training needs are mostly for technical training. Now, I have a detailed listing here that I could provide to the staff, but let me give you just a sampling right from our records as they come right off our computer run of the courses we teach down there.

Mr. GILMAN. With your permission, Mr. Chairman, we might include the detailed list in the record, and, if you would, just give us some examples.¹

Mr. YATRON. Without objection.

General FISH. Thank you, sir. Helicopter repair, landing signal officer, basic jet landing officer for A-4. Communications and electronics staff officer, radio systems officer, rotor/propeller repairman, aircraft electrician, aircraft instrument repairman, motor officer, maintenance management, supply and services officer, armored officer—advanced, command general staff officer, English language training, infantry tactics, aircraft mechanic—jet, personnel management officer. That is the nature, sir. They are typical of those which we would have for any nation that has a military establishment.

Mr. GILMAN. How was that—

Mr. DE LA GARZA. Would the gentleman yield? Either the General or Mr. Todman, I don't find—a very brief statement. I don't find that the Latin American countries object to the training. Is it not the fact that the objection comes from some areas in Panama to the site, that it is in the Canal Zone and it is involved in the overall question of sovereignty, et cetera, but not to the specific training per se?

Now, here in the United States, there is objection that we are training the military to control or deny human rights and so on. Am I correct in assuming that there are two different things?

General FISH. Well, yes, sir. First of all, the Latin American countries that participate in the training at the U.S. Army School of Americas and the Inter-Americas Air Force Academy—that is what we call them down there in Panama—training is provided in the Spanish language—are enthusiastic about it. They have been for many years.

There are what I believe to be totally uninformed, misguided criticisms of people who do not know what the curricula actually are. We have had numerous inspections, and, you know, anyone who really wants to be well-informed on what is being taught would probably be able to set those kinds of criticisms aside, as you point out, sir, that arise occasionally here in the United States.

I think that they have been laid to rest by any objective observer

¹ The material is retained in the subcommittee files.

who has been willing to go down and take the time to see what is actually being taught.

Then, on the point of the Canal Zone itself, I don't think the schools are particularly controversial, but, of course, the zone and our relationship with Panama is, and I defer to Mr. Todman there.

Mr. TODMAN. That is quite correct, and they are concerned because of their interest in what happens to the zone and any activities that occur there. So that, to the extent that they talk about the schools, it would be within that broad framework.

Mr. DE LA GARZA. I thank the gentleman for yielding.

Mr. GILMAN. Is the curriculum developed with the cooperation of the Latin American countries?

General FISH. Yes, sir. Of course, it has, Mr. Gilman, based on a demand relationship, what the demand for the courses is. The demand helps us determine what the course offering should be in any particular period and the size of the classes. And, we have what we call training conferences—meetings with either the U.S. military representatives who are in those countries or with the country representatives themselves, to determine which courses to offer.

Now, that is within an overall grouping of courses, as you know, how many aircraft mechanic courses should we offer this time, not as to the genre or the type of courses, but as to the specific courses.

Mr. GILMAN. And these training programs, I take it, are at the initiative of the Latin American country that wants to participate?

General FISH. It is a mutual agreement among us, and I would say fundamentally it is their initiative as to what will be taught. I am saying that wrong. It is not coming out the way I really want to say it. We work together. We wouldn't teach something because they requested it, if we thought it was inappropriate.

Mr. GILMAN. Are there advantages to having the school in Panama, in the zone?

General FISH. Yes, sir. For one thing, transportation costs are considerably less, to bring the students up. Second, we do it all in the Spanish language. All the courses we teach up here in the United States are in the English language. Really those two reasons—

Mr. DE LA GARZA. Will the gentleman yield?

Mr. GILMAN. I yield.

Mr. DE LA GARZA. General, you have fallen into the same category as all the other generals I have spoken to.

General FISH. I don't know if that is good or bad.

[Laughter.]

Mr. DE LA GARZA. The insistence that we must do the training in Panama because you are teaching in Spanish in Panama.

General FISH. I don't insist on it.

Mr. DE LA GARZA. Why in the dickens can you not teach in Spanish in Florida or Texas or New York or Washington, D.C.?

General FISH. I agree absolutely. You could. I was just offering the point that we set the schools up there originally, probably from a standpoint of centralization. There certainly are conveniences, for the students—they are staying in the local area, which is one that is totally Spanish speaking. So there are some advantages. It is not overriding. I agree with you.

Mr. DE LA GARZA. The military has adopted the policy, it seems like, with which I disagree and challenge, that you have got to teach it in Panama because you are teaching it in Spanish.

General FISH. I certainly agree with the Congressman that it is not an overriding consideration. I would say at this point, the fact that they have been set up there, they are established—they are well established and doing a good job. You know, it would be costly to move them. But the schools could be anywhere, sir.

Mr. DE LA GARZA. It is easier to keep there. That is right. But a plane ride from Venezuela to Panama—you add \$20 more and you are in Miami.

General FISH. I can't challenge that, sir.

Mr. DE LA GARZA. It doesn't cost all that much more.

Mr. LAGOMARSINO. Will the gentleman yield?

General FISH. There are some considerations. My staff points out that Venezuela, for instance, in 1978 proposes to send 10 students there. Panama itself is a large participant in the program, one of the largest; 108 students come directly from Panama.

There are some savings, and, of course, any shift would cost money. That is about the only—

Mr. DE LA GARZA. The savings aren't worth the agitation it is causing by having it there.

Mr. LAGOMARSINO. Will the gentleman yield? Just to pursue this same thing, General, isn't there also the advantage—and I don't know how you would weigh this as against the disadvantages—but is there not the advantage of having the kind of terrain for a certain kind of training that is not available elsewhere?

General FISH. Yes, sir. I am chagrined that I didn't bring that up myself, but, when we are training in tactics, infantry tactics, to the extent that they work field problems, it is, of course, the indigenous terrain, which is useful. And that certainly would apply in those courses. I would have to agree with the gentleman, though, that—

Mr. DE LA GARZA. Will the gentleman yield? What type of terrain do you have in Panama that you don't have in the United States?

General FISH. I am sure you could find some place in the United States where you would have similar terrain. You know, I am not attempting, sir, to make an overriding argument that you have to have it there and no other place.

There are certainly tradeoffs and it could be done, and I would be happy to present a detailed statement for the record of the burdens and benefits of remaining there or leaving, on both sides.¹ I would be happy to do that.

Mr. YATRON. That would be very helpful. We will make it part of the record, General.

Mr. GILMAN. May I have—

Mr. YATRON. The gentleman from New York, the ranking member, Mr. Gilman.

Mr. GILMAN. I thank the gentlemen for their interest. Mr. Todman, what basically is our objective in trying to allow the executive branch to have more fluidity in its arrangements for arms sales to Latin America? What is the most important objective?

¹ See appendix, p. 116.

Mr. TODMAN. I think the relationship with any country is a very fluid thing. It changes from time to time, depending on developments both in that country, in our own country, or on an international basis.

We need to be able to pursue our objectives in accordance with the situation that we are facing. If there is legislation that says "you must do this," then you may find yourself in a bind, being obliged to follow a procedure that might not at that moment bring about the results that you are trying to accomplish.

I think—as long as there is a feeling of confidence between the legislative and executive branches, an agreement on the objectives that we are pursuing and acceptance of the fact that we are going to be honest and straightforward in pursuing those objectives—it is better to leave us with flexibility to use the methods at the moment that are best suited to achieving that.

Mr. GILMAN. By that statement, are you implying some criticism of the human rights doctrine that has been imposed in some of the aid legislation?

Mr. TODMAN. Not on the doctrine at all because I am 100 percent behind the doctrine. I am sorry that we had not been emphasizing it even more before. But sometimes the manner in which this is expressed—a public statement which might bring about irritation and not solve anything, as against a forceful presentation to the government—might be more effective in achieving the goals. Our ability to help with a project that will improve the lot of the needy is another device.

When we are prevented from doing that and, therefore, not making a positive contribution, we may be, in fact, contributing to a worsening of the situation by not being able to make a contribution to its improvement.

A pat on the back or encouraging statement at times to a government which may be a violator, but may at a certain moment be doing some positive things is an example. If you cannot show any recognition for what is happening, if you can't maintain a dialog, if you can't keep some kind of working relationship with the government, you may be removing any possibility of exercising an influence in the direction in which you wish to move.

Mr. GILMAN. Not too long ago, several of the States entered into an agreement, a Declaration of Ayacucho, signed, I guess, in December of 1974. Do you see this as a forerunner of some other regional agreements in Latin America?

Mr. TODMAN. We hope so, and we would certainly encourage any moves at all in that direction. It is our policy to reduce our role as arms supplier. We think it is bad for the Latin American countries to spend too much of their income on this. We understand that sovereign countries have a right to have a military. Once they have a military, they are going to want to make sure that it is modern and reasonably up to date. Even if there is no threat, that is what they are going to do.

We would hope that our role as a minor supplier would permit us to have some influence in getting them to keep these expenditures down, and we would encourage anything that calls for a reduction in armaments in the area.

Mr. GILMAN. Just one final question. In recent months, some of the Latin American countries have expressed that they no longer wish to purchase military equipment or be considered for any aid agreements by the United States.

Do you see these nations moving toward another sphere or influence or developing agreements with other countries for military arms?

Mr. TODMAN. In some cases, this has happened and this has happened even in countries—other than those which have rejected American military assistance. The United States used to be a major supplier, but, as we put limits on the amounts and kinds of equipment that we would sell, they started turning to others. This has put the United States today down in fourth position, behind Italy, behind the United Kingdom, behind the Soviet Union, as supplier to these areas.

Mr. GILMAN. In what position is the Soviet Union?

Mr. TODMAN. I think the Soviet Union is in second place. They have had major sales, as you know, recently to Peru, but they sought to make sales in other countries as well.

Mr. GILMAN. Did you want to add something, General Fish?

General FISH. Just an aside.

Mr. GILMAN. Have there been any supplies by any other major power besides those that you have mentioned?

Mr. TODMAN. Many of the other countries of Western Europe have had some sales also. Israel has had some sales. I don't know if the General—

General FISH. Now I am ready, sir. I have some detailed classified figures that would probably be of interest to the committee.

Mr. GILMAN. I would welcome that, Mr. Chairman, if we could include those in our report if they can be published.

General FISH. Yes, sir. We may be able to generalize them in order not to reveal sources. I think they would be useful.

Mr. YATRON. Without objection.

[The information follows:]

Total defense transfer agreements to Latin America, calendar year 1975-76

Supplier:	Percent
Soviet Union	28
Italy	22
United Kingdom	17
United States	12
Federal Republic of Germany	8
Israel	6
France	5
Others	7

Note.—Total agreements, \$2,500,000,000 (approximate).

Mr. GILMAN. Are there any other major powers included in that list which have not been mentioned?

General FISH. Well, it is Western Europe and, of course, the Soviet Union, which are the major suppliers. There are some others, and I would just as soon, if I could, show it for the record. We will sanitize it. I am a little reluctant to do it right here and try to declassify it myself.

Mr. GILMAN. Do you see, Mr. Todman, the Soviet Union exercising increased influence in South America or Central America at the present time?

Mr. TODMAN. In Central America, no. It is hard to decide how much influence actually goes with sales, but obviously, as there are increased sales, there is a need for technicians. There is also an arrangement for supply of spare parts and thereby greater contacts.

Whenever there are greater contacts, there is an opportunity. I don't see any of the Latin American countries as being interested in having any foreign country, including the Soviet Union, play a major role or exercise a major influence on their affairs. But I would be surprised if the attempt to exert influence were not made.

General FISH. I have had—I can give you right here in open session some information. Italy, the United Kingdom, U.S.S.R., the United States, the Federal Republic of Germany, and France. And I would like to emphasize one point.

Mr. GILMAN. They are all major suppliers?

General FISH. They are all suppliers. When we say "foreign military sales", for instance, we include in that, as the Secretary has pointed out—and I would just like to underline that a little bit—all defense articles and services, maintenance assistance, spare parts, support equipment.

The Secretary is using a general figure, but, with precision, in fiscal year 1976 and fiscal year 1977 arms and munitions only was 17.9 percent of our total supply relationship of defense articles and services was with the American Republics.

We fall into a trap of speaking of arms when over 80 percent of what we are supplying to the American Republics are not things that modernize or expand capability. We only maintain or continue a current capability at a decreasing rate, as equipment becomes more obsolete and more obsolescent.

We are really—I keep all the data because I am the Administrator of the program, although the State Department decides that there will be one or not, and I have the data for the last 26 years to look at, and I do look at it occasionally and in answer to questions over here and in other fora. We have followed, ever since the mid-sixties a policy of unilateral restraint in Latin America. It has been effective in reducing the amount of equipment that has been flowing into that area.

Mr. GILMAN. Aside from the Panama Canal Zone, do we have any troops or bases in any other part of Central or South America or the Caribbean?

General FISH. Guantanamo Bay in Cuba. And that was my aside a little bit ago. There is a very large supply relationship of arms from the Soviet Union to Cuba.

Mr. GILMAN. Yea. Besides those bases, we have no other troops stationed?

General FISH. I am trying to think. My answer is like 99 percent for sure "no". I could see if we have any radio relay stations or satellite tracking stations. We have some in various parts of the world, and I am not up to date on exactly where each one of those is. We could have something of that nature.

Mr. GILMAN. And in which countries do we not have any military advisers in South America or Central America?

General FISH. Advisers?

Mr. GILMAN. Yea.

General FISH. Where are they?

Mr. GILMAN. In which countries do we not have any of our military people?

General FISH. Well, where we have military missions—and, you know, the military missions in Latin America are a different group from any of the ones that we have had around the rest of the world. The reason is that many of these groups exist as a result of treaty arrangements going back to 1922, if I recollect correctly, and they have a representational role as well as one of implementing these security assistance programs.

Having stated that, the countries where we have personnel now assigned and proposed for 1978 are in Argentina, Bolivia, Brazil—

Mr. TODMAN. I can tell where we don't have them.

General FISH. Thank you.

Mr. TODMAN. We have terminated the missions in Costa Rica, in Uruguay, and in Paraguay, and now what we have is a military adviser essentially to the ambassador. We call it an Office of Defense Cooperation. This is in accordance with the security assistance legislation, the Arms Control Act of 1976. And we are now reviewing what we should do about the missions in the other countries and will be presenting the result of our discussions very shortly. In three countries we have already terminated them.

General FISH. Sir, I think maybe I could help the Secretary. We don't have them in Cuba. We don't have them in Mexico or in several of the Caribbean countries. And, the administration's proposed legislation is in front of the committee. It has been offered by Mr. Zablocki. It lists the ones that we want to retain. That has been resolved, and it has come to the Congress.

Mr. GILMAN. Mr. Secretary, in those countries where we do not have any military advisers, are there foreign military advisers?

Mr. TODMAN. In Uruguay and Paraguay, I don't know. In Costa Rica, there is no military.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. YATRON. Thank you, Mr. Gilman. Congressman De la Garza.

Mr. DE LA GARZA. I would just like to clarify a bit. Are you using "adviser" and "military presence" interchangeably? Military attaché at an embassy?

Mr. TODMAN. No. There has been a difference between military attaché and a military mission.

General FISH. The attachés, sir, are observers and recorders. The military missions are military representatives and implementers of our security assistance programs.

Mr. DE LA GARZA. I know the distinction, General. I just wanted to be sure that you knew it.

General FISH. Yes. That is right.

Mr. DE LA GARZA. Before you come to any other conclusion, General, I support IMET and its principle. My only disagreement is that the military is alienating me by insisting that it has to be in Panama.

General FISH. I don't so insist.

Mr. DE LA GARZA. All right, sir.

General FISH. In fact, I think you have raised a good point. Just so you don't misunderstand me, sir, I think it is a good idea to take a good hard look at it and see if it should remain there.

Mr. DE LA GARZA. We make provisions for foreign students at the military academies. I don't know what arrangement it is. I think they pay for their upkeep, but we have exchange and we have periodic exchange when our cadets visit a foreign country and so on.

Ambassador Todman, let me ask you a question. To what extent will the Executive under its human rights policy intervene in the internal affairs of another nation? Maybe giving a case to make it easier for you, five terrorists bombed a department store in Buenos Aires and killed 60 people, and three of them were killed and two of them were beaten in front of everyone who was watching by the police. They were kept without bail and kept at a jail in the suburbs of Buenos Aires.

What would be the reaction of the Executive in a case like that?

Mr. TODMAN. To answer the first part of the question, Mr. Congressman, we have no intentions of interfering in the internal affairs of another country on grounds of human rights or on any other grounds.

We do believe that the way that people are treated in violation of basic human rights—torture, assassination, and so on—are matters that are of international concern, and all of the other countries are with us in recognizing that. This is established in international conventions, both within the framework of the United Nations and the Organization of American States.

There are going to be specific instances in which obviously a police action is one that is responsive to a particular act of terrorism or violence. We do not intend to jump in and make a statement or be involved each time there is an incident.

We are concerned with what the Congress has described—and we agree—as what amounts to a gross and consistent pattern of violation of human rights, not to one or two isolated incidents here and there.

We have no intentions of interfering in the internal affairs of any country on that account or any other account, for that matter.

Mr. DE LA GARZA. May I, therefore, take it that the policy is not one that would give carte blanche to a terrorist to go and harass the government or for subversives to destroy a country?

Mr. TODMAN. You are perfectly right. By no means. We are as concerned as those governments with terrorism because we know the effects of this on innocent people, including Americans. We know that actions must be taken to control terrorism and to stop violence, and we understand that the governments have to decide the most effective way of doing this.

We hope and we urge them, in controlling, combatting these acts, that they do not fall into the same traps of consistently exaggerating and exceeding what would be the normal limits of accepted treatment.

Mr. DE LA GARZA. To what extent—the general might be interested in this question also. To what extent will we go beyond the norm with non-Western Hemisphere nations in reasoning with them, to use a word, regarding arms sales to the Western Hemisphere countries?

Mr. TODMAN. If an arms control or arms limitation policy is going to be effective, it would have to include all of the suppliers, and, as we develop this, we certainly will have to be talking to all of the other arms suppliers in the hope that they can exercise restraint as well. Otherwise, as our percentage falls, as theirs increases, we will not have accomplished anything.

So we would hope to get the other suppliers engaged as well. It is critical, obviously, that the countries in the area themselves agree on the limitation because this is what would exercise the principal restraint. If they can agree that they do not wish to see an expansion, then there would be no suppliers coming in.

But we will be talking to suppliers also.

General FISH. Since you have invited me to make a comment again, I can provide it for the record. I am trying to recall—about five or six—we have testified before other committees on this point, where the U.S. Government, the State Department, has made attempts in the last years, in the last several years, to get something started on conventional arms limitation. And it has not been very fruitful, but the attempts have been made.

[The information follows:]

CONVENTIONAL ARMS CONTROL INITIATIVE

During the period between the 1967 and 1973 Arab-Israeli wars, we sought unsuccessfully to interest the U.S.S.R. in mutual restraint in arms exports to the Middle East. At various times, President Nixon called for mutual restraints in exports to South and Southeast Asia.

At the Conference of the Committee on Disarmament, we have sought to have attention focused on conventional arms problems on a number of occasions including last year's sessions. We have encouraged the development of regional arrangements to control conventional arms with the initiative coming from within the region. We have supported and encouraged Latin American initiatives, most recently the one expressed in the December 1974 Declaration of Ayacucho signed by eight Latin American countries.

Second, I would like to underline what the Secretary said, from our perception. We work with the program. A key is to get the recipient nations to recognize that we are not being patronizing, that we are not being unconcerned about their welfare when we say they should reduce their demands for arms. It is a very crucial thing because they cannot support and do not have efficient arms industries.

There are only two countries in the world that really have efficient arms industries, based upon their own requirements: The Soviet Union and the United States. The worldwide responsibilities of these two superpowers mean that they maintain forces of sufficient size, that efficient defense industries exist.

Even the Western Europeans do not have sufficiently large forces on their own account, which means that they cannot afford to be as discriminant as we can in their arms selling and providing of arms, if they are going to have efficient industries. That makes it a very difficult problem. It is one that we think we ought to be able to work out with them.

This is where you get to the real guts of the matter. They cannot be as discriminant. We can afford to be absolutely discriminant, and we are. But they have the greater difficulty because of the fact that the economies of scale apply.

Now, if you take a Latin American country and many of the other countries in the world, there is no way that they can supply their own defensive needs from their own production lines. They are going to have to purchase them somewhere, because it is totally, economically, nonfeasible for them to have a tank line of their own or a jet aircraft line of their own. This is true in a great many countries in the world.

Mr. DE LA GARZA. Very briefly, Mr. Chairman, Mr. Secretary, it seems nowadays that every politician in Latin America, when he loses an election, immediately runs to the United States where he is received with open arms by some elements in our country, and, I might add, even within the Congress, and is made a hero and/or a martyr.

To what extent does your policy call for action in a situation like that?

Mr. TODMAN. Our policy permits, Mr. Congressman, the free entry into the United States of anyone, whether he won or he lost the election. We have been very careful in an executive branch not to become associated with the losers, not to indicate in any way an attitude one way or another regarding the outcome of an election, which is an internal matter.

But, of course, we have no way of suggesting to private individuals or to our duly elected representatives what attitude they should take with regard to these individuals.

Mr. DE LA GARZA. One last question. General, have we got our antennas off the Swan Islands yet?

General FISH. I don't know.

Mr. DE LA GARZA. Thank you, Mr. Chairman.

General FISH. When I first came up to testify years ago, they said: "Don't forget those three words: 'I don't know.'"

Mr. YATRON. If I may say so, we had the hearings on El Salvador during their elections and we invited both sides to come here and testify. Are you through?

Mr. DE LA GARZA. Yes. Thank you very much.

Mr. YATRON. OK. Congressman Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. First, I ask unanimous consent to submit additional questions to the witnesses.

Mr. YATRON. Without objection.

Mr. LAGOMARSINO. When Congressman de la Garza was asking about criticisms or mentioning criticisms of the training school in Panama, it occurred to me that those who are critical of it might use an example that arises right in Panama itself.

One of the graduates of that school, I understand, is Gen. Omar Torrijo who overthrew a validly elected government. So there is some ammunition for that viewpoint. I don't—

Mr. DE LA GARZA. Will the gentleman yield? General Torrijo graduated from a military academy in another Latin American country.

Mr. LAGOMARSINO. He did not graduate from the Panama Canal Zone school?

Mr. DE LA GARZA. No. He graduated from El Salvador, if I am correct.

General FISH. I would make a point though, because I have had this discussion and I have had a dialog on this, and a colloquy or two in other places. To the extent that there have been coups and countercoups and problems of that nature in Latin America, this certainly preexisted the establishment of our schools. So—

Mr. LAGOMARSINO. Yes; I am being somewhat facetious.

General FISH. I think we have had a positive influence, as the Secretary has testified. I think—we watch it very carefully, I think on balance—and we track our students. We think they have been a source of moderation rather than the opposite.

Mr. LAGOMARSINO. General, you stated a moment ago, something to the effect that our unilateral restraint in supplying arms has been effective in South America and Central America.

General FISH. I think there have been fewer arms there because we have used unilateral restraint.

Mr. LAGOMARSINO. I wonder, have there been less arms totally or just less arms from us? In other words, when you add what we sell plus what the Russians, French, and so on sell, is the total up or down?

General FISH. OK. My judgment is—

Mr. LAGOMARSINO. If we know.

General FISH. It is really a judgment call, and reasonable people can disagree, and the Secretary may disagree. I administer the program. I watch it closely. I believe that many countries in Latin America that come to us for arms—and we turn them down—are reluctant to go into the embrace of the bear. They do not want the kinds of equipment and the supply relationship that they can get with some of the other suppliers. So the result is that they cut their buy back considerably. I think it is effective even though we are the fourth level supplier and there are a lot of arms still going in there, more than we want. But I think that the fact that we have used unilateral restraint has reduced the total. It is a judgment call. That is my guess.

Mr. LAGOMARSINO. I would imagine the Secretary wouldn't disagree with you when you use the word "restraint." I think there is a difference between restraint and cutting off.

General FISH. Absolutely.

Mr. LAGOMARSINO. Once that tie is severed, obviously, if a country is serious about its national defense goal, it is going to get its supplies somewhere.

General FISH. That was the argument I was trying to make.

Mr. LAGOMARSINO. And I fully agree with what the Secretary says in his statement here. I cannot help but observe that that is what a lot of people were saying around here during the last few years when other people were criticizing you and your organization for making the same statement you are making today.

So I don't know what that signifies, but I—even if perhaps some people have changed their minds in the right direction, as far as I am concerned.

Now, I notice one thing. In 1975, FMS orders were \$174 million, almost \$175 million. In 1976, which was a five-quarter year, they were down to \$100 million, under \$100 million. We don't have the figures for the current fiscal year, although I would imagine we have some kind of an estimate. Do you have that?

General FISH. Well, the financing, of course, that we are asking for is \$140.5 million.

Mr. LAGOMARSINO. That is for 1978. What about 1977?

General FISH. The financing for 1977 is \$170 million, but that doesn't answer your question, sir. I probably have it. If you will let me fumble for a moment through my book here. I think I can find that particular detail.

The estimate of FMS sales—I have the—do you have a number there? I can provide that for the record, sir. I just have difficulty—I have it for each country, but I don't have it summarized for the whole region.

Mr. LAGOMARSINO. Would it be, in your offhand opinion, subject to correction, over or under the \$100 million of the year preceding?

General FISH. Somebody has come up with something. Let me examine this. I have got the answer now. Total sales in 1976 were \$78 million. That does not include \$20.8 million in the transition quarter. In 1977, we estimate that they will come out at \$106.8 million. And we are estimating now that they would be larger for 1978. I hasten to say, when I say that, the reason—now, you have got to be careful with this because, you know, in all of these there is inflation. There are inflationary pressures. It doesn't necessarily mean that there would be more in real terms. Almost everything goes up.

Mr. LAGOMARSINO. I understand, but I am somewhat confused about the two different sets of figures. The ones in the Secretary's presentation were different than the ones you gave.

General FISH. I think he was talking about financing, sir, rather than total sales.

Mr. LAGOMARSINO. He was talking about new orders.

Mr. TODMAN. There is one thing. For 1977, we have some authorization, for example, for Argentina which we have not yet signed and we have said we would not sign unless there were an improvement in the human rights situation. That would be deducted.

Mr. LAGOMARSINO. It would appear in any event that the orders will be an increase over at least last year.

General FISH. Yes, sir. Secretary Todman did furnish a statement to us. I am giving you a figure out of the presentation document, the congressional presentation document. We should have caught any mistakes. It would be my error, if the figures are wrong. The figures I gave you in the congressional presentation document are the correct ones.

Mr. LAGOMARSINO. Mr. Secretary, I know from your statements on human rights and the speech you made when you were sworn in the other day, at which I had the pleasure of being present, that you are deeply committed to human rights, as the President and as, I think, all of us are.

But I gather that you are somewhat concerned as to how we as a country present our concern about human rights to the various countries that we feel may have some problems along that line. Is that a correct assessment?

Mr. TODMAN. That is a correct assessment.

Mr. LAGOMARSINO. I share your concern about that and I think the situation with regard to Brazil, for example, might be a very bad example of what might happen. Hopefully, it will not.

The General said a moment ago that Latin American countries don't have the capacity to furnish their own arms, but I note in the presentation document that Brazil is a notable exception to that. The presentation document says:

In addition, Brazil is developing a considerable indigenous capability as an arms producer and has emerged as a competitor with the United States for the export of armored personnel carriers to Canada.

When this subcommittee was in Panama several weeks ago, some of us at least heard the great concern of some of the Panamanian business leaders—not that we heard this from government leaders particularly—a great concern about what might happen should Brazil go on the course that it seems to be talking about; namely, to effect a

closer relationship with the Soviet Union because of its growing power and its growing population. It has apparently announced the intention to be another West Germany or Japan in South America by the year 2000.

So I do share your concern. I would hope that, with the different spirit that we have here this year than what we had last year, less of a spirit of confrontation, we can look at some of these problems realistically and try to work out solutions that will not only help human rights, but which will preserve our interests as well as that of our allies in the countries involved.

With regard to Panama, in the presentation document—and I won't go into the whole thing. It is there. I get the impression that we are saying—and I didn't have a chance to compare the analysis of human rights in Panama with any of the other nations. I will do that. But I get the impression that, at least insofar as our official position is, that we aren't all that concerned about human rights in Panama.

Yet, in the survey of freedom done by Freedom House in 1976, in ranking of nations by political rights, Panama is listed in the least free category. It is also listed in the second-to-last free category of ranking of nations for civil rights.

The presentation documents indicate that most of the violations of human rights occurred prior to 1972, but this is a 1976 document. Could you explain the apparent discrepancy?

Mr. TODMAN. In our presentation, Mr. Congressman, we were focusing primarily on patterns of gross and consistent pattern of violations. I am not sure exactly what factors went into the evaluation of Freedom House, but I don't think that it would justify that classification on the basis of gross and consistent violations of human rights, because that would not be true for Panama.

Mr. LAGOMARSINO. Well, they have another category here where they predict what the future will be, the outlook, and the outlook for Panama is zero, which means "unchanged".

Mr. DE LA GARZA. Will the gentleman yield? Who is the author of that publication?

Mr. LAGOMARSINO. This is the same one that is cited by the Department. It is Freedom House. Freedom House describes Panama as not free. So they obviously look at this. They just came up with a different conclusion.

Mr. TODMAN. We looked at that. We look at all evaluations that are made. But our conclusions are not always the same.

Mr. DE LA GARZA. The gentleman didn't answer my question. Who wrote the thing?

Mr. LAGOMARSINO. Raymond Gascal, director of the survey. Let us see. There is one—I am trying to find here something. There is a statement:

The noteworthy exception in recent years occurred when 14 participants of the January 1976 political protest and 3 persons who allegedly fomented riots in September of 1976 were exiled.

We were led to believe by people who said they knew what was happening that 11 of the men were exiled about a year ago which I guess would be in September.

Mr. TODMAN. Yes. That is the one.

Mr. LAGOMARSINO. And also American citizens were detained—under circumstances that would appear to be illegal, judged by any standards, perhaps since this was written.

Mr. TODMAN. Yes. We did have a leader of one of the unions who was detained.

Mr. LAGOMARSINO. Mr. Drummond.

Mr. TODMAN. Exactly.

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

Mr. YATRON. Peru is receiving some \$20 million in aid assistance in this year's proposal. On the other hand, your congressional presentation book indicates that Peru has significantly increased its defense expenditures.

How can we justify giving them aid assistance when we see them using their own resources to buy military aircraft from the Russians?

Mr. TODMAN. One of the factors that we always consider in whether we are going to give assistance is to what extent is the purchase of military equipment taken away from development expenditures. And we look to see if this is a significant amount.

In the case of Peru, despite these purchases, it was our judgment that a significant amount is not being taken away from development activities for these purchases, which is why we decided to continue it.

Mr. YATRON. Thank you. Mr. Secretary, your most recent experience has been as Ambassador to Costa Rica. Can you tell us why in your judgment we are not providing any security assistance funds for that particular country?

Mr. TODMAN. Costa Rica has decided that its best defense is a well-educated population that is participating fully in the democratic processes of the country. It has decided that it does not need a military establishment in order to defend itself. It is a strong supporter of the Inter-American system on the grounds that, if it is ever attacked from the outside, this system will come to its defense. And, therefore, it has no need, and I just wish that that approach could be taken by more countries.

Mr. YATRON. Thank you, Mr. Secretary. Congressman Gilman, do you have any additional questions?

Mr. GILMAN. Thank you, Mr. Chairman. Mr. Secretary, what effect will Brazil's decision to reject our assistance have on our bilateral relations, both politically and militarily, and what effect does it have on our mutual defense policy?

Mr. TODMAN. Right now we are in the process of beginning to talk to Brazil about the total nature of the relationship, in the hope that we can minimize the damage from the misunderstanding over the human rights question.

Perhaps even more significant in our relations is the difference of opinion over nuclear energy because, while we sympathize fully and will do everything to help Brazil to develop its energy needs, including through the use of atomic energy, we are very much concerned that this does not lead to proliferation. While Brazil shares the same objectives, it would like to approach it in a different way.

So I think these things have combined to bring about the reaction that has occurred. We are hoping—and I am sure the Brazilians share this hope, as indicated in the statement by the President

just 2 days ago—that, despite the differences on specific issues, we will not let our overall relations be damaged. We share that approach completely and will try to continue working on the areas where we have agreement and try to resolve the disagreements in the other areas.

Mr. GILMAN. Mr. Secretary, while I recognize that the basic purpose of your appearance here today is to discuss the security assistance program, do you have any general reflections about where we have been and where we should be going with OAS and our involvement with the OAS?

Mr. TODMAN. The OAS is one of the oldest of these regional organizations, has played a very important role, particularly in the peacekeeping field, and has been a very valued forum where we have been able to meet with the Latin Americans to discuss matters of common interest. I would hope that, during this administration and in the years to come, we can find ways of strengthening the Organization so that it can function in accordance with the needs of the modern world and the changing times, to our mutual interest. We will certainly work to that end.

Mr. GILMAN. Is there anything specifically that you would care to recommend to the Congress with relation to OAS or would you like a little more time to review that?

Mr. TODMAN. I really would like a little more time.

Mr. GILMAN. We have often been accused of benign neglect in Latin America. Do you have any general recommendations to our Committee with regard to some of the areas that need greater attention?

Mr. TODMAN. Yes. Well, one can take the entire area, as a matter of fact, because we have not been as attentive to Latin America in the past as we might be. The Caribbean is one area that does concern us very much. And I am particularly pleased that members of this committee did go to Panama to show an interest in the area and to inform themselves at first hand. I was very happy to receive you, Mr. Congressman, in Costa Rica.

Visits like this, I can assure you, help us greatly by letting these countries know that we are interested in them, that we are concerned about their problems, that, even when we are not providing the amount or kind of assistance they need, that we do sympathize with what they are going through.

I think that, to the extent that Members of the Congress and this committee particularly can become more involved in a personal way through visits and through meetings with leaders, it will help greatly because you will then be better informed directly from them about what the problems are and how we might interact.

Mr. GILMAN. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. YATSON. Thank you, Mr. Gilman. Congressman de la Garza, do you have any final questions?

Mr. DE LA GARZA. General, do you have a breakdown as to what our military assistance—Do you have a breakdown as to what is purely an offensive weapon or what we sell that can be used in, for example—in Latin America, practically the only source of assistance in flood or earthquake, et cetera, is the military. Now, to what extent does this program involve itself—equip them for those internal domestic non-military actions?

General FISH. There is a significant portion of this program which could be called civic action and nation-building, and I believe that is the term that the Secretary used, in terms of trucks, transport aircraft, things of that nature.

The arms and munitions part for the American Republic for fiscal 1976 and fiscal year 1977 was 17.9 percent, but then there was also a significant part that was spare parts for those kinds of equipment, and that is about 25 percent worth of spare parts.

I can give you probably a better handle on that, but that gives you a feel, sir. The term "offensive" and "defensive" sometimes give people in the military difficulty because there are very few weapons that really, truly can be defined as one or the other. There are a few, like an antiaircraft system that you have around a fixed installation, which is fairly, you could say, defensive.

Mr. DE LA GARZA. What I mean is that you don't need a rocket launcher to go help in a tornado.

General FISH. That is right.

Mr. DE LA GARZA. So that is the breakdown that I—

General FISH. And I think there is another thing that probably, knowing the new arrangement of the committees now, where they have the regional committees taking a functional responsibility—that a couple of definitions are helpful.

You know that what amounts to grant aid in this program is some \$8.9 million for the totality of Latin America. That is both IMET and the program of phasing out some of our own grant material program.

Now, the credit financing is a cost of money to the U.S. Treasury, fully repaid. It is philanthropy to the same extent as a banker that lends you money on your car. We have never had to pay a single penny out in default in the 26-year history of the program.

The reason I bring that up is because I think there is sometimes a certain amount of confusion as to how much leverage we have, when really the money is going—is an obligation for the foreign government to completely repay it, cost of money to the U.S. Treasury, current interest rates. The actual giveaway program is less, as I say, less than \$10 million for the totality of Latin America.

Mr. GILMAN. Just one more question, Mr. Chairman, if the gentleman has completed his questioning.

Mr. DE LA GARZA. Thank you.

Mr. GILMAN. With relation to the countries you have indicated as rejecting U.S. assistance, is it your recommendation that these authorizations remain, or should they be at this point eliminated from the budgetary request? I am sure that in the full committee that question will be raised.

General FISH. I thought the Secretary answered very well.

Mr. TODMAN. We will be discussing with the countries to be sure that we both understand what it is they are asking for, and, if it is quite clear that they do not wish anything, we will recommend it be eliminated.

General FISH. Of course, there is a point, sir. We participate in these decisions and make our recommendations. It obviously—if they are appropriated, they don't have to be spent. Every year, credits that are arranged by the Congress, you know, passed by the Congress—there are some that lapse. We don't spend everything we get.

But, since you are painting a moving train, I think that the State Department needs and the administrators of the program need the leeway to be able to work the problem downstream. The legislative process being what it is, once you say: "Let us take it out of the program," there is no way to work any solution until the next legislative season.

Mr. GILMAN. I assume these differences—

Mr. TODMAN. I have no problems with that, frankly. If we agree that they don't want it and they know clearly what they are asking for, I think it ought to go, and that is the direction in which we will move.

Mr. YATRON. Mr. Lagomarsino, we have time for one final question.

Mr. LAGOMARSINO. That is all I have, one final question. Mr. Todman, we talked—I don't know what you talked about when I was gone, but we talked about this earlier. Some of the other countries—Argentina, for instance—that have apparently said they don't want our military assistance this year, I guess because of the report made by the State Department as required by Congress. However, as I understand it, that was not the situation with regard to El Salvador. What is your understanding of the reason why El Salvador refused the rather small amount of military aid we had programed for it?

Mr. TODMAN. El Salvador has said specifically that they thought discussion of its elections—

Mr. DE LA GARZA. In this committee.

Mr. TODMAN [continuing]. Was unwarranted interference in its internal affairs, and that was the reason it was not—

Mr. LAGOMARSINO. The congressional discussion.

Mr. TODMAN. That is right.

Mr. LAGOMARSINO. I might say for myself at least that I join El Salvador in its concern about how far Congress went in that particular action. At the time that the State Department officials testified, I asked for and have not yet received an analysis of the voting practices in all of Central and South America with regard to how they might comply with article 21 of the Declaration of Human Rights. I think that would be most instructive.

It wasn't this subcommittee that was concerned. I hope it will be instructive to that subcommittee in inquiring into election procedures in that part of the world.

Mr. TODMAN. I will see to it that you receive that.

Mr. LAGOMARSINO. Thank you.

Mr. YATRON. Thank you, Mr. Secretary. This concludes our hearings on the aid authorizations for fiscal 1978, and I have been very impressed with your knowledge and responsiveness and that of your colleague, General Fish.

There may be some additional written questions that we would like to include for the record, and I will convey those to Mr. Lion within the next few days.

I want to say thank you again, gentlemen, for being here with us today, and I look forward to working very closely with both of you in the future.

General FISH. Thank you, sir.

Mr. TODMAN. Thank you very much.

Mr. YATRON. The subcommittee is adjourned.

[Whereupon, at 11:25 a.m., the subcommittee adjourned.]

APPENDIX

PROSPECTUS FOR THE CREATION OF AN INTER-AMERICAN
FUND FOR EDUCATIONAL DEVELOPMENT

Prepared by Burchmarks, Inc. in behalf of the University of Notre Dame

I. GENERAL

A. Name and Nature of Organization

The Inter-American Fund for Educational Development will be an international non-profit, non-governmental organization created with funds presently available in the Social Progress Trust Fund of the Inter-American Development Bank and not committed to other institutions such as the Inter-American Foundation. It will be incorporated in the United States, a Latin American country, and a Caribbean nation. Its headquarters will be in Bogota, Colombia.

The Fund will have a Board of Directors consisting of internationally recognized leaders in U.S. and Latin American educational circles. The Board will be selected by an organizing committee of educational leaders appointed conjointly by the IDB and the U.S. government. It will work primarily with private institutions in the field of education, in close coordination with national governments' efforts to improve the quality of education and increase educational opportunities.

The Fund will be an independent and autonomous institution subject only to the Board in its operations, grant-making activities, and other initiatives in support of its objectives. However, the Fund will report to the IDB and to the U.S. government information deemed necessary by them to form an evaluation of its performance and effectiveness.

B. Purpose

The purpose of the Inter-American Fund for Educational Development will be (1) to make Latin American educational institutions more responsive to the needs of development; (2) to make them more accessible to prospective students and to increase educational opportunities; (3) to improve the quality of instruction in Latin American educational institutions.

Top priority projects for the Fund will be new forms of basic, technical, and post-secondary education. The Fund will investigate promising ways in which educational technology and innovations can serve each of the priority areas. The operating style of the Fund will be people to people, as it works primarily through private agencies. It will aim to be a leader in promoting diverse and creative ideas for reaching more people with better quality education. It will make grants for development of pilot programs and instructional materials, training, information dissemination, applied research and technical assistance.

C. Funding

The Fund will be endowed with national currencies available for commitment from the Social Progress Trust Fund which have not already been committed by the IDB to other institutions. The Fund will become an international, multi-lateral private counterpart of the Inter-American Foundation in programming SPTF funds. This is a natural division of labor in that the Inter-American Foundation (IAF) does not fund programs in the fields of priority interests to the proposed fund. It will also be empowered to receive contributions from other institutions.

D. Mechanism for Latin American-Wide Impact
of National Currencies

The Fund will make use of SPTF national currencies in their country of origin. It will make grants for technical assistance, applied research, training, information dissemination, development of pilot programs and instructional materials to institutions in countries where the funds are available. However, the reach of the activities of these institutions will go beyond national boundaries in that cooperative programs at the regional and subregional level will be stressed. In fact, these activities will have a relevance and effect throughout Latin America and in the United States. This is especially true in the case of shared educational technology, materials, workshops, and technical assistance programs.

The Fund will make grants primarily, but not exclusively, to private education agencies in Latin America. This will include universities, research institutes, social service projects sponsored by private organizations, consulting firms, and governmental R & D departments. The Fund will also consider a special scholarship program capable of aiding individuals who wish to mount projects of importance.

Before making grants, the Fund will commission a thorough inventory of educational institutions, resources, and knowledge so as to avoid duplication of effort. In the process of conducting such a survey, the foundation will become familiar to prospective grantees and discover ways of providing cooperation and interchange in the region.

E. The Need for FIDE

The need for an Inter-American Fund for Educational Development (hereafter referred to as FIDE, Fundacion Interamericana para el Desarrollo

Educacional) arises from a response to the anxiety of numerous members of the academic and educational community of the United States and Latin America who are aware of the enormous task which faces the developing countries of the hemisphere in the field of educational development and human resources.

These persons are aware that the integrated development to which the people of the hemisphere aspire requires concerted action of national and international efforts in both the public and private sectors. For this reason, the Fund is being proposed as a joint effort of Latin American, U.S., and Caribbean educational institutions.

This broad conception of development is also what spurs to action various international and inter-American mechanisms for financial assistance, such as the Inter-American Development Bank (IDB), and, specifically, the Social Progress Trust Fund (SPTF).

Education is basic to the progress of any society at all stages of its evolution. Whether education leads a society toward constructive change depends in large part on the range and quality of new ideas that its best thinkers produce. Centralized systems of education may fail to allow sufficient resources and freedom to foster diversity of thought and creative advances in the field of education. By working through the private sector, the Fund will carry out the important function of supporting individuals whose talents could not be fully utilized and expressed through the central system. There is a reservoir of trained people who were formerly productive workers within the national system but who are now without constructive channels for their energies and creativity.

F. The SPTF and Educational Goals in the Hemisphere

The SPTF was born in the 60s as part of an important regional effort to achieve rapid development. The Charter of Punta del Este (1961) had as its objective to "carry out a great cooperative effort to accelerate the economic and social development of the participating countries of Latin America," in such a way as to provide the benefits of economic and social progress to all social and economic sectors. The field of education was emphasized.

The Declaration of the Presidents of America, signed in 1961, declared emphatically that education is an area of high priority in the policy of development of the countries of Latin America, adding that:

- It is necessary to increase the efficiency of the national efforts directed at education;
- The educational systems should be better adjusted to the needs of economic, social, and cultural development; and
- International cooperation in this area should be greatly intensified.

The Presidents agreed to promote qualitative and quantitative action in the field of education.

In 1971, UNESCO sponsored the "Conference of Ministers of Education Responsible for the Promotion of Science and Technology in Relation to Development in Latin America and the Caribbean." At this conference, the Ministers declared that two objectives, intimately related, should motivate the educational actions in this decade: the democratization and the "renovacion" of the educational system. "Renovacion" (perhaps best translated as "renewed") is conceived as qualitative change in the structure and the

content of the educational process in order to meet the requirements of Latin American societies and the aspirations of their peoples in an era of rapid evolution. Democratization refers to increasing educational opportunities to as many persons in the society as possible, especially the lower and middle-income groups.

How might the Inter-American Fund for Educational Development play a unique role in achieving these objectives?

Qualitative changes require expenditures for demonstration projects, retraining, new materials, evaluation and research. These activities require funding not always available to established educational systems--especially the private systems of education. The quantitative expansion of educational institutions undertaken in the 60s has slowed in many parts of Latin America. However, this does not necessarily signify that scarce resources will now be redirected toward improving the quality of instruction. Education budgets are made inflexible due to fixed costs of teacher salaries and building maintenance. Furthermore, many governments have reached the limit for education spending--other sectors such as health are competing for attention.

Even if governments did have access to funds, from taxation or from loans or grants, FIDE could play a vital role in promoting more diverse, innovative and creative approaches to qualitative change. A comparable role has been played in the United States by private philanthropy which leads the way in funding projects that our government, burdened by the problems of maintaining the existing system, could not contemplate. Nevertheless, innovations sponsored by foundations such as Ford and Carnegie

have been widely adopted. FIDE could exercise this kind of creative leadership by supporting the private sector.

Small private organizations are not easily funded by government-to-government agencies such as AID or the IDB. The U.S. Congress recognizes the value of working with dynamic, non-government groups who are close to the target audience and has urged AID to increase funding to PVDs (private voluntary organizations), yet administrative difficulties have prevented AID funding from growing to significant levels.

G. Guidelines for Programs

Action based on the creative activity of North American and Latin American scholars, intellectuals, and educational technicians as promoted by the proposed Inter-American Fund for Educational Development would be guided by the following principles.

1. The action should be centered on qualitative aspects of education, i.e., on improving the quality and effectiveness of training programs rather than "mortar and brick" projects.
2. It should have positive effects on the development processes in the countries of the region.
3. It should be based on specific programs with a high multiplier effect.
4. New forms of learning should be found, identified, and applied to permit better quality education.
5. New technologies which have been developed in the educational field should be experimented with and adapted to the realities of Latin American education.
6. Priority should be given to programs aimed at improving educational opportunities for the poor majority.
7. Demonstration projects should have the potential for wide-scale replication.
8. Activities which have an impact on basic, technical, and post-secondary education will be considered for fund grants.

9. The cooperation of non-conventional institutions and programs for increasing access to higher education should be sought.
10. Programs which respect the differences among students in regard to learning capacity will be supported.
11. Various activities (including research, publishing, and curriculum development) will be carried out which promote useful contributions to existing systems of conventional education and emphasize improvement of the quality of existing systems.
12. Projects involving international advisors and technicians should attempt to foster equality and collaboration with host country nationals. This means genuine participation in project planning, implementation, and evaluation.
13. Projects should have the effect of establishing the capacity of Latin American institutions to carry on the work when FIDE funds have expired.
14. Projects should explore avenues of receiving input from representatives of the cliental group.

II. PROGRAM AREAS

As mentioned earlier, the Fund will focus its attention in three program areas:

Basic Education
Technical Education
Post-Secondary Education

In the remaining pages, reasons for selecting these areas will be reviewed and illustrative suggestions of projects which might be supported by the Fund will be offered. A final section will describe how educational technology might be applied to all three program areas.

A. Basic Education

There is a growing recognition that a population equipped with a basic education is prerequisite for broad-based national development. Experience from the Second Development Decade has shown that the benefits of high-level graduate training do not "trickle down" to the poor majority.

"Basic education" refers to those skills and attitudes by which one can cope with the minimum requirements of participation in modern society. Basic education skills include reading, writing, and computing in everyday situations such as applying for jobs, shopping, and following instructions. Basic education attitudes revolve around a scientific approach to problem definition and solution. A "scientific approach" is one which attempts to explain such things as one's health and the size of the corn crop in terms of rational causes, rather than mysterious, uncontrollable forces. Coupled with scientific thinking should be the fostering of cultural pride which leads to independent thought and expression.

The problems of providing basic education can be viewed at several levels. Every country has citizens who are unreached by formal education or who are only superficially affected by it. Ways must be found to increase educational opportunity for these groups. This is the first, most basic, level of the problem.

Then there are those who receive training in basic skills, but who lapse into functional illiteracy due to lack of practice in those skills. New encouragements to learning are needed to prevent the wastage represented by lost knowledge at this second level.

A third level is made up of those who may have been successful in the formal school system, passing all primary grades, but who find themselves unsuited for any work and unable to apply the half-learned skills. Even in the United States, some 40 percent of adults cannot compute unit prices, a skill basic to shopping in U.S. society. Innovations are needed to make education more practical.

Finally, the minority which does achieve basic competence often lacks the opportunities or the frame of mind to pursue learning after graduating from primary school. We need to provide students with the desire and ability to be independent, life-long learners.

These shortcomings in the educational system translate into social equity problems. In several countries, literacy is a prerequisite to suffrage. Lack of participation in the political process can lead to extreme imbalances in the distribution of resources in favor of the enfranchised groups. The poor majority in Latin America has yet to engage fully in the economies and political systems of their respective countries. Suffrage would be a modest first step.

1. Approach to the Problem

Primary education has been expanding rapidly for the past twenty years. The percentage of the world's population which is illiterate has declined slightly, but, due to population growth, the absolute number of illiterates has increased. The vast millions of out-of-school youth became the target of mass literacy campaigns during the 50s, which in turn led to the World Experimental Literacy Project sponsored by UNESCO. New methods of teaching were tried which linked learning of job skill information with learning the ABCs. From this experience, educators have gained a profound appreciation for the difficulty in spreading literacy. Some have even turned away from literacy as a primary goal, relying on non-written media, such as radio, to spread information that can directly be applied to improve the quality of life for the poor majority.

While governments will continue to rely on the formal school system as the major source of literacy training and basic education, it is also

true that a widespread effort is underway to reach the less educated masses through various forms of out-of-school education. Thus, FIDE will operate in two major spheres related to basic education. The first is in the promotion of innovations which can improve the quality of instruction in the existing primary school systems. The second is the demonstration and testing of new ways of reaching out-of-school populations. These two spheres--formal and non-formal--should not be viewed as mutually exclusive. The Fund will encourage cooperation between the formal and the non-formal sectors. For example, community education, which means the expanded use of school staff and facilities to serve the educational needs of all age groups, could be supported and studied.

2. Working with Private Agencies in Latin America

In Latin America there exist agencies in the private sector which could use FIDE funds to further their innovative projects and to start new ones. A recent survey, by CEDEM in Colombia, found that over half of the non-formal education projects in that country were small (less than \$25,000 budgets) and run by private agencies. Existing international aid institutions would find it administratively difficult to support such efforts in non-formal education. FIDE, a people-to-people foundation, could respond more quickly and easily than the government-to-government types of funding agencies.

CIDE in Chile, and ALER in Argentina, are two examples of private agencies which could use FIDE funds to improve education and the quality of life in Latin America. CIDE is a private consulting group composed of Chilean intellectuals committed to bringing improvement and constructive

changes in the Chilean educational system. Their previous projects have ranged from developing math curricula for primary schools to training rural parents about health care of their children. ALER, based in Buenos Aires, is a technical support organization for member radio school systems throughout Latin America. The staff now is small and can provide only a bare minimum of services to its members. FIDE funds in support of ALER could have high leverage on the continent given ALER's potential to reach across boundaries with useful information about the use of radio.

3. Program Possibilities in Basic Education

The Inter-American Fund for Educational Development will make grants which improve the quality and availability of basic education for the poor majority. The intention of these programs is to promote national development. This will mean using the talent pool of Latin American intellectuals and technicians to serve the needs of the poor majority.

What follows is a list of activities which illustrate the types of projects which would qualify for FIDE grants in the field of basic education.

1. To support projects which make use of school staff and facilities for non-formal education
2. To design materials and programs which use the concept of peer teaching
3. To promote the involvement of parents in children's school work
4. To design basic education curricula geared toward employment
5. To develop competency based measures for basic education
6. To design equivalency exams for non-school basic education students

7. To support projects which combine work and study
8. To define actual needs in different countries
9. To identify the key characteristics of rural dwellers who have improved the quality of their lives without going to the city
10. To conduct policy research on such issues as the cost effectiveness of formal education versus non-formal education
11. To study methods for developing the scientific mode of thinking
12. To apply educational technology to the problems of basic education
13. To conduct an inventory of Latin American projects, curricula, and resources in basic education
14. To encourage efforts using paraprofessionals and volunteers
15. To establish a clearinghouse for information on basic education in Latin America

B. Program Area: Technical Education

The second program area for FIDE is technical education. By technical education we mean planned programs to impart skills for specific jobs. It is often referred to as vocational education or job training. Technical education is considered a FIDE priority for these reasons:

- . Impending, accelerating economic-industrial growth
- . Too few trained, skilled workers
- . Entrenched educational policies
- . Unproven vocational training establishments
- . A significant brain-skill drain to the U.S.
- . Elite professional classes, protected by custom and licensing practices
- . Over-production of some categories of professionals

- . Masses of school dropouts troubling the cities and depriving the rural areas of much future talent
- . Little access for the average person to vocational counseling and training; no help in getting jobs
- . Insufficient awareness of, orientation to, the demands of the workplace: safety, production, discipline, proper work habits, confidence, ability to learn new skills quickly
- . A basic lack of skilled tradespeople able to move into developing sectors of the economy

Despite these problems, there are hopeful signs. Developments in technical education which have recently occurred outside the region might well be adapted in Latin America. These developments include:

- . As part of a trend toward making technical education programs accountable to their students and supporters, active job placement is becoming a part of post-secondary vocation programs.
- . New certification schemes are being developed.
- . American vocational education is becoming increasingly learner-centered. This harnesses the active participation of the learner in ways undreamed of in traditional vocational tracks.
- . The concept of the Specially-Oriented Student (SOS) is becoming accepted. Traditionally, vocational students have been looked down upon, seen as second-class students. Today we realize that there are just some types of people who choose to specialize early in life and that this is appropriate for them. Vocational students are no different from the young persons who at an early age opt to become doctors. Such students know what they want to do in life and they want intensive job-oriented training to get it.
- . There is growing understanding of the limits of a liberal arts education. Many young people are hurt by packing them off to academic institutions when some other kind of education would have been more appropriate. Latin American countries should critically appraise their higher education planning. Alternatives such as lifelong learning and vocational training could save countries from creating an over-educated and under-utilized elite.

- . In the last ten years, effective methodologies for evaluating vocational education programs have been developed. There has been very little use of this evaluation in Latin America.
- . Vocational training must use appropriate technology. It is important that Latin America develop its own capabilities in this area and not depend upon high technology that it cannot really afford or fully utilize.

1. Approaches to the Problem

Concerning technical education in the Third World, it is important that in the early thinking, all the possible questions be asked. Government organizations tend to be "can-do" operations, with a natural bent for large, simple projects. They tend also to have difficulty with small people-based, service-type projects. People and learning cannot be programmed to be quite the extent of housing starts, concrete poured, and square feet laid up. Governments all over the world have had difficulty in building and administering technical institutes. The history of these projects has been one of incorrect initial programming, overbuilding, and lack of contact with the actual job market. They have not worked in many cases.

This sober analysis is meant to highlight the need for new ideas and change. There are not many successful models to choose from in the developing countries. Technical training, unlike ordinary liberal arts education, is a fragile process. Expensive teachers, equipment, buildings, and administrators will not buy success.

Therefore, from the beginning, we must look for a technical education system that works. And this is possible.

One approach is a "cluster-school" format, with most administrative functions de-centralized into the constituent schools. These schools should

be kept small and personal. They should run on their own budgets, with their own managers being held to the bottom line. The creation of monumental establishments is to be avoided. The key to flexibility is smallness.

In technical education, as in other fields, appropriate technology is the most important thing. The country's manpower needs will be fluctuating, with new demands being felt constantly, while earlier training programs will have to be changed as demands for their graduates lessen. The schools should be built to expand and contract and adapt to new needs. Only with small units can this be accomplished.

An eclectic operation is recommended. Various approaches need to be used, letting the final identity of the school develop organically from the experience of many hands. The final school should be truly appropriate to the country.

Thirdly, a wholistic approach is required for the success of any people-based institution. Here are essential elements of such an approach.

1. job development
2. learner-centered training established
3. recruitment
4. student selection
5. intense skill training
6. remediation
7. counseling and support
8. job placement
9. up-grading graduates
10. feedback and change

This is a full, complex system. Take out any individual item and effectiveness diminishes.

2. Guidelines for Programs in Technical Education

The Fund will use the following guidelines when selecting projects related to technical education.

- . to identify and support proven or promising post-secondary vocational efforts, particularly those outside the mainstream;
- . to support diversity (and competition) in the training establishment;
- . to support equity (racial, age, and sexual) in vocational education;
- . to create local and national discussion of alternative vocational education proposals;
- . to help significantly in the creation of new pools of skilled workers and technicians;
- . to relate technical training programs to actual needs in the job market.

3. Program Possibilities in Technical Education

1. Support small business schools utilizing existing in-country capital sources.
2. Provide support to hospitality training centers to help create new systems of small inns, on the same basis as Ireland, Jamaica, and Yugoslavia.
3. Support the development of health and nutritional training centers that teach, with modern materials, generic health skills, and that allow for future personal development on the part of the trainee.
4. Support existing training centers and add on new courses of trade education in these existing schools. It is not always necessary to create new programs.
5. Work with successful American, European, and Latin American trade schools.
6. Support accrediting which can bring a high level of technical assistance and proven training methods to Latin American vocational training settings.
7. Organize existing vocational training institutions and interest groups into self-improvement organizations or peer accrediting groups. American vocational accrediting organizations could provide technical assistance in this effort.
8. Help countries to formulate appropriate national plans, legislation, and regulations for vocational education programs.

9. Organize publicized seminars and dialogues in each country to devise training programs appropriate to the separate countries. Representatives from each concerned sector (educators, students, employers, unions, etc.) could speak their positions for the record.
10. Bring selected vocational educators to model vocational schools for in-depth experience in efficient school management.
11. Establish some vocational teacher training programs.
12. Inventory the existing vocational training structures including apprenticeship programs, public and church vocational schools, industry-based training schemes, proprietary schools, military vocational schools, correspondence schools, formal on-the-job training programs and union-based programs. The objective would be to discover how, in fact, people are getting their vocational training now and whether or not it is appropriate to the job markets.
13. Initiate career education programs in selected countries and settings, i.e.,
 adult career education,
 career education for women,
 career education in the urban setting,
 rural career education.
14. Establish job development councils with employers and economic planners.
15. Establish schools or programs to identify potential entrepreneurs, encourage them and give them practical skills to help them to succeed. Such training programs have proved to be successful.
16. Develop training schemes for vocational skills involving appropriate technology in cooperation with AID's Office of Appropriate Technology.
17. Establish technical development center for mobile schools.
18. Develop a resource center for vocational education.
19. Develop criterion-based certification schemes in the various trades.
20. Study the impact of expatriot workers in each country, analyzing numbers, countries of origin, job classification, and formal, informal policies relating to these workers.

21. Devise training schemes that result in self-supporting individuals. (Most training programs look only to provide employable persons.)
22. Devise realistic methods of establishing job opportunities and worker shortages in each country.
23. Improve information/guidance systems to help all persons learn of training opportunities.
24. Develop accountability criteria for technical education in Latin America.
25. Support development of specialty training skills programs.

C. Program Area: Post-Secondary Education for Development

In September, 1976, the IDB supported a meeting in Caracas, Venezuela, on "New Forms of Post-Secondary Education" sponsored by the Ministers of Education of Venezuela and Colombia. Over 1,300 persons registered for the meeting. Several Ministers of Education from Latin American countries have declared publicly that this event was an historical moment for higher education in Latin America. At this meeting, the most important innovations in post-secondary education which have been made in the past twenty-five years in Latin America, the U.S., Canada, Western and Eastern Europe, Israel, and Iran were studied and discussed. These included:

- open universities,
- open learning systems,
- personalized instruction,
- universities without walls,
- use of mass media,
- computer assisted instruction,
- other new forms.

A consensus emerged at the meeting among Latin American educational leaders that institutions of advanced education could not meet the demands of the future without availing themselves of the new developments in educational technology and the new forms of post-secondary education.

In the past sixteen years, an unprecedented amount of care and investment has been made in education. The Inter-American Development Bank has contributed substantially to these efforts.

Nevertheless, the need to increase the efficacy of the national educational efforts and their adjustment to the needs of socio-economic development seems in 1976 to have been even more acute and urgent than in 1960. This is particularly evident in post-secondary education where the situation is critical. The increase in the number of graduates in traditional courses does not respond adequately to the development interests of Latin societies. Traditional modes of post-secondary education do not provide sufficient access to meet the mandate of democratization identified by the Ministers of Education of Latin America at the beginning of this decade. Innovations such as open learning systems are needed to increase educational opportunity. Ways must be found to train development workers such as paramedics and rural teachers, instead of professional elites.

D. Program Possibilities in Post-Secondary Education

The Inter-American Fund for Educational Development would make grants to Latin American institutions which are prepared to carry out activities aimed at making the educational system of Latin America responsive to more persons and in a more effective way.

As illustrations, FIDE could provide grants to competent institutions for the following purposes:

1. To conduct seminars and workshops (at regional, national, and local levels) for the orientation and training of university administrators--especially with regard to planning, administration, and new forms of education;

2. To develop guides and relevant instructional material aimed at encouraging students' independent study;
3. To create demonstration projects in the post-secondary training of development workers such as paramedics and in-service training of rural teachers;
4. To sponsor workshops and pilot programs in new uses of media and technology of post-secondary education;
5. To develop new program materials for institutions of higher education and other post-secondary institutions, including both print and media materials;
6. To conduct studies on how post-secondary education can serve national development, especially development of the rural areas;
7. To conduct pilot undertakings in the use of libraries and other community centers as instructional centers;
8. To develop faculty development programs for the improvement of post-secondary teaching;
9. To sponsor experiments in shared use of facilities and resources;
10. To promote cooperative undertakings in management improvements such as joint purchasing of supplies by several universities;
11. To conduct pilot undertakings in the recognition of work experience in education--especially experience with development problems;
12. To develop competency based measures to evaluate student achievement;
13. To design courses and provide experiences which will sensitize faculty to the needs and realities of rural development;
14. To sponsor Inter-American projects for cooperative use of teaching resources such as U.S./Latin American teacher exchanges and shared instructional technology;
15. To conduct pilot programs in new forms of post-secondary education such as the "university without walls" and "open universities";

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16. To design specialized training programs for the intelligent use of the new educational technology;
17. To develop pilot programs of teacher training programs at all levels of education;
18. To assist in the evaluation and development of better curricula which provide a more effective training for development tasks;
19. To provide technical assistance to educational institutions interested in modernization and improvement;
20. To create an information base regarding educational needs and strategies in the countries of Latin America and the Caribbean.

III. EDUCATIONAL TECHNOLOGY

Unlike the educational program areas treated above, educational technology encompasses solutions or tools, which may apply to problems in basic, technical and post-secondary education. Accordingly, the discussion which follows relates to all three areas.

Over the years, there has been considerable disagreement regarding the best definition of educational technology. We will now discuss alternative definitions, and choose one which best suits the present purposes.

Often the term educational technology is used to describe the equipment or "hardware" used to convey educational messages or to evaluate their impact upon learners. Adherents to this view place little emphasis upon how equipment is used.

Another definition holds that hardware is not the main concern. Rather, the systematic process of defining and teaching toward defined educational objectives is the core of educational technology. Some have gone so far as to say that no equipment at all--other than chalkboards and books--need be employed in the educational technology process.

Rather than adopt either of these extreme positions, it is best to draw from both definitions. Clearly, educational objectives should be formulated systematically, and on the basis of data about learner needs and abilities. The elaboration of curriculum and content should also be systematic, and should incorporate regular learner feedback. In Latin America, where teachers are in short supply, and educational opportunity is limited, media hardware will be employed in educational technology. However, it should be stressed that appropriate technology be employed—appropriate from the standpoint of affordable costs, relatively independent of foreign expertise, and capable of being used and maintained in the learner's environment. Finally, the emphasis should be not upon the hardware employed but upon the quality of the software or programming developed.

A. The Value of Educational Technology

Educational technology can increase the numbers of people to whom educational opportunity can be made available. This is especially true when a broadcast medium is used which is already available to the target population. When existing networks of community workers or teachers can be used part time, expansion can be accomplished without the greatly increased costs which would be experienced in expanding traditional teacher-dependent education.

Educational technology can increase numbers of learners not only by reaching more homes, centers, and schools, but also by offering the learner greater flexibility than traditional educational systems. For example, England's Open University (a model soon to be adapted and replicated in Colombia and Venezuela) allows 40,000 adult students to view ETV during non-working hours and to study correspondence lessons according to their own time schedules.

A final point about the expansion of opportunity offered by educational technology is the fact that it democratizes education. It is generally the more privileged groups in society who are best served by traditional education. Major expansion of opportunity usually means expansion to less advantaged groups. In this case, too, England's open university makes the point. The traditional university system is highly competitive, and serves only 5 percent of the university-aged population. The open university was targeted to reach just those people who had not had opportunity to study in the traditional system.

In addition to increasing the quantity of learning opportunities, educational technology can increase the quality of education. This is mainly due to the fact that a large-scale undertaking, which divides its costs among many students, can afford to invest resources in the development of curricula which are absolutely large. This quality is expressed in several ways. The most distinguished teachers in an area can be hired to appear on camera or on the microphone. The best curriculum developers and content specialists can be hired. Materials and messages can be pretested, revised, and proven before they are implemented on a large scale.

In addition to educational effectiveness, materials and messages can be developed so as to be as attractive and motivating as possible. With audio and visual media, learners can be shown any phenomenon, anywhere on earth which may need depiction in a given instructional sequence. A powerful example of these features of educational technology is the immensely successful television program "Sesame Street" (which has now been adapted for use in several Latin American countries). "Sesame Street" benefited from the input of the best child development specialists in America, the best curriculum

developers, the best pretesting and evaluation personnel, and the best entertainment talent as well. As a result, the program is both attractive and motivating as well as educationally sound. While the absolute costs of this program were high, the costs per viewer were very low.

B. Previous Uses of Educational Technology

Ever since modern communication technology became available, educators have attempted to make use of various media. Radio Sutatenza began to reach Colombian peasants with basic education in the late 1940s. During the 1950s and 1960s, a network of radio schools has developed throughout Latin America. In the 1960s, much interest focused on the newer and more extensive medium of television. TV was used to upgrade instruction in Colombia's primary schools. In the late 60s, the entire secondary school curriculum in El Salvador was reformed along with the introduction of nationwide ETV. Television has been used for secondary education in Rio Grande do Norte and Rio de Janeiro. Many Latin American universities developed closed-circuit television systems. By the 1970s, there was interest in using communications television satellites for distributing educational television programming among the Andean countries and within Brazil. However, there have also been reactions against this escalation of hardware.

With the 70s has come the realization in many quarters that "big media" such as television and computers have not shown themselves to be educationally more effective than "little media" such as radio, filmstrips, and audio cassettes. A related realization is that radio reaches far more people than any other medium, and may therefore be best suited to mass basic education, and for rural education. Technical education, which calls for specialized learning by small numbers of students may be best suited to such simple media as slides and audio cassettes, and print materials.

This debate can be cast in the larger debate on appropriate technology for development. It is now being held by many that appropriate technologies are those that are neither traditional nor overly capital-intensive, they can be afforded by the target population and technically maintained in the environment of the target population. While this would seem to favor the "little media," some experts have maintained that communications satellites will soon prove to be appropriate for Latin America, by providing large numbers of telephone, telegraph, and radio channels with high reliability and low per-user costs. However, these assertions still remain to be demonstrated.

A second important issue currently has to do with the control of content in educational technology. Particularly in adult basic education and post-secondary education, there is some question regarding the role which learners should play in defining educational objectives, in elaborating curriculum and content, and in evaluating the impact of educational programs. While these functions were traditionally entrusted only to education professionals, theories of participation and control have been applied to education. For example, learning centers in the TABACUNDO radio school in Ecuador have audio cassette recorders, which are open to community use. Tapes of discussions in the centers are sent to the radio school, edited, and broadcast as part of the curriculum. The International Council on Adult Education is developing techniques for heightened community participation in evaluation of education.

C. Guidelines for Educational Technology

In view of the above discussion, a number of guidelines can be created regarding the types of educational technology projects with which the Fund should become involved.

1. Projects supported by the Fund should stress the opening of educational opportunity to the poor majority, since other groups of the populations can better fend for their own educational interests. (Basic education will often, by its nature, be aimed at the poorest majority. Technical education should accommodate the poorest majority.)
2. Technologies should be employed which are appropriate for the particular setting--from the standpoints of realistic cost, foreign exchange requirements, independence from sources of foreign expertise, and technically realistic within the particular situation.
3. The quality of education offered from the perspective of educational effectiveness, attractiveness, and motivational quality should be paramount.

D. Program Possibilities for Educational Technology

An initial review comparing costs and effectiveness of various educational technology systems in Latin America would give a firm idea of the state-of-the-art in the region. It would also provide for initial upgrading of performance in the poorer systems through technical assistance from the more effective systems.

Since success depends upon the quality and impact of educational messages, a project could be undertaken to study effectiveness and attractiveness of these messages and the way to produce them. Growing out of this project would be the development of new techniques for in-service training of educational media producers. Currently available training materials are generally limited to how to operate equipment, and do not venture into the question of how to design and produce effective programming.

Evaluation techniques recommended for education are often too costly and complex for small or underfunded projects to employ. However, simplified and less costly techniques could go along way toward accomplishing the goals of sophisticated evaluation--to provide information for

increasing project performance. A major fund effort should be to develop, prove, and disseminate information about simplified techniques of evaluation.

Training of educational technologists in planning and management is also a sorely underdeveloped area. The planning and supervision of program production, and the planning, development and management of broadcast stations and other distribution systems should be included in this project. In this area, as in many others, the emphasis should not be on extreme sophistication, but upon imparting at first the minimum basic sound principles necessary for efficient operations.

In addition to the general functions described above, the Fund could make major contributions to the region by developing and providing new message formats and media strategies. A few possible projects in this area are described below.

1. Most of the work in educational technology in Latin America to date has involved programming to group audiences in the context of long-term educational programs. An experimental project which attracted and taught casual mass audiences would be of great interest and could produce stimulating results. For example, an adult "Sesame Street" on radio, or an educational soap opera or situation comedy would be likely candidates.
2. Employing new educational technologies in an open university for adults focused on development-related skills and knowledge would be a most useful project. This could be done through the proposed open universities in Venezuela or Colombia, or through creation of a new institution.
3. Effectiveness of radio schools in the region might be improved by developing a system to document attainment of basic skills. Working with the radio schools could stimulate the adoption of the most functional and useful content for their curricula.
4. Incorporation of folk media, such as drama, folk songs, and fotonovelas into educational programming could increase both effectiveness and attractiveness. Demonstration projects in these areas, coupled with dissemination of results, could be of use to a large number of institutions throughout Latin America.

5. Program formats which incorporate self-expression by learners should be further developed and demonstrated to educators in Latin America. Community cassette recording, "man-in-the-street" interviews, "talk shows" and "quiz shows" represent departure points for the development of such formats.
6. An experimental project should attempt to offer an educational component as an "add-on" to a program delivering commodities or services in health or agriculture. For example, an agricultural project providing seeds, fertilizer, and credit to farmers might be persuaded to add an educational technology component which instructed farmers on how to use these resources, and motivated them to do so. If successful, such a project could spread the realization that learning is not confined to classrooms, but has a direct role in the development of agriculture, nutrition, health and population programs as well.

IV. CONCLUSION

Donor countries, international development agencies, and the U.S. Congress have determined that the highest priority for international aid is to design programs which directly serve the poor majority. This view is shared by a growing number of development experts. "Trickle down" approaches to reducing poverty and misery have been discredited in favor of more broad-based development.

Educational expansion of the past two decades has succeeded to a degree in increasing opportunities for the poor majority, but qualitative change has lagged. The Inter-American Fund for Educational Development can play a key role in bringing better quality education to the majority of Latin Americans.

CANAL ZONE MILITARY SCHOOLS

The Canal Zone Military Schools (CZMS) represent a unique and valuable asset which supports U.S. objectives in Latin America. The professional and technical instruction provided by the schools strengthens the military capabilities of Latin America, enhances their capabilities for self-defense, and contributes to the collective defense of the Western Hemisphere. The mission of the CZMS is devoted solely to the needs of the Latin American armed forces. The schools conduct all of their training in Spanish and teach essential courses geared to specific Latin American training requirements which cannot be satisfied within either the CONUS or host country school systems. A substantial part of the facility is provided by the participating Latin American countries.

The CZMS differ markedly from the CONUS schools in both the kind of training and the type of student. For these reasons, the CZMS do not compete with CONUS courses; instead, the two complement each other, serving essentially different missions and a different group. The CZMS teach courses on weapons and support systems which prevail in Latin America, but, to a large extent, no longer exist in the U.S. inventory. Consequently, there is no substitute training for the majority of these courses in CONUS. Similarly, the type of technical training offered by the Schools is beyond the in-country capability of most Latin American armed forces, particularly the smaller and least developed nations of the region. If these countries attempt to duplicate this training in-country, it would divert scarce national resources from much needed development priorities. Before this happens, it is likely that many of these countries would be forced to turn to third countries for training assistance which would result in decreasing U.S. influence with the Latin American armed forces and a detriment to U.S. security interests.

With respect to the question of moving the CZMS to a CONUS location, the primary overriding disadvantage would be significant cost increase. Apart from the annual operating cost, the initial expense of relocating the School from the Canal Zone to CONUS would be high. The precise costs would depend on where the Schools were relocated and the suitability of existing facilities at those locations. However, a study conducted two years ago estimated that it would cost about \$26 million to relocate the CZMS to new colocated sites at Howard AFB within the Canal Zone. Costs of relocation to CONUS would far exceed relocation to Howard AFB. The full range of facilities required by the CZMS in their present form is as follows:

(a) United States Army School of the Americas (USARSA): Approximately 95,000 square feet of classroom, shop, hardstand area, billeting, dining facilities, recreational and support, and administration office space, library, storage, etc. . . . sufficient to support up to 500 students and 250 faculty and staff. Outside training areas to accommodate land navigation and map reading exercises for groups of 200 trainees; ranges for exercises and qualification of weapons organic to or habitually used to support U.S. Army Infantry Rifle Company and direct and indirect fire weapons.

(b) Inter-American Air Forces Academy (IAAFA): Approximately 128,000 square feet of classroom, laboratories, hangar work area, billeting, dining, recreational and support, administration office and storage, and library facilities sufficient to accommodate 280 students and 151 faculty and staff, ramp parking area for 11 aircraft.

The training provided in the Canal Zone is economical because of its ideal central geographical location. To relocate these facilities to CONUS, if in fact it could be done, would also increase the funds required to transport students to the schools. For the students which attended IAAFA in fiscal year 1977, it would have cost an additional \$200,000 for transportation to a southeastern CONUS training location. In addition, the present location at the schools in the Canal Zone has enabled seven Latin American countries to furnish their own

(116)

transportation to students. It is possible that these countries would be unable to furnish their own transportation to a more distant CONUS location which would result in greatly increased costs to the IMET program.

A third cost factor is contributed by the increase which would be required in living allowances. These allowances would have to be increased by more than 50 percent if the schools were moved to the CONUS to compensate for higher cost of living in CONUS over the Canal Zone.

Latin American military are convinced that the U.S. Military provides the best training in the world. The CZMS have been a major factor in fostering this belief because of their ability to train technicians effectively, economically, and quickly. The typical enlisted man in Latin America has the equivalent of a junior high school education and very limited exposure to modern technology. The CZMS can train enlisted personnel in their native language, in their familiar Latin environment, and graduate a technician who is immediately employable by his armed forces. The technical training in the Canal Zone stresses basic fundamentals and practical "hands-on" training which is geared to the proper equipment and educational background of Latin American students.