

# FOREIGN INDEBTEDNESS TO THE UNITED STATES

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
INTERNATIONAL FINANCE AND RESOURCES  
OF THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
NINETY-THIRD CONGRESS  
FIRST SESSION

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# FOREIGN INDEBTEDNESS TO THE UNITED STATES

MONDAY, OCTOBER 29, 1973

U.S. SENATE,  
SUBCOMMITTEE ON INTERNATIONAL  
FINANCE AND RESOURCES OF THE  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2221, Dirksen Senate Office Building, Senator Harry F. Byrd (chairman of the subcommittee), presiding.

Senator BYRD. The subcommittee will come to order.

The Subcommittee on International Finance and Resources this morning conducts an oversight review of foreign indebtedness to the United States. Reasonable men might well doubt that we can adequately review debts owed our Government in a single morning. Yet, it is important to get a start.

It would appear that this is another area where Congress has permitted the executive branch to exercise responsibilities without guidance or guidelines, and perhaps without even knowing what the executive is doing with the taxpayers' money. Foreign countries owe us somewhere between \$50 and \$60 billion. No one appears to know what the figure is as to debts, as debts have been rescheduled or canceled regularly without congressional involvement.

During the past 50 years or so our Government has loaned or given away more than \$250 billion of our taxpayers' money.

We made these loans and grants for a variety of reasons, some valid and some in the light of history perhaps not so valid. A large portion went to assist our allies and defeat our enemies. Since 1945 an even larger sum has been transferred abroad to rebuild Europe, strengthen our allies, and most recently to aid the developing world.

Whatever the reasons for assistance, the fact remains that much of the world is indebted both literally and figuratively to the American Government, but more importantly, to the American taxpayer.

It is the interest of the American taxpayers that brings us here this morning. Article 1, section 8 of the Constitution vests in the Congress the power of the purse. It is our duty to see that the public monies are spent wisely and well and that the financial affairs of our Government are conducted in a responsible and orderly manner.

There is some doubt as to whether the Congress and the executive have properly discharged their respective duties to the taxpayers. Our purpose this morning is to explore how the Congress and the executive might cooperate better to discharge their responsibilities to the American taxpayer, particularly in the area of foreign indebtedness.

Without prejudging the issue, I suspect that we can all agree that there is a need to improve congressional oversight into executive practice in the manner in which foreign indebtedness is incurred, reported, rescheduled, and repaid. To our witnesses this morning I would like to present the following situation and questions. A developing country becomes heavily indebted to the United States. The U.S. Ambassador renegotiates the terms of the loan so as to write off several billion dollars. Is not the effect the same as to appropriate or borrow on the Treasury? If so, should not the rescheduling of the debt be subject to congressional approval?

We are fortunate this morning to have three witnesses who are well qualified to discuss this subject. They are: Hon. John H. Hennessy, Assistant Secretary of the Treasury for International Affairs; Hon. Sidney Weintraub, Deputy Assistant Secretary of State; and Rear Adm. H. E. Gerhard of the Office of Chief of Naval Operations.

Gentlemen, we welcome you. Do any of you have prepared statements that you would want to read or submit for the record?

**STATEMENTS OF HON. JOHN M. HENNESSY, ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS; HON. SIDNEY WEINTRAUB, DEPUTY ASSISTANT SECRETARY OF STATE; AND REAR ADM. H. E. GERHARD, OFFICE OF CHIEF OF NAVAL OPERATIONS, DEPARTMENT OF THE NAVY**

**STATEMENT OF MR. HENNESSY**

Mr. HENNESSY. I have a prepared statement, Mr. Chairman, I am Mr. Hennessy from the Treasury Department. And if time permits it, I would like to read it into the record.

Senator BYRD. Yes, we would like to have you do that now at this point, Mr. Hennessy.

Mr. HENNESSY. Thank you, Mr. Chairman.

I appreciate the opportunity to be here today to discuss the international debts owed the United States and I welcome the interest shown by the committee in the subject. It is a matter of considerable importance, affecting our budget, our balance of payments, and our bilateral relations with other countries.

The collection of foreign debts has been of serious concern to the executive branch and over the past 4 years a vigorous effort has been undertaken to improve performance in this area. A particular effort has been directed toward improving the reporting and monitoring of all foreign debts, and toward collecting delinquent debts. The Treasury Department has recently completed a major expansion of its debt reporting system, including short-term credits and accounts receivable as well as long-term debts in its reports. The National Advisory Council on International Monetary and Financial Affairs now holds semiannual reviews of debt arrearage problems. And the Department of State has redoubled its coordination efforts with the various Government agencies to insure prompt payment of due debts. During the past 3 years, Treasury and State have appeared seven times before the different committees of the Congress to report on the

result of the increased efforts to collect outstanding delinquent debts. Major progress has been made.

The foreign debts owned the United States have all arisen from activities of the U.S. Government in the 20th century. They are of two sorts—the debts which have arisen under Government activities during and since World War II, and the so-called World War I debts.

I would like to mention the post-World War II debts. The Government has engaged in a number of foreign credit programs during and since World War II, as authorized by Congress. These programs have resulted in the extension of \$54.4 billion of credit to foreigners. The most important of these programs have been (1) the Foreign Assistance and related acts, under which about \$16.2 billion has been loaned abroad, (2) the Agricultural Trade Development and Assistance Act, under which \$8.9 billion has been extended, and (3) the Export-Import Bank Act, under which \$18.3 billion has been loaned. I will cover, shortly, credits extended under the authority of the Lend-Lease Act, which you have also asked us to comment on.

At present we are owed a total of \$33 billion in outstanding principal, \$24 billion, or 73 percent of which is due from less-developed countries (LDC's). The balance is owed by industrialized nations. In examining the geographical distribution of LDC debt, we find there is a large degree of concentration in the poorest countries, who have been the largest recipients of foreign assistance. India with \$5.8 billion and Pakistan \$2.2 billion account for nearly all of the debt in South Asia. Western Hemisphere countries owe us about \$6.2 billion, with the largest debtors being Brazil (\$1.7 billion), Chile (\$0.9 billion), and Colombia (\$0.8 billion); East Asia and Near East countries owe \$4.1 and \$4.5 billion respectively, with the largest debtors in these regions being Indonesia and Korea (about \$1 billion each) and Turkey (\$1 billion).

Western European countries owe the United States a total of \$6.3 billion with the United Kingdom accounting for \$3.8 billion, nearly 60 percent of the Western European total.

Almost all of the vast sums loaned during and since World War II have been and are being repaid on schedule. Out of the total loaned since World War II, only about \$662 million, or 1 percent, was in arrears as of June 30, 1978, the latest figures on total outstanding debt available. The largest portion of these arrearages, some \$367 million, are from long-term loans owed by four countries—Chile (\$124.5 million), Egypt (\$42.3 million), Cuba (\$54.0 million) and Iran (\$34.7 million).

Next in order of magnitude is the approximately \$204 million that was in arrears on accounts receivable owed to various agencies as of June 30, 1978. By far the largest portion of these arrears, some \$200 million, can be attributed to logistical support provided by the United States during the Korean conflict in the early 1950's. Another \$25 million is in arrears on loans made under the Lend-Lease Act and other war account settlements. Twenty-three million is delinquent on financing of military sales, and \$21 million under Eximbank programs.

As I stated earlier, the executive branch has been and continues to be actively engaged in an effort to collect debts. Let me highlight the progress we have made in recent months. A number of governments have settled or significantly reduced their obligations to U.S. agen-

cies. For example, under an agreement signed on April 30, the Government of Japan has prepaid in full its \$175 million obligation stemming from our post-World War II economic assistance to that country. Another example is the assignment back to the United States of our original grant to the European Monetary Agreement. At the end of 1972, at the urging of the U.S. Government, the OECD terminated the EMA which had been in operation since 1958. The Treasury Department felt that the original purpose of the EMA had been substantially achieved and thus it should be terminated. After several years of discussions, the European members decided last December to terminate the agreement and return to the United States its contribution and earnings thereon. As a result of the termination of the EMA, the United States received a total of \$355 million, which represents the initial U.S. contributions of over \$270 million and accumulated interest of \$84 million.

Overall, since the late 1950's we have received prepayments from the Europeans on their post-World War II debts totaling \$2.2 billion.

In the area of debt arrearages, Paraguay and Tunisia have paid the entire principal of their long outstanding indebtedness on foreign military sales. We have recently reached an agreement with Haiti for the repayment of a long-disputed post-World War II debt resulting from the disposal of surplus property. Brazil has paid the Army over \$3 million on a military sales account that was previously reported in arrears and the Dominican Republic has paid several million dollars and is now current.

Some recent progress has been made in Iran's lend-lease and surplus property debt. In March, the Iranian Government paid approximately \$750,000 on certain accounts and in May it indicated that it would pay an additional \$2 million on its debt. However, differences still remain with regard to the status of some \$12 million in delinquent interest, which are being worked upon.

Finally, after a 5-year hiatus, negotiations have begun with the Czechoslovak Government regarding their debt with reasonable expectations of satisfactory solution.

In sum, progress is being made. And we are optimistic that many of the remaining delinquencies can be eliminated. For example, the changed situation in Chile has markedly improved prospects for repayment of that country's \$184 million arrearage to the United States.

Now, Mr. Chairman, I would like to move on to the less-developed country debt burden.

While collection experience on the post-World War II credits has been good, I would like to mention a potential problem, which we are beginning to encounter with increasing frequency and that is of mounting concern to the Treasury, namely, the very large and growing debt of less-developed countries.

As of December 31, 1971, the last date for which composite data are available, the 81 developing countries had a total external public debt outstanding of \$79.2 billion, of which \$58.3 billion had been disbursed. In recent years, LDC debt levels have been growing very rapidly, more than doubling between 1965 and 1971; and increasing almost 15 percent between 1970 and 1971. This is a faster rate than that at which their exports have been growing and so there has been a marked deterioration in the debt service ratio, that is, their percentage of export

receipts needed to amortize yearly debt service. About \$24 billion, or 30 percent of this debt of \$79.2 billion, is owed to the United States.

Debt service payments totaled \$8.1 billion in 1972 and are also growing rapidly, as grace periods on loans made in the early 1960's are running out. Consequently, a number of developing countries are likely to experience debt servicing difficulties in the future unless their trade balance improves and/or capital is made available in increasing amounts and on easier terms.

Because of our large financial interest in this matter, it is important that we avoid massive reschedulings or defaults in the future. At the same time we cannot stop selling goods and services to these countries, not only because they are essential for their economic development, but also because the United States needs these export markets. The need to tailor more closely the terms of export credits to ability to repay was the major motivation in the executive branch's support before the Congress and the Finance Committee of the proposed Export Development Credit Fund.

Let me now say a word on lend-lease debts.

Credits extended under the authority of the Lend-Lease Act show a similar history of repayment combined with some remaining arrearages. Lend-lease was conceived and executed "to promote the defense of the United States \* \* \* as provided for in the lend-lease law." The program was inaugurated on March 11, 1941, as our peacetime contribution to nations aiding our defense by resisting Axis aggression. After the United States was attacked, lend-lease became an instrument by which we strengthened our allies according to the strategic plans of the allied nations as a whole. Unlike the method used to provide aid in the First World War, where the United States loaned its allies cash which they used to purchase goods and services, lend-lease provided the goods and services directly. The Lend-Lease Act provided that the terms and conditions of repayment were to be those "which the President deems satisfactory"—a flexible method which was clearly established to reflect the extraordinary circumstances under which these agreements were made and the special situation they were designed to meet.

In settling the lend-lease accounts with our World War II allies, the United States did not request compensation for lend-lease goods lost, destroyed, or consumed during the war, nor for combat items such as tanks or aircraft in the custody of the armed forces of our allies at the end of the war. Payment was requested for the value of post-war civilian lend-lease goods in the possession of other countries at V-J Day and for lend-lease goods delivered after V-J Day. The general guidelines for credit settlements of the lend-lease accounts were established by the National Advisory Council (Action No. 40, Feb. 27, 1946).

The arrearages on our lend-lease accounts totaled \$92 million as of June 30, 1973. The bulk of this sum was owed by the Republic of China (\$86 million).

Mr. Weintraub of State will provide details on lend-lease settlements in his statement, including that signed with the Soviet Union on October 18, 1972.

Finally, let me say a word about the so-called World War I debts.

During World War I, the United States made loans to its allies by purchasing short term and demand obligations of the respective gov-

ernments under the authority of the First, Second, and Victory Liberty Bonds Acts.

In 1921 and 1922 Europe was in a state of financial disorder. No debtor nation could have paid its debt to the United States had payment been demanded and many were unable to pay the interest that was due. Recognizing this predicament, Congress created the World War Foreign Debt Commission on February 9, 1922, to negotiate funding agreements with the debtor governments, under which their obligations would be refunded "in such form and on such terms, conditions, date or dates of maturity, and rate or rates of interest, and with such security, if any, as would be deemed for the best interest for the United States of America." However, the statute specifically stated that it did not authorize "cancellation of any part of the indebtedness except through payment thereof." By 1926, the Commission had negotiated settlement of the World War I debts of all foreign governments.

Payments on allied debts were made according to schedule until 1931, when the world depression led to the suspension of payments. On June 30, 1931, President Hoover proposed, subject to congressional approval, suspending during fiscal year 1932 all payments due to the United States by the debtor government, provided a similar step was taken by European creditor governments regarding payments of intergovernmental debts and war reparations due them. On December 28, 1931, by joint resolution, Congress authorized the Secretary of the Treasury to conclude agreements for this moratorium proposal. This act also expressly provided it to be against the policy of Congress that any indebtedness be canceled or reduced. The amounts due in fiscal year 1932 were to be repaid over a 10-year period beginning July 1, 1933, at an interest rate of 4 percent. All of the governments indebted to the United States, except Yugoslavia, accepted the proposal and agreements were concluded with each government in 1932.

After the moratorium expired Germany paid no further reparation, and all debtor governments except Finland then refused to make payments, or made only token payments.

In 1941 the United States notified most of the debtor nations that, in view of wartime conditions, we would discontinue our practice of sending them bills while at the same time we emphasized that this constituted no waiver on the part of the United States.

As of December 31, 1972, the outstanding World War I debt including unmatured principal and interest, totaled \$24.9 billion, of which \$20.2 billion was delinquent. The largest due and unpaid accounts are with the United Kingdom (\$8.8 billion), France (\$6.1 billion), Germany (\$1.8 billion), and Italy (\$1.4 billion).

While the countries which have large World War I obligations to us have never denied the juridical validity of their debts, they have linked payment to us to the condition of simultaneous payment of World War I reparations by Germany to them in amounts which roughly offset their war debts to the United States.

Resolution of the problem of governmental claims against Germany arising out of World War I was deferred "until a final general settlement of this matter" by the London Agreement on German external debts, to which the United States is a party, concluded in 1953. This agreement was ratified by the U.S. Senate and has the status of a treaty.

While the U.S. Government has never recognized that there was any legal connection between the World War I obligations owed us and the reparation claims on Germany, there is a linkage in reality, which makes the issue as such a sensitive political as well as an economic one.

After recent testimony before the House Subcommittee on Foreign Operations and Government Information, it was agreed that the National Advisory Council would make a study and present concrete proposals on this debt. We expect to reach conclusions and make recommendations in the near future.

This, Mr. Chairman, concludes my prepared statement. I shall be glad to answer any questions you or members of the subcommittee may have regarding international debts owed the United States.

Senator BYRD. Thank you very much, Mr. Secretary. This is a very interesting and comprehensive statement that you have presented.

In trying to follow it as you were reading, the total indebtedness by foreign governments to the United States amounts to how much?

Mr. HENNESSY. It amounts to \$33.2 billion as of last June 30, if you exclude the World War I debts. If you add World War I debts to that you get a grand total of \$58.2 billion.

Senator BYRD. That is what I wanted to get, the total which is \$58.2 billion.

Mr. HENNESSY. \$58.2 billion is the total amount. We have an accounting convention where we divide the obligations into three categories. One is long-term debts, those debts whose original maturities were greater than a year. Then we have short-term debts, which are debts with maturities of 90 days up to and including a year. And then we have accounts receivable, which are debts with maturities under 90 days.

Now, the latter two were not included 2 years ago in our reporting. But as a result of congressional hearings in the House, we completed a reporting system which identifies both the outstanding indebtedness on the short-term debts and accounts receivable, and the arrearages which pertain thereto. And this was, I think, an important step which closed a significant loophole in our reporting. We do have complete figures now. Every 6 months we submit our figures to the Congress, as has been our practice for some 6 years now.

Senator BYRD. In your statement you point out that the outstanding World War I debt, including unmatured principal and interest, totals \$24.9 billion, of which \$20.2 billion was delinquent as of December 31st. Is any interest being paid at all on these World War I debts?

Mr. HENNESSY. No payments of any kind are being received at this time. Finland is the only country which did pay the entire amount. So that amount of \$20.2 billion included both delinquent principal and delinquent interest. And, of course, because of the fact that interest has not been paid, the original debt, which was some \$12 billion, has grown to be almost \$25 billion total. And the total outstanding due on interest is greater than the principal.

Senator BYRD. Now, the United Kingdom, your paper states, owes the U.S. Government \$6.8 billion. What was the last date on which a principal payment was made and the last date on which an interest debt was made?

Mr. HENNESSY. By the United Kingdom?

**Senator BYRD.** By the United Kingdom.

**Mr. HENNESSY.** Here again I do not have the facts at hand, but I believe it was before the Hoover moratorium, which would make it in 1930 or 1931, which was the last time a payment was made by any government by either principal or interest except for Finland. After the Hoover moratorium Finland was the only country that continued to pay on these. And since the moratorium there have been no payments on principal and interest. I can double-check that, but I think that is accurate.

**Mr. WEINTRAUB.** I can verify that, Mr. Chairman. The last payment paid by the United Kingdom on principal or interest was in 1938.

**Senator BYRD.** Has the U.S. Government made any effort to collect either principal or interest on the World War I debts from the United Kingdom, France, Germany, and Italy?

**Mr. HENNESSY.** In my statement I point out that the billings were discontinued during World War II. The London Conference in 1953 attempted to address this issue once more, which obviously has political as well as economic dimensions to it. At that time it was felt that there was such an interconnection between the collection of the German reparations and our World War I debts that it was not practical to push forward with settlement of this issue.

For instance, the United Kingdom owed us some \$4.7 billion of the original \$12 billion, and they in turn were owed some \$11 billion by other allies and by the Germans. And the same is true of France, which owed us 7 of the original \$12 billion, and they in turn were owed \$3.5 billion by the Germans. So these debts were all interconnected. The reason this issue has lain fallow for 50 years is connected with the war and the sentiments and the political consequences that are derived from it. I believe in the early 1930's the last payment made by the French Government to us was followed by that government falling. So it is obviously a sensitive and complex issue. We have taken a new look at it. We think it is appropriate to take a new look.

**Senator BYRD.** You have taken a new look. How have you taken a new look and when did you take a new look?

**Mr. HENNESSY.** As a result of these congressional hearings that have been held for the past 3 years by the House Subcommittee on Foreign Operations and Government Information, we agreed that the National Advisory Council would take a new look at the World War I debts. We made a study in 1968. However, given the situation at this time, we think it is appropriate to examine the matter anew. I do not want to be overly optimistic that there is any panacea or easy solutions. But we are asking the National Advisory Council to give the matter consideration. The Secretary of the Treasury is the Chairman of that Council, which includes all the major departments, and, of course, he would be in close contact with the Secretary of State on this entire matter. There is close coordination among all the participating agencies. We hope to come up with some specific recommendations.

Some people in the Congress have said, well, if you cannot collect this debt, then you should write it off, or should make some other recommendation. We are trying to take a fresh look and see if there are perhaps some approaches or methods that have not been thought of before.

I notice from your report, which has come out today, that you have some ideas. All of these aspects will be looked at. Most of them I think have already been under discussion. We hope to come up with some conclusions, I would say, by the end of the year, or the early part of next year.

Senator BYRD. But nothing of concrete nature has been done?

Mr. HENNESSY. Nothing.

Senator BYRD. I think considering the matter of \$1½ billion in the case of Germany—we are having quite a problem with our balance of payments there as a result of keeping so many troops in Western Germany—would it not be logical and practical to work something out along that line?

Mr. HENNESSY. I would like to defer to Mr. Weintraub of the State Department on this issue. But it seems to me that we do have to recognize that these World War I debts are tied to reparations and the Versailles Treaty, and the subsequent historical backgrounds of the Second World War, and if we try to link these directly to any other deal, whether for goods and services that we have sold in the last 15 years, or for troops stationed in Europe, we are adding a very serious political dimension to our financial and economic problems. Now, that does not mean that you might not want to do it. On that I will defer to Mr. Weintraub. But it does, I think, add a very difficult political component, and perhaps one that, at least to my personal judgment, might be unwise. I think we are, of course, attacking the balance-of-payments problem. It is a great concern to the Treasury. We think the latest trade figures give us some great hope that our situation has turned around, as we have been saying it would, and that we are strongly back on the track to recovery. But nevertheless, we do have a serious problem, and we are concerned with it, and we are willing to explore any and all possibilities.

But let me defer to Mr. Weintraub on the particular question you asked.

Mr. WEINTRAUB. I also have a prepared statement which I would like to read at some point. I can do it now or at a subsequent stage, at your convenience.

Senator BYRD. There are several aspects of Secretary Hennessy's statement I would like to explore temporarily, and then I would like to call on you.

Mr. WEINTRAUB. I have very little to elaborate on what Mr. Hennessy said. We have over the last months examined in some detail the implications of the World War I debts, and are examining what options are open to us, and just how one should proceed in view of the complex interrelationships which exist among the countries dating back now for a good number of years. You are correct in that we have not reached any conclusions as to the best way to proceed. But I hope that we will be in a position in the relatively near future to at least make some recommendations as to how to proceed.

Senator BYRD. Is our Government accruing the interest periodically?

Mr. HENNESSY. Yes. We continue to accrue interest on our books, which is why the debt has grown from \$12 billion to the total of \$26 billion now.

Senator BYRD. What interest rate did you use?

Mr. HENNESSY. There were different rates that applied to different loans. Some I believe were 4 percent and some 3 percent. I can supply those for the record. But I think it was an average of around 4 percent, according to the underlying agreements which were signed with the individual nations.

Senator BYRD. What I am going to ask now does not apply to World War I, of course. But does not Japan owe something approaching a billion dollars?

Mr. HENNESSY. As I said earlier, Japan prepaid to us early this year some \$175 million outstanding. We approached them on our own and said, could you repay this? And they agreed. According to the figures I have, the total outstanding indebtedness of Japan to us as of June 30 was about half a billion dollars, of which \$320 million represents Export-Import Banks credit. When the Ex-Im Bank makes long-term sales to Japan, the Bank of Japan then buys Ex-Im Bank paper roughly offsetting amount. The only outstanding amount which might be termed not of a commercial nature is \$165 million which the Japanese Government owes us, which came out of the Ryukyu Islands settlement, and also reflects the residual of the occupational forces debt. All this debt is being paid on schedule. We have discussed with them the possibilities of prepayment. But we believe that because of the sensitivity of the occupation issue it is best that they continue to pay that on schedule.

Senator BYRD. You mean the occupation of the Ryukyus?

Mr. HENNESSY. I do not have the breakdown on the \$165 million debt, but a portion of it came from our occupation forces expenditures there, which they funded, and which are being paid over time. Japan has made all of these payments on time.

Senator BYRD. You said you have sought accelerated payment or prepayment?

Mr. HENNESSY. We have, and received prepayment early this year on the Public Law 480 loans. We have informally discussed at different times some of these other war-related accounts and they thought that it was not necessarily appropriate that they prepay those. We agreed with their judgment and are not pursuing those informal discussions at this time.

Senator BYRD. Thank you.

I want to return just a moment to the World War I debts. You bring out about the moratorium. And incidentally, I am most interested to note from your payment that President Hoover's proposal, which led to the suspension of payments on a temporary basis, was conditioned on congressional approval. And it seems to me that is significant, because it recognizes the congressional role in this matter.

And then you point out that all the governments indebted to the United States except Yugoslavia accepted the proposal and the agreements were concluded with each government in 1932.

After the moratorium expired, your paper continues, all debtor governments except Finland then refused to make payments, or made only token payments.

So that is the situation that has prevailed from that time to the present, I take it, is that the governments, namely, the largest ones you list here, Great Britain, France, Germany, and Italy, have just refused to make any payments.

Mr. HENNESSY. That is correct, sir.

Senator BYRD. Either on principal or on interest.

Mr. HENNESSY. That is correct.

Senator BYRD. After we up to this point have taken no firm or definite steps to attempt to seek payment.

Mr. HENNESSY. The countries were billed right up through the early portion of World War II. And I believe discussions were held at different times prior to that. Of course, the world was emerging out of the depression, and then entered the Second World War. Since the Second World War the only time, to the best of my knowledge, that the United States and other governments made a concerted effort to try to come up with something concrete, something acceptable was at the London Conference in 1953. And nothing came of that.

Senator BYRD. That was 20 years ago. And nothing firm has been done since them?

Mr. HENNESSY. I believe that is correct.

Senator BYRD. Just one further question. I want to come back to this, but in the meantime, I want to call on Mr. Weintraub.

Your examination of debts owed the United States, does that include debts owed by foreign governments for the sale of U.S. warships?

Mr. HENNESSY. According to the regulations which we put out, if a sale was involved on credit terms, it should be reflected in these figures. As I say, each agency is under very precise regulations to report to us every 6 months the total of their expenditures broken down by country and by program. And they do that. I assume that their records are up to date. The GAO monitors each agency individually. We do not, of course, go over the books of each individual agency, and we take their figures at their word.

Senator BYRD. We will explore that further when we call on Admiral Gerhard.

Thank you, sir.

Secretary Weintraub.

#### STATEMENT OF HON. SIDNEY WEINTRAUB, DEPUTY ASSISTANT SECRETARY OF STATE

Mr. WEINTRAUB. Thank you, Mr. Chairman.

I would like to speak briefly on the general approach of the executive branch to the question of foreign indebtedness to the U.S. Government. This is a broad subject and encompasses many different types of debts—for example, those associated with war materiel delivered during a time of actual hostilities, those associated with the reconstruction effort in Europe, those associated with the provision of surplus foodstuffs to underdeveloped countries, and most recently those designed to enhance the development effort of the world's developing countries.

In all cases the United States has extended credit on the assumption that loans will be honored and will be repaid according to a mutually agreed schedule between the United States and the debtor.

Senator BYRD. May I interrupt at that point? I think that is a very important and significant statement to have in the record. That would certainly have been my understanding, and I am glad to have it as a part of the record from the Department of State.

Mr. WEINTRAUB. Thank you, sir.

The lending agencies are meticulous in granting loans, or guaranteeing commercial loans, to protect the taxpayers' right to expect full repayment of all debts. I would like to emphasize that the vast majority of the indebtedness to the United States is honored and repaid on schedule. In fact, only 2 percent of the outstanding debt is delinquent by 90 days or more, even smaller percentage has been rescheduled or otherwise renegotiated. This excludes World War II.

Senator BYRD. I want to interrupt you at that point. You are excluding the \$25 billion from World War I?

Mr. WEINTRAUB. Yes, I was in that statement. And I was going to tell you that as written it is inaccurate, and I was going to amend it.

Senator BYRD. Thank you.

Mr. WEINTRAUB. Again, excluding the World War I debt with its complex history, I think the percentages of delinquencies and collections of the Federal Government compare favorably with the best performance of collecting debts of the private sector of our economy.

It is, however, because of their exceptional nature that debts which are delinquent or rescheduled attract special attention. The practice of rescheduling debts is not common in the U.S. Government and is not viewed as a normal policy instrument for providing aid or otherwise influencing bilateral relations with a debtor country. All activities which take place between two governments obviously have a political as well as an economic dimension, and debt rescheduling is no exception. However, economic and financial motivations must provide the main impetus for rescheduling.

It is sound financial practice to avoid the bankruptcy of a debtor who faces a temporary liquidity crisis. It is sound practice to grant temporary relief from contractual debt obligations when such relief will improve the prospects for actually collecting the debt. An inquiry of the banking community would reveal that those hard headed financiers also consolidate, roll over, or reschedule payments to meet unforeseen events affecting the borrowers' ability to repay. This practice is not confined to private transactions, but extends to transactions between private banks and foreign governments.

On the basis of these principles, the United States does from time to time extend relief to its debtors. Of particular moment today is the debt relief granted from time to time to developing countries. The United States has participated in debt-relief exercises for countries in default, that is, temporarily unable to meet their obligations. This is normally done in a multilateral context in which the creditors incorporate economic conditions designed to assure that policies of the debtor will be such as to avoid future debt crises. There has been multilateral debt reschedulings designed to avoid default and which similarly contained conditions to encourage the development effort of the debtor.

In general, we must be in a position to react to situations unforeseen at the time loan agreements are signed. Sometimes the use of rescheduling is necessary to gain any payment from the debtor on its obligations. I could cite in this context the Egyptian rescheduling of 1971 which ended 4 years of total default by the Egyptian Government. But in all cases it is our practice to obtain a result in the best overall interest of the United States.

Senator BYRD. Maybe I should interrupt you there, if I may. Would you explain what you mean by the rescheduling of the Egyptian debt?

Mr. WEINTRAUB. The Government of Egypt at the time of the 1967 war ceased paying, not just to the United States, but to a good many of its other creditors and made no effort to repay prior to the rescheduling. And we provided no further credit while the delinquency existed.

We then reached an agreement which stretched out the original term of the debt to conform to the ability of Egypt to pay. We were not alone. Other creditors did the same thing. And by working on a rescheduling agreement, they admitted the full debt. Although they were delinquent, as Mr. Hennessy said, they recently made a payment, and they are in general conforming to the rescheduling made in 1971.

Senator BYRD. Did you cancel or reduce any of the debts?

Mr. WEINTRAUB. No, sir.

Senator BYRD. You stretched out the payments?

Mr. WEINTRAUB. We stretched out the payments.

Senator BYRD. How much of a stretch?

Mr. WEINTRAUB. It was about \$145 million. I can give you the exact terms. Over a 7-year period beginning January 1972, with an interest of 6.4 percent.

Senator BYRD. Thank you.

Mr. WEINTRAUB. I might say, Mr. Chairman, that in this particular case, since I was involved in the negotiations, I did consult with several committees of the Congress before we reached any agreement.

Mr. HENNESSY. I might add that in the 1972 Annual Report which the National Advisory Council submits to the Congress there is a section which deals with this debt. The report details the terms and conditions of all four debt schedulings during fiscal year 1972. The Egyptian rescheduling was discussed within that report to the Congress.

Senator BYRD. Thank you.

How does the Egyptian Government pay the Soviet Union? I assume they pay with greater promptness.

Mr. WEINTRAUB. I rather doubt it. I really do not know the facts, but I doubt it. In fact, I think they have been repaying us with greater promptness than most of the other creditors.

Senator BYRD. They have been paying the United States better than other creditors?

Mr. WEINTRAUB. I do not know the facts as to the Soviet Union, but I think the delinquency has been greater.

Mr. HENNESSY. I think the vast amount of the assistance that the Soviets have given to them has been on a grant rather than a loan basis.

Mr. WEINTRAUB. If I may turn to the question of delinquent debt, a problem common to all institutions which extend credit. I would like to outline briefly the procedure followed by the U.S. Government in collecting its delinquent debts.

Primary accounting control and collection responsibility lies with the agency which incurred the delinquent obligation. The contracting agency has the necessary familiarity with the transaction as a whole. It is in the best position to judge both our Government's and the other government's compliance with the basic contract. Most agencies find that governments want to keep their accounts current. These agencies, whenever possible, want to avoid politicizing an account through dip-

omatic intervention, which can disturb working commercial relationships.

From time to time, however, a case of nonpayment will arise, for which normal collection procedures are not effective. In such cases, we ask creditor agencies to refer the matter to the Department of State. In May 1971, the Acting Secretary of State sent identical letters to 37 Government agencies offering assistance and outlining our procedures in handling debt delinquencies.

When a case is referred to us, we ask for a complete file, including any arguments which the debtor country might have made in resisting payments. These can include uncredited payments, difference of interpretation of language, different exchange rate calculations, or non-receipt of goods. This file is forwarded to our Embassy in that country, with instructions to bring the matter to the attention of the appropriate authority. The Deputy Assistant Secretary of State for International Finance and Development is responsible for directing this effort. In addition to the recent surplus property settlement with Korea, recent collections of long-delinquent debts from such countries as Paraguay, Tunisia, Colombia, and Haiti demonstrate the value of this procedure.

The Department of State is certainly aware of the serious and legitimate concern of the Congress in meeting its responsibilities with respect to assets of the United States.

Senator BYRD. May I interrupt there? I think that is a very important statement. The "legitimate concern of the Congress in meeting its responsibilities with respect to the assets of the United States." So I judge from your statement that the State Department recognizes—and you so state—that the Congress of the United States, which is charged under the Constitution with appropriating funds and safeguarding the assets of the United States, has a very definite responsibility in regard to renegotiation of commitments made to the United States and the collection and handling of any indebtedness to the United States.

Mr. WEINTRAUB. Yes, sir, I believe the Congress does have a responsibility, and I would not deny this for an instant. Just how the Congress wishes to exercise its responsibility is a matter of somewhat more discussion. In normal banking operations, which is what most of the actions are, normal banking operations proceed by informing the shareholders and the directors of the bank, but in each and every case that a bank undertakes an operation, it does not necessarily seek explicit advance approval from its shareholders or from its board. There is an obligation to keep them informed, and there is a review responsibility. When the amount is significant I think there is rather a major consultation responsibility. I did not wish to imply by agreeing with you that there was any one way necessarily for the Congress or the executive branch to meet their respective responsibilities in this field.

Senator BYRD. I was not speaking in regard to the making of the loan. I was speaking more in regard to the collection of the loan or the reduction of the loan, or in some cases the cancellation of the loan.

Mr. WEINTRAUB. I understand the point you are making. I was referring to the same processes.

We recently have taken a new step toward assisting the Congress in fulfilling its responsibility. In a letter of August 2, 1973, to the

Government Operations Committees of both houses, in response to a GAO report on the debt question of less-developed countries, the Secretary of State stated his intention to incorporate in the Secretary's annual report to Congress on foreign policy a full discussion of the debt situation and active debt negotiations. This report will supplement the ongoing consultations between the Congress and various representatives of the executive branch on specific debt issues.

I might add that the National Advisory Council in its reports also now submits comparable information.

I would now like to turn, Mr. Chairman, to some specific cases in which this committee has expressed a particular interest.

#### PROPOSED INDIAN RUPEE SETTLEMENT

We are discussing in New Delhi a possible rupee debt settlement with India. The objectives of this action have been presented by Ambassador Moynihan to many of your colleagues in the House and Senate.

Senator BYRD. Let me get that point clear, if I may interrupt you at this point. "The objectives of this action have been presented by Ambassador Moynihan to many of our colleagues in the House and Senate." Has any specified proposal been submitted to the Congress?

Mr. WEINTRAUB. At this point, no, there has not.

Senator BYRD. And I take it from the way that your statement is worded we are discussing a possible debt settlement, so that no final agreement has been made, I take it?

Mr. WEINTRAUB. That is correct, sir.

As this committee is aware, we hold two types of financial assets in India: a dollar debt and a rupee debt. The proposed settlement deals only with rupees. The Government of India owes us a dollar debt of about \$3 billion from hard currency development loans made by AID and predecessor agencies, export loans from Ex-Im Bank and dollar repayments of agricultural commodity purchases on credit. The Indians continue to meet scrupulously their debt service obligations on these dollar loans which amount to \$130 million annually and will continue at this average level for the next 5 years.

The Indians also owe us about \$3.2 billion equivalent in nonconvertible rupees. Our rupee assets consist of over \$800 million equivalent in current deposits with India's central bank and \$2.4 billion in outstanding principal on rupee loans owed to us and repayable over the next 40 years. With interest, rupees come into our central bank account at over twice the annual rate at which we spent them. The rupees come largely from Public Law 480 proceeds pursuant to agreements concluded in the 1960's and from other rupee-repayable loans from the 1950's. The original agreements limited the use of our rupee assets, largely to covering U.S. expenses in India and to grants or loans to the Government of India for Indian development. In effect, we cannot use these rupees outside India and their use inside India is restricted by the terms of the original agreements.

As the General Accounting Office's 1971 report made clear, "it appears highly unlikely that the United States will be able to convert more than a small portion of its total rupee holdings into real resources for its own use."

In no other country are our local currency holdings so large or the present arrangements such that we are faced with a comparable situation.

A basic purpose of the negotiations is to put a foreseeable, albeit distant, end to the situation under which we have substantially more rupees than can be converted into real resources. We seek to convert unusable rupees into usable rupees under conditions agreed to in advance.

The discussions in New Delhi have been the subject of intensive consultations with Congress.

Senator BYRD. Let us get that clear. How do you mean, intensive consultations with Congress; what do you mean by that?

Mr. WEINTRAUB. I try to clarify that in the next sentence or two. Senator BYRD. All right.

Mr. WEINTRAUB. In September, Ambassador Moynihan consulted with some two dozen Senators and Representatives, members of the Agriculture, Foreign Relations, and Appropriations Committees. I might say at this point that since the discussions are still in the negotiations stage, I do not think it would be appropriate in an open session to go through the terms in the negotiation process.

Senator BYRD. The terms have been published in the newspaper.

Mr. WEINTRAUB. Not all the terms under discussion, and not fully, sir. But if you wish, we are quite prepared to provide you in Executive session with as much information as you may wish as to what has taken place and what the differences are in the negotiating process.

Senator BYRD. And I assume that any final decisions will be submitted to the Congress, since we are dealing with tax funds?

Mr. WEINTRAUB. If I may continue with my statement, I think I may come to this point.

I welcome the opportunity these hearings afford to provide this committee with any information desired concerning our proposal—this is what I just detailed—which in accordance with section 104 of Public Law 480, will in any case be transmitted by the President to the Senate and House Agriculture Committees for their review at least 30 days in advance of taking effect. This is according to the statute.

May I move to World War II and related debts?

In my prepared statement I will cite only a few exceptional cases in this wide field. Most of these accounts are regularized, but the few exceptions attract a great deal of attention. Indeed, I think the more our total collection efforts are examined, the better we in the Government will look.

#### LEND-LEASE SETTLEMENT WITH THE SOVIET UNION

On October 18, 1972, then Secretary of State Rogers and Soviet Foreign Trade Minister Patolichev signed an agreement which settled the Soviet Union's lend-lease debt to the United States. The settlement removed what had been a major obstacle to the development of more normal economic relations between our two countries. Under the terms of the agreement, the Soviet Union will pay at least \$722 million by July 1, 2001.

Senator BYRD. May I interrupt at this point? The amount which the Soviet Union owed the United States was \$2.6 billion; is that right?

Mr. WEINTRAUB. No, sir. There had been no agreed amount that the Soviet Union owed the United States. This was subject to a negotiating procedure.

Senator BYRD. What the United States claimed the Soviet Union owed the United States was \$2.6 billion.

Mr. WEINTRAUB. It was at very early stages of the negotiation process.

Senator BYRD. That is right. But at one point or other the United States contended that the Soviet Union owed the United States \$2.6 billion; is that not correct?

Mr. WEINTRAUB. This is true. But the discussions had broken off some 10 years previous to that. The amount we were seeking then was some \$800 million.

Senator BYRD. I would like to read into the record at this point a statement which you made in testifying February 18, 1972, before the House Subcommittee on Foreign Operations and Government Information:

In lend-lease settlement negotiation with our allies, including the Soviet Union, it was our policy to seek payment only for those goods which had usefulness in the civilian economy. After repeated requests for an inventory of these civilian-type articles in the Soviet Union went unanswered, the United States estimated their value at approximately \$2.6 billion.

So I think it is clear from your testimony as well as from other facts that are available that the United States did feel that the Soviet Union, did contend that the Soviet Union owed the United States \$2.6 billion.

Mr. WEINTRAUB. I do not contest the statement you just read.

Senator BYRD. Thank you.

Mr. WEINTRAUB. In negotiating repayment agreements with all major lend-lease recipients, the United States has sought no payment for goods lost, consumed, or destroyed during the war or for combat items left over at the war's end. We have sought payment for civilian-type goods which survived hostilities and for all goods "in the pipeline" but delivered after the lend-lease program formally ended (September 20, 1945).

The Soviet Union had been making regular payments on the "pipeline" account and the remainder due on that account was included in the global sum of the overall settlement.

Negotiations with the Soviet Union to reach agreement on the amount to be paid for civilian-type goods had foundered over the years on two points: First, there was no agreed statistical base on which to base the value of such goods remaining in Soviet hands. The Soviet Union did not present an inventory of what they had and rejected the estimates which had been put forward by our Government. Settlement figures offered by the Soviet Union during the intermittent negotiations were always unacceptably low. This is the point that you just referred to a moment ago, Mr. Chairman.

Second, the Soviet Union wanted the United States to give effect to article VII of the standard lend-lease agreement which stated that the

terms and conditions for repayment "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations." The article also specially mentioned "agreed action" directed to the "elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." The Soviet Union argued that article VII indicated to them the prospect of improved economic relations, but that the United States, in 1951, had terminated the most-favored-nation tariff treatment that Soviet goods had previously received under a 1937 commercial agreement. Thus, for the Soviets, a resumption of most-favored-nation treatment became a condition for a final lend-lease settlement. We argued that a lend-lease settlement was a condition for even considering most-favored-nation treatment.

The agreement of last October combined a settlement figure close to that which had been requested by the United States previously, and comparable to that reached with other World War II allies.

Senator BYRD. How do you justify that assertion when you just pointed out that in your testimony of February 18, 1972, that the Soviet Union owed \$2.6 billion?

Mr. WEINTRAUB. From the first inventory given we thought the Soviet Union owed was \$2.6 billion. When the discussion broke up in 1952 the figure that the executive branch was then seeking to get as a result of give and take over the interim years was \$800 million.

Senator BYRD. The fact is, it gets back to the original figure of what we claimed was owed to us. And under your own testimony as well as other facts and figures that have been submitted, it is \$2.6 billion. Thus, the settlement is nowhere near the amount really owed to us, it is about 30 cents on the dollar.

Mr. WEINTRAUB. I will submit for the record, Mr. Chairman, a publication on the lend-lease settlement of the Soviet Union which compares it with the lend-lease settlement of the United Kingdom. And the United Kingdom's was typical of some of the other lend-lease settlements—in order to give some indication of what was received on the dollar in the lend-lease.

Senator BYRD. What I am suggesting is, and the point I think the record ought to show, is that the U.S. Government contended that the Soviet Union owed the United States \$2.6 billion. And you have testified to that. So I do not think that is a point at issues at all.—

Mr. WEINTRAUB. I am not quarrelling with that issue.

Senator BYRD. Will you proceed?

Mr. WEINTRAUB. The agreement contained a provision making payment of \$674 million of the \$722 million conditional upon re-extension of most-favored-nation tariff treatment to Soviet goods. As you know, the administration has requested congressional authorization to extend most-favored-nation treatment to the Soviet Union as part of the Trade Reform Act of 1973.

I might note that the Soviet Union already has paid \$36 million of the \$48 million payment which is unconditional under the agreement.

For the record, I am submitting an information sheet giving additional details on the terms of the final settlement and a comparison of that agreement with the lend-lease accord with the United Kingdom. And as I stated earlier, for the record, if agreeable, I will submit an information sheet giving additional details on it.

Senator BYRD. It will be inserted in the record.

Mr. WEINTRAUB. I will be very brief on World War I debts.

Senator BYRD. Before we get into World War I debts, let me ask you a moment about this proposed agreement with the Soviet Union. They will pay at least \$722 million by July 1, the year 2001. Why would it say at least \$722 million? Is that the figure? Why do you use at least \$722 million?

Mr. WEINTRAUB. The figure is because the Soviet Union has been allowed to defer any annual payment up to four annual payments, if they find themselves in difficulty in any given year during that period of time.

Senator BYRD. How much is she supposed to pay a year under this agreement?

Mr. WEINTRAUB. I am not sure how their payment schedule works, sir. In order to be able to conclude the \$722 million by the year 2001, I would have to make that calculation. I am not sure, sir.

Senator BYRD. What interest rate?

Mr. WEINTRAUB. The interest rate is 3 percent

Senator BYRD. The interest rate is 3 percent?

Mr. WEINTRAUB. That is correct.

Senator BYRD. The information I have is that they would pay \$12 million in October 1972, \$24 million in July of 1973, \$12 million in July of 1975, and the balance in equal installments of roughly \$24 million. The interest rate would be 3 percent, and they would pay the \$700 million over a period between now and July 1, the year 2001.

Just one other question in that connection. The agreement that was made by the State Department and the Soviet Union, will that agreement be submitted to the Congress for consideration?

Mr. WEINTRAUB. I do not believe so, sir.

Senator BYRD. Thank you.

Now, do you want to go to World War I debts?

Mr. WEINTRAUB. Yes, sir.

U.S. allies during World War I borrowed \$12 billion, to purchase war materiel. These debts are now estimated to be over \$20 billion including interest which has accrued for over 40 years. These debts present immensely complex political and economic issues involving the whole range of our relations with our western allies, with the nations of Eastern Europe and the Soviet Union, as well as relations among the European nations themselves. The European debtor gov-

ernments (with the notable exception of Finland) have shown no disposition to settle these debts.

At the same time, we are keenly aware of the concern of the Congress that disposition be made of these long-pending accounts. The Departments of State and Treasury are collaborating in the examination of policy options to deal with these debts within the framework of the National Advisory Council.

I was aware, Mr. Chairman, that Mr. Hennessy was going to discuss this at greater length, and so I did not repeat it.

Senator BYRD. I understand. Thank you.

Mr. WEINTRAUB. Not all cases of adjustment of loan terms result in deferral of payment. In some cases, subject to mutual agreements, we have received prepayment, or accelerated payment, due to the prosperity of a debtor.

The executive branch, regularly reviews debts owed by other countries. For those countries whose financial position is strong, that review includes the possibility and usefulness of requesting accelerated repayment of certain types of debts. The state of our overall financial relations and any current negotiations with the government concerned are taken into account by the Departments of State and the Treasury when judging whether or not to request prepayment in a particular case.

Several countries in the past few years have made prepayment on their official indebtedness totaling well over \$2 billion. Prepayments have been made almost entirely on lend-lease, surplus property, Marshall Plan or other war-related accounts. The original terms of these loans were more favorable than those in normal commercial practice.

Some countries, such as Germany and Italy, have small amounts remaining due on these accounts. The Japanese Government, as Mr. Hennessy stated, recently made a prepayment of \$175,074,998, which completely extinguished its obligations stemming from our post-World War II economic assistance.

Mr. Chairman, this concludes my prepared remarks. I would like, however, with your consent, to submit for the record the following documents: (1) which I noted earlier, a summary of the Soviet lend-lease settlement; (2) a résumé of debt rescheduling since 1956; and (3) a copy of the August 2, 1973, letter to the Senate Government Operations Committee to which I referred a moment ago.

Thank you, sir.

Senator BYRD. All of those statements will be inserted in the record. [The information referred to follows:]

[From the Public Information Series]

**BUREAU OF PUBLIC AFFAIRS**

**U.S. LEND-LEASE SETTLEMENT WITH THE SOVIET UNION**

On October 18, 1972 Secretary of State Rogers and Soviet Minister of Foreign Trade N. S. Patollichev signed an agreement settling the Soviet Union's lend-

lease debt to the United States. Under its terms the Soviet Union will pay the United States at least \$722 million by July 1, 2001. More significantly, the settlement removes what had been a major obstacle to the development of normal commercial relations between our two countries.

#### *Purpose of Lend-Lease*

Congress enacted the lend-lease program before our entry into World War II in order ". . . to Promote the Defense of the United States." By helping other countries resist Axis aggression, we aided our own defense. Once we were in the war, lend-lease became an instrument for strengthening our allies and promoting the cause of worldwide victory over enemy forces. Lend-lease was not a loan of money nor was it provided for the exclusive benefit of the recipient country. It was a program that served the mutual interest of all the allies and that contributed mightily to the eventual defeat of the Axis powers.

#### *U.S. Policy on Payment for Lend-Lease Goods*

Lend-lease aid to our allies fell into two categories: (1) goods delivered before September 20, 1945 and (2) goods requested and contracted for before V-J Day (September 2, 1945) but not delivered until after September 20. This second category included large quantities of supplies and equipment that either were in production or storage in the United States when the war ended.

Insofar as the first category is concerned, we sought no payment for equipment and services furnished our allies which were lost, consumed or destroyed during the war. Nor did we seek compensation for combat items (as tanks and military aircraft) left over at the war's end. We are, however, receiving payment from most of our allies for civilian-type goods useful to a peacetime economy which were in other countries' possession when military operations ceased (September 2, 1945). Additionally, we are receiving payment for lend-lease articles delivered after the program formally ended (September 20, 1945).

#### *Soviets Made Payment for Goods Delivered After Termination of Lend-Lease*

On October 15, 1945, the Soviet Union agreed to pay for lend-lease articles which were in production or storage in the United States before the program ended. The amount due for these goods—called the "pipeline" account—was set at \$222.5 million. This amount was to be paid in 22 annual installments, with interest at 2½ percent per annum. The Soviets paid their first installment on July 1, 1954. The overall settlement agreement signed on October 18 incorporated this "pipeline" account.

#### *Previous attempts to reach agreement on civilian-type goods unsuccessful*

In line with our policy toward all lend-lease recipients, the U.S. Government asked the Soviets to pay for civilian-type goods on hand at the war's end on the basis of "fair" or "reasonable" value. However, the Soviets never gave us an inventory of what they had which fell into this category. This position left the two sides without an agreed statistical basis from which to negotiate although we had our own calculations. The negotiations held between 1948-1952 saw the Soviets offering up to \$300 million—a figure we rejected as unacceptably low—while we asked for \$800 million.

Negotiations resumed in 1960. This time, however, the Soviet Union insisted that any lend-lease settlement would have to be coupled with a trade agreement giving them tariff treatment in U.S. markets as favorable as that accorded most other countries. (In 1951 the U.S. Government had terminated a 1937 commercial agreement with the Soviet Union. In its place we substituted a tariff schedule higher for goods imported from the Soviet Union than from other countries to which we accord "most-favored-nation" tariff treatment. The Soviet negotiators also requested U.S. credits similar to those we had provided other wartime Allies. U.S. negotiators were not empowered to negotiate on these points, and the talks broke off.

*1972 negotiations produce agreement*

Negotiations resumed again in April 1972. In May, during the course of the Moscow Summit meeting, Secretary Rogers and President Nixon discussed the subject with Premier Kosygin. A third negotiating session was held in Moscow in July concurrently with the visit of Secretary of Commerce Peterson. A final round of talks, beginning in September, produced a trade agreement, reciprocal export credit arrangements and a lend-lease settlement, all of which were signed on October 18. The settlement is a fair one and is at least as favorable to the United States as the lend-lease accord with the United Kingdom, which was used as a model. Below is a comparison between the two settlements:

	United Kingdom	Soviet Union
Total net aid extended.....	\$21,600,000.....	\$11,300,000,000.
Total amount to be paid.....	\$895,000,000.....	\$921,000,000.
Grace period.....	5 years.....	None.
Final due date.....	Dec. 31, 2005 (could be Dec. 31, 2008, if 3 additional permitted deferrals taken).	July 1, 2001—no extension.
Annual deferrals.....	7 allowed—extends final due date.....	4 allowed—no extension.
Interest rate on deferrals.....	2 percent.....	3 percent.

<sup>1</sup> Assumes no deferrals and includes payments on the "pipeline" account (approximately \$99,000,000 was received from Soviet Union from 1954 through July 1, 1971) and the lend lease cash account (approximately \$10,000,000). By terms of the settlement the Soviet Union will pay the United States at least \$722,000,000 over the period ending July 1, 2001. A first payment of \$12,000,000 was made when the agreement was signed. The second, for \$24,000,000, is due on July 1, 1973, and another \$12,000,000 is due on July 1, 1973. These payments are unconditional.

The balance of the sum will be paid in equal annual installments. The date of the first of these installments will depend, however, on when US tariff discrimination on imports of Soviet goods ends. This action—the extension of "most-favored-nation" tariff treatment to the Soviet Union—will require the approval of Congress.

The terms of the settlement also allow the Soviets the privilege of deferring up to four of their annual installments. In such a case interest charges on each installment, at three percent a year, would be added to the total. In that event, the total Soviet payments to the United States would exceed the \$722 million figure.

*Negotiations point toward more secure future*

While in the Soviet Union for the Summit talks, President Nixon spoke to the Soviet people about his efforts as President of the United States to work for better relations between our two countries. He pointed to the agreements reached at the Summit and expressed the hope that, finally, the world's two nuclear superpowers had begun "the long journey" that would lead to a new age in their relations with each other and in the world's chances for a lasting peace. By themselves, these post-Summit agreements on lend-lease and US-Soviet commercial relations stand as examples of how economic partners can resolve their problems in a mutually satisfactory and business-like fashion. Considered in a wider context, however, they offer evidence that "the long journey," recently begun, has carried the United States and the Soviet Union one step farther along on the road toward the secure peace we all desire.

RÉSUMÉ OF DEBT RESCHEDULINGS

Year	Debtor	Multilateral auspices	Amount rescheduled	Consolidation period	Terms	U.S. participation	Economic program	Men clause	Debtor in default
1956	Argentina	Paris Club	\$500,000,000	Total outstanding, over 1 year maturity.	9 years at 3½ percent	No	No	No	Yes
1959	Turkey	OECD	400,000,000	5 years	12 years at 3 percent	Commercial debts only	No	No	Yes
1961	Brazil	Paris Club	300,000,000	4½ years	5 years at various rates	In separate arrangements, Eximbank rescheduled \$305,000,000.	Yes	No	No
1962	Argentina	do	240,000,000	2 years	6 years at various rates	No	Yes	Yes	No
1964	Brazil	do	200,000,000	do	5 years at various rates	Yes, Eximbank only	Yes	Yes	No
1965	Chile	do	90,000,000	do	do	Yes, \$22,000,000	Yes	Yes	Yes
1965	Turkey	OECD	220,000,000	3 years	Variable	Yes, \$15,000,000	Yes	No	No
1965	Argentina	Paris Club	70,000,000	1 year	5 years at various rates	Yes	No	Yes	No
1966	Ghana	London Group	170,000,000	2½ years	7½ years at variable rates	Yes, Eximbank only	Yes	Yes	Yes
1966	Indonesia	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1967	do	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1968	India	IBRD Consortium	300,000,000	3 years	62% grant element <sup>1</sup>	Yes, \$27,000,000	Yes	No	No
1968	Peru	London Group	58,000,000	1½ years	4 years at variable rates	Commercial banks only	Yes	No	No
1968	Indonesia	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1968	Ghana	London Group	100,000,000	3½ years	7½ years at 6 percent	Eximbank only	Yes	Yes	Yes
1968	Peru	do	70,000,000	2 years	4 years at 8-9 percent	Commercial banks only	Yes	No	No
1969	Peru	do	2,100,000,000	Total outstanding (principal and interest).	30 years at 0 percent	Yes, \$215,000,000	Yes	Yes	No
1970	Ghana	London Group	25,000,000	2 years	Variable, commercial terms	Yes, Eximbank only	No	Yes	Yes
1971	India	IBRD Consortium	92,000,000	1 year	62 percent grant element <sup>2</sup>	Yes, \$9,000,000	Yes	No	No
1971	Yugoslavia <sup>3</sup>	Bilateral	59,000,000	2 years	10 years at 5 percent	All	Yes	No	No
1971	Egypt <sup>4</sup>	Bilateral	145,000,000	4½ years	5 years at 6.6 percent	All	No	Yes	Yes
1971	Egypt <sup>4</sup>	Paris Club	2,000,000	1 year	6 years at 3 percent	No	No	Yes	Yes
1972	Cambodia	Paris Club	160,000,000	1 year, 2 months	6 years at 5-6 percent	Yes, \$65,000,000 primarily Eximbank	Yes	Yes	Yes
1972	Chile	do	do	do	do	do	do	do	do
1972	Pakistan	IBRD Consortium	234,000,000	2 years, 2 months	5 years at 5 percent maximum	Yes, \$51,200,000	Yes	Yes	Yes
1972	India	do	325,000,000	2 years	62 percent grant element <sup>2</sup>	Yes, \$58,000,000	Yes	No	No
1972	Cambodia	Paris Club	2,500,000	1 year (1973)	10 years at 3 percent	No	No	Yes	No
1972	Turkey	OECD	114,000,000	All maturities due EMA	30 years at 3 percent	Proceeds assigned to U.S.	No	No	No
1973	Poland	Bilateral	32,000,000	2 years	12 years at 6 percent	All	No	No	No

<sup>1</sup> Incorporated in 1970 rescheduling.

<sup>2</sup> The concept of "grant element" measures the relative value of the actual loan against a hypothetical loan which returns 10 percent per annum.

<sup>3</sup> Yugoslavia reached bilateral debt rescheduling agreements with most of its creditors during this period of severe balance-of-payments difficulties.

<sup>4</sup> Egypt had been in default since 1967 to most of its Western creditors, and has now completed bilateral rescheduling arrangements with each one.

AUGUST 2, 1973.

HON. SAM J. ERVIN, JR.,  
*Chairman, Committee on Government Operations,*  
*U.S. Senate.*

DEAR MR. CHAIRMAN: The Secretary has asked me to reply for the Department of State and the Agency for International Development to the GAO report "Developing Countries' External Debt and U.S. Foreign Assistance, A Case Study". In a letter to the GAO dated December 6, 1972 we were pleased to make substantive comments on a draft of this impressive and useful document.

The final report recommends that the Secretary of State report systematically and comprehensively to the Congress on the worldwide debt problem, as well as the specifics of debt relief granted or proposed. We have carefully studied this recommendation and have concluded that such a report would be a useful channel to keep the Congress informed on this increasingly important aspect of U.S. foreign economic relations. We also note an amendment proposed by the House Foreign Affairs Committee to section 684 of the Foreign Assistance Act which directs the President to make a similar report. This amendment is consistent with our thinking.

The Secretary has directed that an annual report be prepared for the Congress covering:

- (a) the worldwide dimensions of the debt problem;
- (b) details of debt negotiations completed in the previous calendar year, including amounts, terms, and effects on net aid flows and loan reflows;
- (c) the status of debt negotiations in progress.

With your concurrence, this report will be incorporated into the Secretary's Annual Report on Foreign Policy which as you know is issued at the beginning of the calendar year.

The mounting debt burden of developing countries is attracting increasing attention in domestic and international forums. The IBRD is continually studying this problem; the Development Assistance Committee of the OECD has initiated a comprehensive study of the causes of debt problems; an UNCTAD intergovernmental group on debt is currently being established. We hope that the proposed annual reporting will be useful to the Congress, and will help to clarify the complex nature of the debt problem.

Sincerely,

MARSHALL WRIGHT,  
*Assistant Secretary for Congressional Relations.*

Senator BYRD. I want to emphasize at this point again that in dealing with the insertion of the figures regarding the lend-lease settlement, that the Government of the United States did contend that the Soviet Union owed \$2.6 billion, an uncontested figure by your own assertion.

Now in your statement you said: "In May 1971 the Acting Secretary of State sent an identical letter to 37 Government agencies offering assistance in outlining our procedures in handling debt delinquencies." Could you, Mr. Secretary, supply a list of these 37 agencies and the debt to which your statement refers?

Mr. WEINTRAUB. Yes, sir, I will provide that for the record. It did not refer to particular debts, it referred to procedures for collecting debts, and was sent to all agencies which at one time or another are likely to have accounts receivable or debts of this type.

Senator BYRD. If you could supply that for the record it would be helpful.

[The material referred to by Mr. Weintraub follows:]

DEPARTMENT OF STATE,  
*Washington, D.C., May 9, 1971.*

HON. MELVIN R. LAIRD,  
*Secretary of Defense,*  
*Washington, D.C.*

DEAR MR. SECRETARY: Over the years, federal agencies have received diplomatic assistance from the Department of State in the collection of long-standing

arrears on debts owed to them by foreign governments. The purpose of this letter is to standardize these relationships in order to improve the management of debt owed to the U.S. Government. As you are aware, the Congress shares our belief that we must make every effort to manage these debts more efficiently.

Primary accounting control and collection responsibility lies with the agency which incurred the delinquent obligation. Agencies, moreover, have a continuing responsibility to report such obligations to the Department of the Treasury. In addition, the Department of State wishes to work closely with these agencies in order to facilitate the collection of accounts which are overdue or likely to become overdue. For example, should an agency observe in its billings of foreign governments a pattern of response which suggests that timely payments will not be forthcoming, it should alert the Department of State. Conversely, this Department will promptly bring to the attention of the concerned agency any information reported by its overseas posts suggesting that such obligations might not be paid. Each agency should keep this Department informed of the progress of its efforts to collect its overdue obligations. Once an agency has exhausted its usual means of reminding foreign governments of their overdue payments, it should request diplomatic assistance from the Department of State.

Under these procedures, the Department of State will normally have an up-to-date record of the origin and subsequent development of delinquent accounts held by various government agencies. Additionally any request for diplomatic assistance should contain sufficient background information so that this Department, in consultation with the concerned agency or agencies, can determine how best to deal with and resolve the delinquency. With the exception of the U.S. Postal Service which has separate arrangements with this Department, agencies should address all communications on foreign obligations which are overdue to the Deputy Assistant Secretary for International Finance and Development, Room 2531, Department of State.

Thank you for your cooperation.

Sincerely,

JOHN N. IRARIN II, *Acting Secretary.*

LIST OF 37 GOVERNMENT AGENCIES WHICH WERE SENT THE ACTING  
SECRETARY'S LETTER

1. United States Tariff Commission
2. Smithsonian Institution
3. United States Information Agency
4. United States Arms Control and Disarmament Agency
5. Selective Service System
6. National Science Foundation
7. Administrator of Veterans Affairs
8. Small Business Administration
9. National Aeronautics and Space Administration
10. General Services Administration
11. Securities and Exchange Commission
12. National Endowment for the Humanities
13. National Endowment for the Arts
14. Foreign Claims Settlement Commission of the United States
15. Federal Trade Commission
16. Board of Governors of the Federal Reserve System
17. Federal Power Commission
18. Federal Maritime Commission
19. Federal Deposit Insurance Corporation
20. Federal Communications Commission
21. Export-Import Bank of the United States
22. Commission on Fine Arts
23. Civil Aeronautics Board
24. Atomic Energy Commission
25. American Battle Monuments Commission
26. General Accounting Office
27. United States Postal Service
28. Department of Justice
29. Department of Housing and Urban Development
30. Department of Health, Education and Welfare
31. Department of Labor

- 32. Department of Commerce
- 33. Department of Agriculture
- 34. Department of the Interior
- 35. Department of Defense
- 36. Department of the Treasury
- 37. Department of Transportation

How many individual nations owe money to the United States?

Mr. HENNESSY. I could submit the list for the record. There are some 81 developing countries in arrears. And to that we have to add the order of some 14 industrialized nations. So I would say the figure is pretty close to 100. We do have it broken down, and we do submit semiannually a list by country and by type of debt to Congress. My assistant tells me that 108 is the precise number of governments with debts in arrears to the United States.

Senator BYRD. 108?

Mr. HENNESSY. 108.

Senator BYRD. How many countries are in the world, does anyone know?

Mr. HENNESSY. I think there are 128 in the World Bank, and 126 in the International Monetary Fund. There may be a few more in the United Nations, something like 135.

Senator BYRD. There are 138 or 135 in the United Nations. It goes up so fast it is hard to keep track of. And 108 different countries owe the United States?

Mr. HENNESSY. That is correct.

Senator BYRD. Secretary Weintraub, in your statement you say: "In fact, only 2 percent of the outstanding debt is delinquent by 90 days or more."

I assume that you exclude from that any renegotiations of debts that have taken place.

Mr. WEINTRAUB. Yes; sir. By delinquent I refer to delinquent under the terms of the contract. And if the contract has been renegotiated it is under the terms of that particular contract.

Senator BYRD. Then that brings up this point. How many contracts have been renegotiated?

Mr. WEINTRAUB. I have submitted that for the record. And I could supply this to you now.

Mr. HENNESSY. There have been 24 different reschedulings, but with only 12 countries. A number of them have rescheduled, and then they have gotten into difficulty, and had to reschedule again.

Senator BYRD. Does that include these six World War I countries?

Mr. HENNESSY. No, sir. This is reschedulings of post-World War I debt. There have been 24 refinancings where the original terms have been stretched out.

Senator BYRD. 24 different countries?

Mr. HENNESSY. 24 different occasions involving 12 countries. Some countries had to have their debts rescheduled once, and then subsequently rescheduled again, and in some cases rescheduled a third or fourth time. So there have been 12 different countries and 24 different reschedulings.

Senator BYRD. You say, Mr. Secretary:

The practice of rescheduling debts is not common in the U.S. Government and is not viewed as a normal policy instrument for providing aid or otherwise influencing bilateral relations with a debtor country.

Now, does the proposed rescheduling or cancellation of the rupee debt fall in that category?

Mr. WEINTRAUB. By the statement I meant that the primary motivation for rescheduling any debt is an economic motivation, the motivation being that the country would have a hard time paying, or if it paid, it would defeat other economic objectives of the United States. The proposed Indian settlement does fall into that category. It also stated, sir, that obviously when two governments enter into relationships, this does have a political aspect to it. But the political aspect is not the dominating one ever in debt rescheduling.

Senator BYRD. The Government of India owes us a dollar debt of about \$3 billion from hard currency development loans made by AID and predecessor agencies, export loans, and from Export-Import Bank. The Indians, you say, continue to meet scrupulously their debt service obligations on these dollar loans, which amount to \$180 million annually. That 180 includes the interest payments?

Mr. WEINTRAUB. Yes, sir.

Senator BYRD. What is the interest rate?

Mr. WEINTRAUB. It depends on the underlying loan, sir, it would vary depending upon whether it is an AID loan, which has a lower rate, or the Export-Import, which has the normal Export-Import Bank rate. So depending on the nature of the original transaction, it will vary.

Senator BYRD. Speaking generally, are most of those loans by AID or Export-Import?

Mr. WEINTRAUB. The bulk of the loans outstanding to India are AID or foreign assistance loans.

Senator BYRD. I beg your pardon? I did not catch that.

Mr. WEINTRAUB. Are AID or previous foreign assistance loans.

Mr. HENNESSY. The total is over \$5 billion, almost \$6 billion for India, which includes the rupees which are outstanding at this time.

Senator BYRD. But the \$3 billion of hard currency development loans—

Mr. HENNESSY. Those are AID loans.

Senator BYRD. They are mostly AID loans?

Mr. WEINTRAUB. I think the bulk are under foreign assistance and related acts.

Senator BYRD. What interest rate would that carry?

Mr. WEINTRAUB. The average is somewhere around 2 percent.

Senator BYRD. They are 40-year loans, I presume?

Mr. WEINTRAUB. Yes, sir.

Senator BYRD. So there are \$3 billion of what you call hard currency development loans, or 40-year loans basically—I am speaking generally now, there might be a few otherwise—but generally speaking, they are 40-year loans at 2 percent?

Mr. WEINTRAUB. That is correct.

Senator BYRD. What about the current loaning to India? What is the current rate of loans to India?

Mr. WEINTRAUB. We have not made any AID loans recently, so there is no current lending of that type taking place.

Senator BYRD. By recently do you mean 1973, 1972, 1971?

Mr. WEINTRAUB. I am informed that the last such loan was in 1971.

Senator BYRD. The last AID loan to India was in 1971?

Mr. WEINTRAUB. Yes, sir.

Senator BYRD. What about Import-Export loans to India?

Mr. WEINTRAUB. Export-Import Banks transactions, I assume continue.

Mr. HENNESSY. We are making very few loans now to India. I do not have the figure as to how much they have been loaned, but the total due the Export-Import Bank is \$199 million. I might add that India was the net repayer last year of some \$48 million on all its credits to the United States.

Senator BYRD. What do you mean a net repayer?

Mr. HENNESSY. Repayments on old loans minus new loans that we give to them. There has been a net transfer of funds to us last year. Part of that is due, of course, to the fact that there have been no new AID loans.

Senator BYRD. What about through the soft loan window? Is that involved in this also?

Mr. HENNESSY. Through the international financial institutions? No; this is just the bilateral AID from the U.S. Government.

Senator BYRD. This is only the—

Mr. HENNESSY. This would not include any contributions by the U.S. Government to the World Bank or to the Asian Bank or to the soft loan window of the World Bank.

Senator BYRD. Is it not correct, and would you give us the figure, that the bulk of the loans from the soft loan window, you might say, have gone to India and Pakistan?

Mr. HENNESSY. A large part of the loans of the International Development Association, which is the soft loan affiliate of the World Bank some 40 percent of their loans—have gone to India. Of course, we are one contributor out of many there.

Senator BYRD. But we are the major contributor?

Mr. HENNESSY. Yes; we are the major contributor.

Senator BYRD. So 40 percent of the capital of IDA has gone to India?

Mr. HENNESSY. I think it has declined from about 43 percent down to 39 percent.

Senator BYRD. In round figures 40 percent of the capital of AID has gone to that one country of India?

Mr. HENNESSY. That is correct, sir.

Senator BYRD. And we are the major contributor of that international financial institution?

Mr. HENNESSY. That is correct, Senator Byrd.

Senator BYRD. In addition to that, we have made 2 percent 40-year loans to India through AID, or associated earlier agencies of the same type, of roughly \$3 billion?

Mr. HENNESSY. That is correct. I think what has happened over time is that the burden which used to fall almost entirely or exclusively on the United States has, through the mechanisms of the financial institutions and the World Bank particularly, shifted to other developed countries, so that our AID loans have come down from the high figures which you mentioned. The United States was annually giving several hundred million dollars to India—

Senator BYRD. But India now owes \$3 billion, is that correct?

Mr. HENNESSY. That is correct. That is from loans made in past years—40-year AID loans. And they have been meeting payments on those loans faithfully.

Senator BYRD. I think the record ought to show just how much the United States has done for India. We know from your figures here that she now owes the United States \$3 billion from AID loans, which she is getting at 2 percent on a 40-year pay back. On top of that she is getting 40 percent of the capital of IDA to which the United States is the major contributor. Do we happen to know how many dollars that amounts to?

Mr. HENNESSY. I think, if my memory serves me correctly, it comes out to about \$300 million a year for the last fiscal year. That is a rough estimate.

Senator BYRD. In total it is a good many billions of dollars?

Mr. HENNESSY. It is \$300 million per year.

Senator BYRD. But for how many years?

Mr. HENNESSY. For the last 3 fiscal years.

Senator BYRD. And then in addition to that, she owes us at this point \$2.8 billion in rupees?

Mr. HENNESSY. \$2.4 billion, I think, is the figure. But in rough order of magnitude, that is correct. I think the point which Mr. Weintraub was making and in which the Treasury Department concurs is that under the contractual terms for those agreements, provide for repayment in rupees, a great deal of them do not represent a usable claim on India. I think Congress, when the original program was set up, was aware of the fact that we were going to accrue large amounts of rupees far in excess of what we were going to be able to utilize in India. The Public Law 480 loans have been switched to a dollar-for-dollar convertible basis to avoid this type of problem occurring in other countries. We still have a residual of some eight countries from prior programs which are what we call excess currency programs, and which are being phased out as their local currency is being used up. But India is a unique example among the excess currency countries.

Senator BYRD. Why will they continue to accumulate?

Mr. HENNESSY. The repayments go through the year 2000. Under the proposal which Ambassador Moynihan has been negotiating with them, I believe \$1 billion would be designated for the United States. That would be useful over the period of time that the United States needs those funds to meet our ongoing expenditures in different types of programs, such as to help promote the sale of agricultural products, and certain air travel expenditures, and certain personnel expenditures.

Senator BYRD. We have an embassy in India, of course, and we have embassy employees, and all that. What else do we have there of our own on which we would spend money?

Mr. WEINTRAUB. We have a lot less now, Mr. Chairman, than what we had before, because we have been cutting down on our programs and our personnel. We have been spending money for various State Department activities, foreign buildings of various types, and various aid activities. A good deal of money has been spent for—

Senator BYRD. But the AID activities are for the benefit of India but not for the United States?

Mr. WEINTRAUB. Yes, sir. And this will be cut way back.

Senator BYRD. If we could just get it for the record, what is it that we spend, let us say, for the benefit of the United States, or what U.S. expenditures do we make in India? I assume it would be only for

the operation of our embassy, which we are obligated, of course, to pay.

Mr. WEINTRAUB. Plus some additional expenditures for the operation of our AID program in Nepal for which we have used Indian rupees as well.

Senator BYRD. That is an AID program, though.

Mr. WEINTRAUB. But not for India, no.

Senator BYRD. I understand. But it is not for the United States either. I am trying to figure out what U.S. activities.

Mr. HENNESSY. I think the underlying assumption is that in aiding Indian development, we are aiding the United States. But I think the direct benefits, the promotion of our agricultural sales and loans—

Mr. WEINTRAUB. I have a listing that I could submit for the record of the full expenditures we make in India, and the committee could determine for itself how much—

Senator BYRD. I would be glad for you to insert it for the record. [The information referred to by Mr. Weintraub follows:]

U.S. USE EXPENDITURES

[In millions of dollars]

	Fiscal year				
	1969	1970	1971	1972	1973
<b>A. State Department</b> .....	4.1	3.7	5.7	6.8	3.7
1. General administrative and program expenditures.....	1.9	1.4	1.7	2.4	.8
2. Migration and refugee assistance.....					
3. Contributions to international organizations.....				.7	
4. Foreign buildings.....	1.0	.7	1.8	1.8	1.3
5. Educational exchange.....	1.1	.5	1.1	.9	.6
6. Administrative and program expenditures in Nepal.....		1.1	1.1	1.1	1.1
<b>B. AID</b> .....	14.5	24.2	42.4	55.64	78.6
1. Administrative expenditures.....	.1	.1	.1	.04	.2
2. Program expenditures.....	1.5	1.8	1.8	3.4	2.5
3. Special grants to GOI (104-F).....	3.2	11.1	31.9	35.4	57.3
4. Emergency relief (104-d).....	.1		.1	.7	
5. Port charges on title II commodities.....		1.1	.4		1.1
6. Freight charges on title II commodities.....	9.5	10.1	8.2	15.4	14.8
7. Grants to American International School.....					2.7
<b>C. USIS</b> .....	5.1	5.8	6.1	5.4	6.9
<b>D. Other agencies</b> .....	10.2	10.0	10.9	15.1	12.3
1. Agriculture.....	2.3	2.4	2.8	6.9	5.2
2. Commerce.....	.2	.2	.2	.3	.3
3. Peace Corps.....	2.6	2.0	2.2	1.6	.6
4. Payments to Postal Administration in India.....	.1	.2		.1	
5. Library of Congress.....	1.0	1.1	.9	1.0	1.9
6. Health, Education, and Welfare.....	2.0	3.1	3.6	3.4	2.7
7. Defense services.....	.2	.7	.5	.9	.7
8. Other.....	1.8	.4	.7	.7	.9
<b>E. Accommodation exchange</b> .....	4.2	4.3	4.1	5.0	3.6
<b>F. Conversions</b> .....	13.6	11.5	13.8	8.3	.8
1. Sec. 104(b)—Agri market devaluation.....	9.0	9.2	10.1	6.1	
2. Sec. 104(c)—Educational exchange.....	2.9	2.0	2.1		
3. Sec. 104(d)—U.S. tourists.....	.1	.1		.1	.1
4. Sec. 104(e)—U.S. citizens and foundations.....	1.5	1.2	1.5	2.2	.8
<b>G. 3d country assistance</b> .....	7.9	12.1	8.1		.5
1. Burma.....					
2. Nepal.....	7.9	12.1	8.1		.5
<b>H. Total U.S. Use expenditures</b> .....	59.4	71.5	90.9	86.2	106.6

Note: Totals may not add due to rounding.

Source: Table III of Treasury Attaché's Quarterly Report on Local Currency Transactions

Senator BYRD. But I would like to know, how much are we spending on our embassy operations in India?

Mr. WEINTRAUB. For the whole I understand it is about \$25 million per year. And if I can go through them I can indicate some of the types of expenditures.

Senator BYRD. You mean that is the total U.S. expenditures?

Mr. WEINTRAUB. U.S. use, that is correct.

Senator BYRD. U.S. use?

Mr. WEINTRAUB. At present, because we spent more at an earlier stage for things like AID which you have indicated were for the benefit of the country. But the use to which we can put rupees have gone down, or our expenditures have gone down. We have some for the general State Department expenditures.

Senator BYRD. What does that amount to?

Mr. WEINTRAUB. It amounted in U.S. fiscal year 1972 to about \$6.8 million.

Senator BYRD. And that is the operation of the embassy and all of that?

Mr. WEINTRAUB. For various embassy and embassy related activities, that is right.

And then there was a substantial amount of money spent for AID programs.

Senator BYRD. But there again, that is for the benefit of India?

Mr. WEINTRAUB. That is true.

Mr. HENNESSY. U.S. bottoms.

Mr. WEINTRAUB. We pay for some port and freight charges for commodities distributed by U.S. voluntary agencies. Some of it was to an American school in India, which was for the benefit of Americans in India. That item is not great, but we hope now to spend some money for schools. The big charges here were special grants to Indians which we gave under the AID program, which was one of the original purposes of the Public Law 480 agreement. We got repaid in local currency. It was understood initially that 86 percent of that would be reloaned back to India for their own use. And the problem that is now arising is the second round of repayments on those rupees. Freight charges were paid on Food for Peace, title II, Public Law 480 commodities. And in fiscal year 1972 they amounted to \$15 million. Now, they could continue at this level in the future, except that the Government of India has indicated that somewhere over the next 5 years they would like to terminate this program as well. So we assume those expenditures will go drastically down.

Now, in addition to that, we did expend money for other agencies of the U.S. Government operating in India—Agriculture, Commerce, Peace Corps, Postal Administration, HEW, Library of Congress, and some defense services. And there have been some other such expenditures. These amounted close to \$15 million in fiscal year 1972.

In addition to that, we have used these funds for accommodation exchange, for tourists, U.S. foundations, and U.S. official personnel.

And then as I said earlier, some funds for third country assistance.

Senator BYRD. What we are getting out of it ourselves—by “we” I mean the American taxpayer—is pretty much confined to the \$7 million that we would be spending otherwise, other funds for the operation of State Department activities?

Mr. WEINTRAUB. No; I think the figure would come to a much greater figure than that, because there are other agencies overseas. And if you omit from this the freight charges for title II, and food for peace, I think the figure would come to about \$25 million.

Senator BYRD. That gets into the AID operations, does it not?

Mr. WEINTRAUB. I was thinking of Agriculture, Commerce, the Peace Corps—it is a small amount—the Library of Congress, HEW, and accommodation exchanges for U.S. foundations, educational exchange, and third country—well, if you wish to eliminate the third country programs, it is a little less than \$25 million.

Senator BYRD. One thing we have not explored is the Export-Import Bank loans to India, and the outstanding indebtedness in that regard.

Mr. HENNESSY. To the best of my recollection, there have been very few Eximbank loans in the last year or two because of the hard commercial terms which, given the Indian economic situation and the balance of payments in general, would not make it appropriate. But I can see here, as of June 1972 they had \$240 million outstanding, and as of last June they were down to around \$200 million. So there have been a net repayment to the Eximbank during fiscal 1973 of \$40 million, according to those figures here. So there may have been some little ones advanced. But the payments on the old ones exceeded the new ones.

Senator BYRD. So most of it, as you have already pointed out, has been under AID?

Mr. HENNESSY. Yes, sir, it has all been on very short terms.

Senator BYRD. What do we have in the current budget for India, do you happen to know, in the way of AID programs?

Mr. WEINTRAUB. There is a provisional figure, I am told, of \$75 million for AID programs. This is dependent on discussions now taking place. The figure is provisional.

Senator BYRD. Even though India owes us all of these rupees plus all the other money she owes us, \$3 billion, we still have \$75 million in the budget for India?

Mr. WEINTRAUB. Yes, sir.

-- If I may make a few comments in response to some of your earlier remarks, I think what you were saying is true, that the United States in its AID program toward India has been quite generous over the years. I agree with that statement, and this encompasses not only the direct bilateral assistance, both rupee repayment and dollar repayment, but also those funds which have moved through the international financial institutions. The relationship has changed in recent years. The amount that others are putting in is now much greater than what the United States is providing. Even if you look at the international financial institutions, and you try to measure the amount of money going to India despite the fact that it is 40 percent of the total on a per capita basis, India received very small amounts of aid. It receives that much because it is a poor and immense country. So that while I want to agree with you, because I think we have been generous, I think there are some understandable reasons why the United States and the international community as a whole sought to do this over the years.

Senator BYRD. I think that is why we sought to do it in a lot of countries. We try to be helpful to people. The United States has tried to be

helpful to a good many countries, as a matter of fact, to 108 countries, as I understand Secretary Hennessy's figures.

Mr. WEINTRAUB. Many of these have been normal commercial credits as well.

Mr. HENNESSY. There are large grants to many countries in the 108 figure.

Senator BYRD. But the fact is that we have been very generous with India. I think that most Americans have great sympathy for the plight of many of the people in India, and many of the other undeveloped countries. I think it is just a question of how much we can do, whether there is not a stopping point some place. Despite all that we have done, India seems to be more antagonistic to us now than she was years ago. India is a prime example, to my way of thinking—others can disagree with me—that you cannot buy friendship. And that is what I think we have sought to do in many of these programs. I think we have got to tighten up for the benefit of the American taxpayers and reappraise our entire foreign aid situation. This budget has \$10 billion in it for foreign aid, not including the Export-Import Bank. That is a lot of money, to my way of thinking.

Mr. WEINTRAUB. I am not sure what you are referring to. I do not philosophically disagree with you, I agree that you cannot buy friendship.

Senator BYRD. Now, Secretary Hennessy, you say in your statement: "The collection of foreign debts has been of serious concern and over the past 4 years a vigorous effort has been undertaken to improve performance in this area." And then you say: "Major progress has been made." I was wondering if you would elaborate on that, major progress has been made.

Mr. HENNESSY. I think there are two dimensions to the progress. First, we have expanded our reporting system to include short-term debts and accounts receivables. We now have a fully functioning system. And we have very good agency cooperation throughout the National Advisory Council mechanism in holding semiannual and sometimes quarterly reviews of all the outstanding indebtedness which is in arrears.

Second, the major progress, in quantitative terms, has been in actually making collections on items which we had been unsuccessful in collecting for a number of years.

The settlement of the Korean surplus property debt, which was \$35 million and had been outstanding since the early fifties, was a major breakthrough.

So was getting the Arab Republic of Egypt, as it is now called, to bring their accounts up to date.

And Haiti has now agreed to repay their surplus property debt, which has been outstanding some 20 years.

The Japanese agreed to repay \$175 million.

The Europeans returned to the United States our contribution to the European Monetary Agreement. Quite frankly, there was no legal basis for us making this request, but we said, these sums have served their useful purpose, and although there is nothing specific in the original agreement which said they should revert to the United States, clearly they should. The Europeans discussed the matter for about a

year. We pushed them on it, and eventually they returned our entire contribution and the earnings on it.

Those are some of our major efforts. There have been a lot of countries which have fallen in and out of mostly minor delinquencies, such as Uruguay, Bolivia, Indonesia, and the Dominican Republic. We cleared those up.

There is still, of course, a great deal of work to be done on delinquent debts. We have a problem with the Chileans. It looks to us now as though we may have to stretch their debt out because of their financial situation. But they are going to pay us every cent, and there will be no reduction or cancellation.

We have been taking the problems one by one. I think the people in the field, through the efforts of the State Department, have impressed on all the countries the seriousness with which the Congress and the executive branch sees this question of delinquent debts. So there has been progress internally, and quantitative progress externally.

Senator BYRD. Aside from India and Russia—and India is in the process now, and Russia was negotiated last October—are there any other countries where there are major dollar figures involved and where the debts have been canceled or renegotiated downward substantially? You say there are 12 countries involved in rescheduling, I think is the term you used. But are there other countries in a position similar to India and Russia in regard to cancellations or reduction in their debts?

Mr. WEINTRAUB. Are you referring to local currency debts, as in the case of the rupee debt to India, or any debt, whether it is dollars or not?

Senator BYRD. Any indebtedness owed the United States.

Mr. WEINTRAUB. I would guess that the previous biggest rescheduling that did not involve cancellation was that with Indonesia in 1970, in which \$900 million of Indonesian debt was rescheduled. This was the total debt owed by Indonesia from the Sukarno period to the western creditors the U.S. share of that was about 25 percent, or \$200 million. Indonesia at the same time rescheduled on the same roughly similar terms even a greater amount, \$1.3 billion with the Soviet Union and the other East European countries. I think that was the last major one.

Mr. HENNESSY. But there was no cancellation. We took securities which were due during the Sukarno period and which had not been paid, and stretched repayments over a period of years. Since that was such a large rescheduling, the National Advisory Council on International Monetary and Financial Policies presented a special report in March 1971 which gave all the details and the background of why we thought it necessary to take the debt and stretch it out, again without cancellation.

Senator BYRD. But you did not forgive the debt?

Mr. HENNESSY. No; it was just that they could not pay it on the terms and conditions, originally provided because of the financial situation in which Mr. Sukarno left that country. So we had to give them a new repayment schedule, but there was no cancellation.

Mr. WEINTRAUB. Let me make a comment on India as well. The arrangement, if the agreement can be worked out, would not be the cancellation of the debt quite in that form, it would be repayment by

the Indians of the full amount of the debt. Of that prepayment, we would retain certain amounts for our use over time, and the other amounts are granted to India through our local currency for development projects. This proposal is not inconsistent with the original terms of the Public Law 480 agreement, where it was assumed that the money would go back for the development of India.

Senator BYRD. The only thing I take issue with is, you are saying that we get full payment, if we get full payment and we give it back to them, that is not full payment.

Mr. WEINTRAUB. I did not use the words full payment, I said prepayment of the entire debt, and it would go back for development purposes. What I am saying, sir, is that that is not inconsistent with the original intent of the original loans.

Senator BYRD. It may not be inconsistent with that. But one can certainly not say that the U.S. Government is getting payment for its debt. It is getting payment for its debt, perhaps, but it is giving the money right back under the agreement.

Mr. WEINTRAUB. Sir, the Indian rupee debt, like a lot of other things we have been talking about, is complex. There has been a series of examinations of this debt, by distinguished outside consultants over many years. Professor Mason of Harvard some years ago studied it. And more recently the former chairman of the Council of Economic Advisers, Mr. Saulnier examined it, The GAO has examined it. We have examined it again. I think the conclusions tend to be pretty uniform that something must be done in order to make unusable rupees usable.

Senator BYRD. I am not necessarily opposing it, all I am saying is that you may dress it up and it may sound good, but as a practical matter, we are canceling the debt, or the proposal is to cancel the debt. It cancels the debt in the sense that we are going to give it back to them to use for their own needs or purposes, whatever they wish to use it for. I do not necessarily disagree. What I do think is that when you have large sums like this involved, it is almost the same as being money appropriated by the Congress, and it ought to be—any large agreement like this should be approved by the Congress.

Mr. WEINTRAUB. It will be submitted to the Agriculture Committees, in accordance with the appropriate provisions of the Public Law 480 statute.

Senator BYRD. What about our situation in regard to the Arab countries? We have done a good bit with the Arab countries, particularly in the matter of Public Law 480 commodities on long-term debts. How do you visualize repayment there?

Mr. WEINTRAUB. I am looking at the amounts. The amounts are not very great for the Near East and the Arab countries. The biggest amount is Egypt, which we discussed earlier. The amounts tend to be fairly small—\$12 million in Syria, Saudi Arabia is about \$15 million, and Lebanon about \$18 million, and Kuwait \$30 million, the last all to Eximbank.

Senator BYRD. And all of them are current, I assume?

Mr. WEINTRAUB. All of them are current, yes, sir.

Senator BYRD. Does AID or State have any projections about the capacity of debtor countries to pay off the loans? Do we anticipate more frequent scheduling as to the external debts?

**Mr. WEINTRAUB.** This is a hard question to answer. We have made a good many analyses of what has been happening to the debt burden of the developing countries compared with their foreign exchange earnings. The World Bank has done the same. In this way, we seek to project what kind of problems may arise in the future. But our record is not necessarily always accurate, because there are a good many countries with very large debt service burdens, that is, who are paying a high proportion of their earnings in debt service, who are not really problem cases, because they are able to borrow quite readily on capital markets and elsewhere. Mexico is a good example.

Brazil has been borrowing heavily. But again, it has been a prosperous country.

Korea has a fairly substantial debt service. But again, it has been a prosperous country and able to borrow.

What I am saying is that any simple ratio, as I see it, is inadequate to judge. On the other hand, we do know that if a lot of the less-developed countries continue to borrow at present rates and present terms, they will run into trouble. And this is one of the reasons why we try to coordinate with other major creditors lending to some of these countries on terms in order that they not get into a credit crisis. And we urge the World Bank and the International Monetary Fund to help these countries to manage their own contracting of debt so that they do not get into trouble.

**Senator BYRD.** May I ask you this, Mr. Hennessy? On the \$58 million which is owed by foreign governments to the United States, does that include sums that might be owed under Export-Import Bank?

**Mr. HENNESSY.** Yes, it does. If you exclude World War I debt, you have \$33 billion, which is the current debt. Forty-two percent is under the Foreign Aid Assistance Act and related legislation, 20 percent Export-Import, 22 percent Public Law 480, and then the remaining 16 percent is broken down by a whole series of programs.

**Senator BYRD.** You only have \$6 billion of Export-Import owed?

**Mr. HENNESSY.** Yes; \$6.1 billion is the figure for total outstanding loans by Eximbank in that \$33 billion total. Much of these Eximbank credits are under guarantees. They have a fairly fast repayment schedule. They do not typically have 40-year loans. The vast majority of them are in a 5-year range, so you get a quick turnover.

**Senator BYRD.** Why should there be \$8 billion in the present for the Export-Import Bank?

**Mr. HENNESSY.** That, I believe, is the ceiling. The figure includes guarantees and insurance as well as direct credits. Say, there is going to be an export, and the exporters asked for 10 percent down. If it is a \$100 export, there is \$10 payment, and the other \$90 is financed, with Eximbank providing \$45 and a commercial bank providing the other \$45. But that other \$45 has an Eximbank guarantee, and under the present regulations for Eximbank that guarantee must also be in-

cluded with their own budget and within their ceiling. Eximbank activities have been increasing greatly as we have become more and more concerned with our exports and exports performance. It is my recollection, you can correct it if it is wrong, that Eximbank lent, in direct credits, about \$1.6 billion in fiscal year 1973. They have an equal amount in guarantees. A few years ago that figure was less than a half million dollars. They have increased their activities quite a bit. Their activities offer a unique opportunity for us to promote our exports. I think Eximbank will continue to expand.

Senator BYRD. I have always supported the Eximbank. I think it is a good bank. But \$8 billion in the present budget seems to me to be an unusually high figure.

Mr. HENNESSY. I do not know how that figure breaks down, but a large part of that must be guarantees, and some must be rediscounts. Commercial banks can take part of their export paper and play it off with the Export Bank. I think they had about \$1.6 billion outstanding as of June of last year of that. I think you must be adding all their programs together, including their guarantees and insurances.

Senator BYRD. One is Export-Import Bank long-term credits. That is \$3.8 billion.

Mr. HENNESSY. Last year, as I said, they were hitting \$3 billion. \$3.8 billion could be a normal total.

Senator BYRD. So, the Export-Import Bank's regular operations \$22.2 billion.

Mr. HENNESSY. That must be their guarantees.

Senator BYRD. And, therefore, you have Government Export Bank short term operations, \$1.6 billion.

Mr. HENNESSY. Those are the discount lines, I believe. But they have many programs. Of course, our exports are now running around \$60 billion a year. There has to be an increase in Eximbank activities which more or less is proportional to that.

Senator BYRD. But the interesting thing is that of \$6 billion you brought out, only \$6 billion is owned under the Export-Import.

Mr. HENNESSY. That is on direct credits. And I guess the directly analogous figure would be the \$3 billion figure that you mentioned. But again, there is a fast turnover on these exports. I will make doubly sure that that \$6 billion—the direct credit outstanding—is correct. It just shows that their activities are increasing. The advantage, of course, is that they have a fast turnover, so that loans granted 3 years ago are approximately 50 percent paid off by now.

Senator BYRD. The only other aspect I wanted to bring up this morning is whether the ship loans and ship sales and the sums owed by other countries for those purposes are included in the figures that were submitted by the Treasury.

## STATEMENT OF ADMIRAL GERHARD

Admiral GERHARD. Yes, Mr. Chairman, they are included. And for your information, in what I will call the spread sheet or the enclosure to Mr. Warner's letter of September 28, 1973, where we listed the number of ships that had been sold, we also indicated in that spread sheet the annotation "processing of bill." In some cases the rule price had been paid under credit items.

Senator BYRD. I was just trying to get some simple information, which I do not think was in that paper. I want to know when the ship was commissioned. I think you have that.

Admiral GERHARD. We are prepared to submit that to your staff, the additional information that is required.

Senator BYRD. And then the original cost of the ship.

Admiral GERHARD. Yes, sir.

Senator BYRD. You have that?

Admiral GERHARD. Yes.

Senator BYRD. And then the selling price.

Admiral GERHARD. We will update that spread sheet; that is, this is in addition. Your letter, as I recall, sir, asked for all ship sales since 1968; how much of the sale price has been received and in what currency; and how much has been charged to foreign military sales credits. Subsequent to that time we learned of your additional requirements. We will be happy to amend that spread sheet with the required information you desire.

Senator BYRD. You have the sale price?

Admiral GERHARD. Yes, sir.

Senator BYRD. And how it was paid for?

Admiral GERHARD. Yes, sir. That was in the sheet that was forwarded to you by Mr. Warner.

Senator BYRD. But all it says was, paid cash, it does not tell me how much was paid.

Admiral GERHARD. The column at your extreme right, sir, should show sales price.

Senator BYRD. It shows the credit authorization number. And then the next column is a credit amount.

Admiral GERHARD. Mr. Chairman, I apologize. I am told that you in fact do not have it. I will turn over to your staff before I leave the building today a new updated sheet which will give you the acquisition cost, the purchasing country, the age at the sale date, the date of the sale, the source, the sales case status, and in the case of credits, the credit amount and the credit authorization number, and in the last column the sales price.

Senator BYRD. That is the figure that I am particularly interested in.

Admiral GERHARD. Yes, sir, it will be there.

[The following information was subsequently supplied for the record:]

## SHIPS SOLD TO FOREIGN GOVERNMENTS SINCE 1968 (AS OF OCT. 1, 1973)

Hull No.	Name	Average acquisition cost by type (millions)	Purchasing country	Approximate age at sale date	Sale date	Source	Sales case status	Credit amount	Credit authorization number	Sale price (thousands)
AN-31	Rosewood	\$0.8	France	27	January 1969		Paid-Cash			\$75
AN-83	Nahant	2.8	Uruguay	24	December 1968		Paid-Credit	\$70,000	681	75
APD-85	Berke	3.6	Colombia	25	July 1968		Paid-Cash			50
APD-76	Schmitt	3.6	Republic of China	26	February 1969		do			50
ARG-4	Turtilla	5.2	do	28	February 1972	Active	do			95
ARVA-4	Megara	1.9	Mexico	28	October 1973	Scrap	Processing bill-Cash			90
AS-24	Anthedon	9.0	Turkey	26	February 1968		Paid-Cash			195
ASR-30	Greenlet	4.4	do	30	February 1973	Lease	do			58
ASR-20	Skyark	2.2	Brazil	30	July 1973	Active	Processing bill-Cash			75
AV-16	St. George	10.9	Italy	24	December 1968		Paid-Cash			225
AVT-75	Siox	1.4	Turkey	30	August 1973	Lease	Processing bill-Cash			95
DD-454	Cabot	22.6	Spain	29	December 1972	Loan	Paid-Cash			500
DD-454	Ellyson	7.5	Republic of China	28	July 1970		do			85
DD-458	Macomb	7.5	do	28	October 1970		do			1501
DD-468	Taylor	7.5	Italy	26	July 1969		do			150
DD-509	Converse	7.5	Spain	30	December 1972	Loan	do			150
DD-515	Anthony	7.5	Germany	29	June 1972	do	do			150
DD-517	Walker	7.5	Italy	26	July 1969		do			150
DD-528	Mullany	7.5	Republic of China	28	October 1971		do			150
DD-540	Twining	7.5	do	28	do		do			150
DD-544	Boyd	7.5	Turkey	26	September 1969		do			150
DD-547	Cowell	7.5	Argentina	28	August 1971		do			150
DD-550	Capps	7.5	Spain	29	December 1972	Loan	do			150
DD-551	David W. Taylor	7.5	do	29	do	do	do			150
DD-561	Pritchett	7.5	Italy	26	January 1970		do			150
DD-573	Harrison	7.5	Mexico	29	April 1971		do			156
DD-574	Rodgers	7.5	do	29	do	do	do			150
DD-586	Shields	7.5	Brazil	28	July 1972	Reserve	Paid-Credit	150,000	682	150
DD-630	Braine	7.5	Argentina	28	August 1971		Paid-Cash			150
DD-651	Cogswell	7.5	Turkey	26	October 1969		do			150
DD-656	Van Valkenburg	7.5	do	29	February 1973	Loan	do			150
DD-668	Clarence K. Bronson	7.5	do	30	do	do	do			75
DD-675	Lewis Hancock	7.5	Brazil	30	April 1973	do	Paid-Credit	75,000	731	150
DD-678	McGowan	7.5	Spain	29	December 1972	do	Paid-Cash			225
DD-694	Igraham	7.5	Greece	27	July 1971		Paid-Credit	225,000	691	225
DD-696	English	7.5	Republic of China	26	September 1970		do	225,000	702	225
DD-700	Haynsworth	7.5	do	26	May 1970		do	225,000	702	225
DD-702	Hank	7.5	Argentina	28	July 1972	Reserve	Paid-Cash			225
DD-704	Borle	7.5	do	28	do	do	do			225

## SHIPS SOLD TO FOREIGN GOVERNMENTS SINCE 1968 (AS OF OCT. 1, 1973)—Continued

Hull No.	Name	Average acquisition cost by type (millions)	Purchasing country	Approximate age at sale date	Sale date	Source	Sales case status	Credit amount	Credit authorization number	Sale price (thousands)
DD-705	Compton	\$7.5	Brazil	28	September 1972	do	Paid—Credit	\$225,000	\$682	\$225
DD-706	Gairard	7.5	Iran	26	March 1971	do	Paid—Cash			225
DD-709	Hugh Purvis	7.5	Turkey	28	February 1973	Loan	do			150
DD-731	Maddox	7.5	Republic of China	28	July 1972	Reserve	do			150
DD-742	Frank Knox	7.5	Greece	27	January 1971	do	Paid—Credit	225,000	691	225
DD-746	Brush	7.5	Republic of China	26	February 1970	do	Paid—Cash			225
DD-747	Samsel Moore	7.5	do	26	do	do	do			225
DD-756	Besity	7.5	Venezuela	27	July 1972	Reserve	Paid—Credit	225,000	711	225
DD-761	Buck	7.5	Brazil	27	July 1973	do	Processing bill—Cash			225
DD-764	Lloyd Thomas	7.5	Republic of China	25	October 1972	Active	Paid—Cash			225
DD-765	Kappeler	7.5	Turkey	27	July 1972	do	do			225
DD-775	Willard Keith	7.5	Colombia	28	do	do	do			150
DD-776	J. C. Owens	7.5	Brazil	28	July 1973	Reserve	Processing bill—Cash			225
DD-777	Zellers	7.5	Iran	27	March 1971	do	Paid—Cash			225
DD-780	Stormes	7.5	do	28	February 1972	Reserve	\$201,500 paid—Cash; \$28,000 due.			225
DD-787	J. E. Kyes	7.5	Republic of China	27	April 1973	Active	Paid—Cash			225
DD-789	Everson	7.5	Turkey	27	July 1973	do	Processing bill—Cash			225
DD-790	Shelton	7.5	Republic of China	27	April 1973	do	Paid—Cash			225
DD-794	Irvine	7.5	Brazil	29	do	Loan	Paid—Credit	75,000	731	75
DD-795	Preston	7.5	Turkey	26	November 1969	do	Paid—Cash			150
DD-799	Jarvis	7.5	Spain	28	December 1972	Loan	do			150
DD-832	Hanson	7.5	Republic of China	28	April 1973	Active	do			225
DD-838	E. G. Small	7.5	do	27	April 1971	do	do			225
DD-843	Warrington	7.5	do	28	April 1973	Scrap	Processing bill—Cash			36
DD-853	Ryan	7.5	Turkey	27	September 1973	Active	do			225
DD-857	Bristal	7.5	Republic of China	25	February 1970	do	Paid—Cash			225
DD-861	Harwood	7.5	Turkey	28	February 1973	Loan	do			150
DD-872	Forrest Royal	7.5	do	27	do	do	do			150
DD-877	Perkins	7.5	Argentina	27	October 1972	Reserve	do			225
DD-888	Stickell	7.5	Greece	27	July 1972	Active	Paid—Credit	225,000	711	225
DE-248	Swasey	3.6	Mexico	30	October 1973	Scrap	Processing bill—Cash			50
DE-1006	Dealey	12.5	Uruguay	18	July 1972	Active	Paid—Credit	40,000	721	40
DE-1029	Hartley	12.5	Colombia	15	do	do	Paid—Cash			120
DE-1034	John R. Perry	9.8	Indonesia	15	February 1973	do	Processing bill—Cash			145
FR-57	Barber	3.5	Mexico	26	December 1969	do	Paid—Cash			45
FR-102	Radnor	3.5	do	25	do	do	do			45
SD-5	Ganston Hall	6.0	Argentina	26	May 1970	do	do			150
ST-277	No name	1.9	Chile	30	February 1973	Scrap	do			75
ST-602	Clear Water City	1.9	Mexico	28	June 1972	do	do			75
ST-1066	No name	1.9	Chile	28	August 1973	do	Processing bill—Cash			75



## SHIPS SOLD TO FOREIGN GOVERNMENTS SINCE 1968 (AS OF OCT. 1, 1973)—Continued

Hull No.	Name	Average acquisition cost by type (millions)	Purchasing country	Approximate age at sale date	Sale date	Source	Sales case status	Credit amount	Credit authorization number	Sale price (thousands)
54	Odax	\$3.9	do	27	July 1972	do	do	\$150,000	682	\$150
523	Grampus	3.9	do	24	May 1972	do	do	150,000	682	150
564	Trigger	16.7	Italy	21	July 1973	do	Processing bill—Cash			200
525	Grenadier	3.9	Venezuela	22	May 1973	do	do			150
MMMD-33	Gwin	7.5	Turkey	27	October 1971	Scrap	Paid—Cash			150

\* Amount due results from administrative billing error which is being corrected.

Senator BYRD. Now, do you have this figure? How many ships has the Navy sold during fiscal year 1973?

Admiral GERHARD. Sir, 58 during calendar 1973.

Senator BYRD. During calendar 1973, you sold 58?

Admiral GERHARD. Yes, sir.

Senator BYRD. That is up to this point?

Admiral GERHARD. Yes, sir.

Senator BYRD. In calendar 1972 what did you sell?

Admiral GERHARD. In calendar 1972, 44.

Senator BYRD. Now, they are not loans, these are sales?

Admiral GERHARD. Those are all sales.

Senator BYRD. What did you do in calendar 1971?

Admiral GERHARD. In calendar 1971 we sold a total of 17 ships, sir.

Senator BYRD. How about 1970?

Admiral GERHARD. In 1970, it was 11.

Senator BYRD. In 1969?

Admiral GERHARD. In 1969, it was 10.

Senator BYRD. In a 9-month period in 1973, why did you have such a tremendous sale of ships?

Admiral GERHARD. If we go back into the history of our ship construction during World War II, we find that we built a tremendous number of ships that are now reaching their maturity.

Senator BYRD. And they also had approximately the same number of ships in these earlier years which also have been mothballed.

Admiral GERHARD. Some went to the mothballed fleet, and as they became older in the mothballs, we find it is a little bit more difficult to maintain them as the overhead becomes greater. We do not feel that the American taxpayer should be required to foot that type of overhead. And as they become unuseful to us, we normally look for a way to dispose of them. You are aware from Mr. Sanders' statement in the March hearing, that we are looking for ways to help our friends and allies under the Nixon doctrine, the thesis of self-reliance, self-sufficiency, and also to help ourselves as we decline in our ability to cover the trouble spots around the world and honor our national commitments.

Senator BYRD. You had been loaning these ships until recent years, until the last 12 months or so?

Admiral GERHARD. That is right.

Senator BYRD. And then all of a sudden you shifted to giving them away?

Admiral GERHARD. Selling them.

Senator BYRD. I will know better whether you gave them away or sold them when I see the price. I cannot argue the price with you until I see the figures. What I am suggesting is, and what I see happening is that when the Congress passed legislation to require you to come here—I am not speaking of you personally—what I am suggesting, Admiral, I think the Navy is trying to get around congressional action. And it has changed its method. Instead of making the loans, it is going to ship sales. Has that entered into the picture?

Admiral GERHARD. I arrived on my job, sir, in February of 1972, right after the hearings in the House and the Senate; and I digested the testimony of my CNO before your committee. I want to say with all honesty and with proper respect to the chairman, to the best of my

knowledge, that is not the case. Primarily we went to sales because, in consultation with our Washington agencies, and primarily the Department of State, the feeling was that the more we became involved with loans and had so many slips on loan, we became more politically involved.

The second and tempering facet to the problem is that as you are well aware, section 7307, title 10, of the U.S. Code prohibits us from selling ship without them being stricken from the Naval Vessel Register. And as Secretary Sanders explained to you during the March testimony, sir, these ships go through a very rigorous inspection, and what we call an Insury report is issued after that inspection. Unless the ship is capable of meeting certain material standards, it is dropped from the register. Otherwise it is retained.

Senator BYRD. But once you dropped the ship from the roll, then you can dispose of it?

Admiral GERHARD. That is right, it can be disposed of either through sales or through the scrap breakers here in the United States.

Senator BYRD. As I say, I cannot discuss it with you in the detail that I would like to because you have not yet submitted the figures and I do not have the figures to know what your sale price has been for the vessels.

Admiral GERHARD. If I recall, going back to the testimony of Mr. Forman, he indicated that in most cases we do not have a blue book on naval warships, particularly those of 27 to 30 years of age. Therefore, we must assign to it the current scrap price; that is, that obtained through commercial sources, so much per ton. And then we must add the dollar value of the types of equipment that we have aboard and we can try to get a greater degree of remuneration for the U.S. Government, which is certainly a lot more than we would get if we just sent it to the scrap breakers. We have found that in testing our cases within our own agency—that is, Defense—and looking, for example, at tankers, we found that our sale price was bracketed by \$2,000, either side of the current disposal price in the Port of New York, where just the week before they had sold three of that type ship for scrap.

Senator BYRD. We will put the figures in the record and let the Congress—

Admiral GERHARD. Yes, sir. I recognize that the change in emphasis to sales looks suspect, the timing was bad. As I say, in all honesty, it was not the intent to try to find a way to circumvent the Congress.

Senator BYRD. I think it is a good idea to help our allies by giving them surplus equipment. I think it is a good program. But I am not too enthusiastic about all of this taking place as a result of a change in the congressional attitude. It goes back to the Spanish matter. Anyway, we will not take up the time of the Secretary or your time to go into this now. But I may ask you if you would be kind enough perhaps to get together with us at a later date. Because I cannot very well discuss this with you until I get the facts that I sought. But we will get those today so that we will not have any problems after that.

Admiral GERHARD. Yes, sir.

Senator BYRD. Thank you gentlemen very much, indeed. I appreciate your being here today.

[Mr. Weintraub's prepared statement follows:]

## PREPARED STATEMENT BY SIDNEY WEINTRAUB, DEPUTY SECRETARY FOR INTERNATIONAL FINANCE AND DEVELOPMENT, DEPARTMENT OF STATE

Mr. Chairman, I would like to speak briefly on the general approach of the Executive Branch to the question of foreign indebtedness to the United States Government. This is a broad subject and encompasses many different types of debts—e.g., those associated with war materiel delivered during a time of actual hostilities, those associated with the provision of surplus foodstuffs to underdeveloped countries, and most recently those designed to enhance the development effort of the world's developing countries.

In all cases the United States has extended credit on the assumption that loans will be honored and will be repaid according to a mutually agree schedule between the United States and the debtor. The lending agencies are meticulous in granting loans, or guaranteeing commercial loans, to protect the taxpayers' right to expect full repayment of all debts. I would like to emphasize that the past majority of the indebtedness to the United States is honored and repaid on schedule. In fact, only two percent of the outstanding debt is delinquent by 90 days or more and an even smaller percentage has been rescheduled or otherwise renegotiated. Mr. Chairman, I think you will find that these percentages compare favorably with the best performance of collecting debts in the private sector of our economy.

It is (however because of their exceptional nature that debts are delinquent or rescheduled attract special attention. The practice of rescheduling debts is not common in the United States Government and is not viewed as a normal policy instrument for providing aid or otherwise influencing bilateral relations with a debtor country. All activities which take place between two governments obviously have a political as well as an economic dimension, and debt rescheduling is no exception. However, economic and financial motivations must provide the main impetus for rescheduling.

It is sound financial practice to avoid the bankruptcy of a debtor who faces a temporary liquidity crisis. It is sound practice to grant temporary relief from contractual debt obligations when such relief will improve the prospects for actually collecting the debt. An inquiry of the banking community would reveal that those hard-headed financiers also consolidate, rollover, or reschedule payments to meet unforeseen events affecting the borrowers ability to repay. This practice is not confined to private transactions, but extends to transactions between private banks and foreign governments.

On the basis of these principles, the United States does from time to time extend relief to its debtors. Of particular moment today is the debt relief granted from time to time to developing countries. The United States has participated in debt relief exercises for countries in default, that is, temporarily unable to meet their obligations. This is normally done in a multilateral context in which the creditors incorporate economic conditions designed to assure that policies of the debtor will be such as to avoid future debt crises. There have been multilateral debt reschedulings designed to avoid default and which similarly contained conditions to encourage the development effort of the debtor.

In general, we must be in a position to react to situations unforeseen at the time loan agreements are signed. Sometimes the use of rescheduling is necessary to gain any payment from the debtor on its obligations. I could cite in this context the Egyptian rescheduling of 1971 which ended four years of total default by the Egyptian Government. But in all cases it is our practice to obtain a result in the best overall interest of the United States.

Let me turn to the question of delinquent debt, a problem common to all institutions which extend credit. I would like to outline briefly the procedure followed by the United States Government in collecting its delinquent debts.

Primary accounting control and collection responsibility lies with the agency which incurred the delinquent obligation. The contracting agency has the necessary familiarity with the transaction as a whole. It is in the best position to judge both our government's and the other government's compliance with the basic contract. Most agencies find that governments want to keep their accounts current. These agencies, whenever possible, want to avoid politicizing an account through diplomatic intervention, which can disturb working commercial relationships.

From time to time, however, a case of non-payment will arise, for which normal collection procedures are not effective. In such cases, we asked creditor agencies to refer the matter to the Department of State. In May, 1971, the Act-

ing Secretary of State sent identical letters to 37 Government agencies offering assistance and outlining our procedures in handling debt delinquencies.

When a case is referred to us, we ask for a complete file, including any arguments which the debtor country might have made in resisting payments. These can include uncredited payments, difference of interpretation of language, different exchange rate calculations, or non-receipt of goods. This file is forwarded to our Embassy in that country, with instructions to bring the matter to the attention of the appropriate authority. The Deputy Assistant Secretary of State for International Finance and Development is responsible for directing this effort. In addition to the recent surplus property settlement with Korea, recent collections of long-delinquent debts from such countries as Paraguay, Tunisia, Colombia and Haiti demonstrate the value of this procedure.

The Department of State is certainly aware of the serious and legitimate concern of the Congress in meeting its responsibilities with respect to assets of the United States. We recently have taken a new step toward assisting the Congress in fulfilling this responsibility. In a letter of August 2, 1973, to the Government Operations Committees of both Houses, in response to a GAO report on the debt question of less developed countries, the Secretary of State stated his intention to incorporate in the Secretary's Annual Report to Congress on Foreign Policy a full discussion of the debt situation and active debt negotiations. This report will supplement the on-going consultations between the Congress and various representatives of the Executive Branch on specific debt issues.

I would now like to turn to some specific cases in which this Committee has expressed a particular interest.

#### PROPOSED INDIAN RUPEE SETTLEMENT

We are discussing in New Delhi a possible rupee debt settlement with India. The objectives of this action have been presented by Ambassador Moynihan to many of your colleagues in the House and Senate.

As this Committee is aware, we hold two types of financial assets in India: a dollar debt and a rupee debt. The proposed settlement deals only with rupees. The Government of India owes us a dollar debt of about \$3 billion from hard currency development loans made by AID and predecessor agencies, export loans from Eximbank and dollar repayments of agricultural commodity purchases on credit. The Indians continue to meet scrupulously their debt service obligations on these dollar loans which amount to \$180 million annually and will continue at this average level for the next five years.

The Indians also owe us about \$3.2 billion equivalent in non-convertible rupees. Our rupee assets consist of over \$800 million equivalent in current deposits with India's central bank and \$2.4 billion in outstanding principal on rupee loans owed to us and repayable over the next 40 years. With interest, rupees come into our central bank account at over twice the annual rate at which we spend them. The rupees come largely from PL-480 proceeds pursuant to agreements concluded in the 1960's and from other rupee-repayable loans from the 1950's. The original agreements limited the use of our rupee assets, largely to covering United States expenses in India and to grants or loans to the Government of India for Indian development. In effect, we cannot use these rupees outside India and their use inside India is restricted by the terms of the original agreements.

As the Government Accounting Office's 1971 Report made clear, "it appears highly unlikely that the United States will be able to convert more than a small portion of its total rupee holdings into real resources for its own use."

In no other country are our local currency holdings so large or the present arrangements such that we are faced with a comparable situation.

A basic purpose of the negotiations is to put a foreseeable, albeit distant, end to the situation under which we have substantially more rupees than can be converted into real resources. We seek to convert unusable rupees into usable rupees under conditions agreed to in advance.

The discussions in New Delhi have been the subject of intensive consultations with Congress. In September, Ambassador Moynihan consulted with some two dozen Senators and Representatives, members of the Agriculture, Foreign Relations, and Appropriations Committees. I welcome the opportunity these hearings afford to provide this Committee with any information desired concerning our proposal, which in accordance with Section 104 of PL-480, will in any case be transmitted by the President to the Senate and House Agriculture Committees for their review at least thirty days in advance of taking effect.

### *World War II and Related Debts*

In my prepared statement I will cite only a few exceptional cases in this wide field. Most of these accounts are regularized, but the few exceptions attract a great deal of attention. Indeed, I think the more our total collection efforts are examined, the better we in the Government will look.

#### *Lend-Lease Settlement with the Soviet Union*

On October 18, 1972, then Secretary of State Rogers and Soviet Foreign Trade Minister Patholichev signed an agreement which settled the Soviet Union's lend-lease debt to the United States. The settlement removed what had been a major obstacle to the development of more normal economic relations between our two countries. Under the terms of the agreement, the Soviet Union will pay at least \$722 million by July 1, 2001.

In negotiating repayment agreements with all major lend-lease recipients, the United States has sought no payment for goods lost, consumed or destroyed during the war or for combat items left over at the war's end. We have sought payment for civilian-type goods which survived hostilities and for all goods "in the pipeline" but delivered after the lend-lease program formally ended (September 20, 1945).

The Soviet Union had been making regular payments on the "pipeline" account and the remainder due on that account was included in the global sum of the overall settlement.

Negotiations with the Soviet Union to reach agreement on amount to be paid for civilian-type goods had foundered over the years on two points: First, there was no agreed statistical base on which to base the value of such goods remaining in Soviet hands. The Soviet Union did not present an inventory of what they had and rejected the estimates which had been put forward by our government. Settlement figures offered by the Soviet Union during the intermittent negotiations were always unacceptably low.

Second, the Soviet Union wanted the United States to give effect to Article VII of the standard Lend-Lease Agreement which stated that the terms and conditions for repayment "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations." The article also specially mentioned "agreed action" directed to the "elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." The Soviet Union argued that Article VII indicated to them the prospect of improved economic relations, but that the U.S., in 1951, had terminated the most-favored-nation tariff treatment that Soviet goods had previously received under a 1937 commercial agreement. Thus, for the Soviets, a resumption of most-favored-nation treatment became a condition for a final lend-lease settlement. We argued that a lend-lease settlement was a condition for even considering most-favored-nation treatment.

The agreement of last October combined a settlement figure close to that which had been requested by the United States previously, and comparable to that reached with other World War II allies. It contained a provision making payment of \$674 million of the \$722 million conditional upon re-extension of most-favored-nation tariff treatment to Soviet goods. As you know, the Administration has requested Congressional authorization to extend most-favored-nation treatment to the Soviet Union as a part of the Trade Reform Act of 1973.

I might note that the Soviet Union already has paid \$36 million of the \$48 million payment which is unconditional under the agreement.

For the record, I am submitting an information sheet giving additional details on the terms of the final settlement and a comparison of that agreement with the lend-lease accord with the United Kingdom.

#### *World War I debts*

U.S. allies during World War I borrowed \$12 billion, to purchase war materiel. These debts are now estimated to be over 20 billion including interest which has accrued for over 40 years. These debts present immensely complex political and economic issues involving the whole range of our relations with our Western allies, with the nations of Eastern Europe and the Soviet Union, as well as relations among the European nations themselves. The European debtor governments (with the notable exception of Finland) have shown no disposition to settle these debts.

At the same time, we are keenly aware of the concern of the Congress that disposition be made of these long-pending accounts. The Departments of State and Treasury are collaborating in the examination of policy options to deal with these debts within the framework of the National Advisory Council.

#### *Prepayment*

Not all cases of adjustment of loan terms result in deferral of payment. In some cases, subject to mutual agreements, we have received prepayment, or accelerated payment, due to the prosperity of a debtor.

The Executive Branch regularly reviews debts owed by other countries. For those countries whose financial position is strong, that review includes the possibility and usefulness of requesting accelerated repayment of certain types of debts. The state of our overall financial relations and any current negotiations with the government concerned are taken into account by the Department of State and the Treasury when judging whether or not to request prepayment in a particular case.

Several countries in the past few years have made prepayment on their official indebtedness totaling well over 2 billion. Prepayments have been made almost entirely on lend-lease, surplus property, Marshall Plan or other war related accounts. The original terms of these loans were more favorable than those in normal commercial practice.

Some countries, such as Germany and Italy, have small amounts remaining due on these accounts. The Japanese government recently made a prepayment of 175,074,998, which completely extinguished its obligations stemming from our post-World War II economic assistance.

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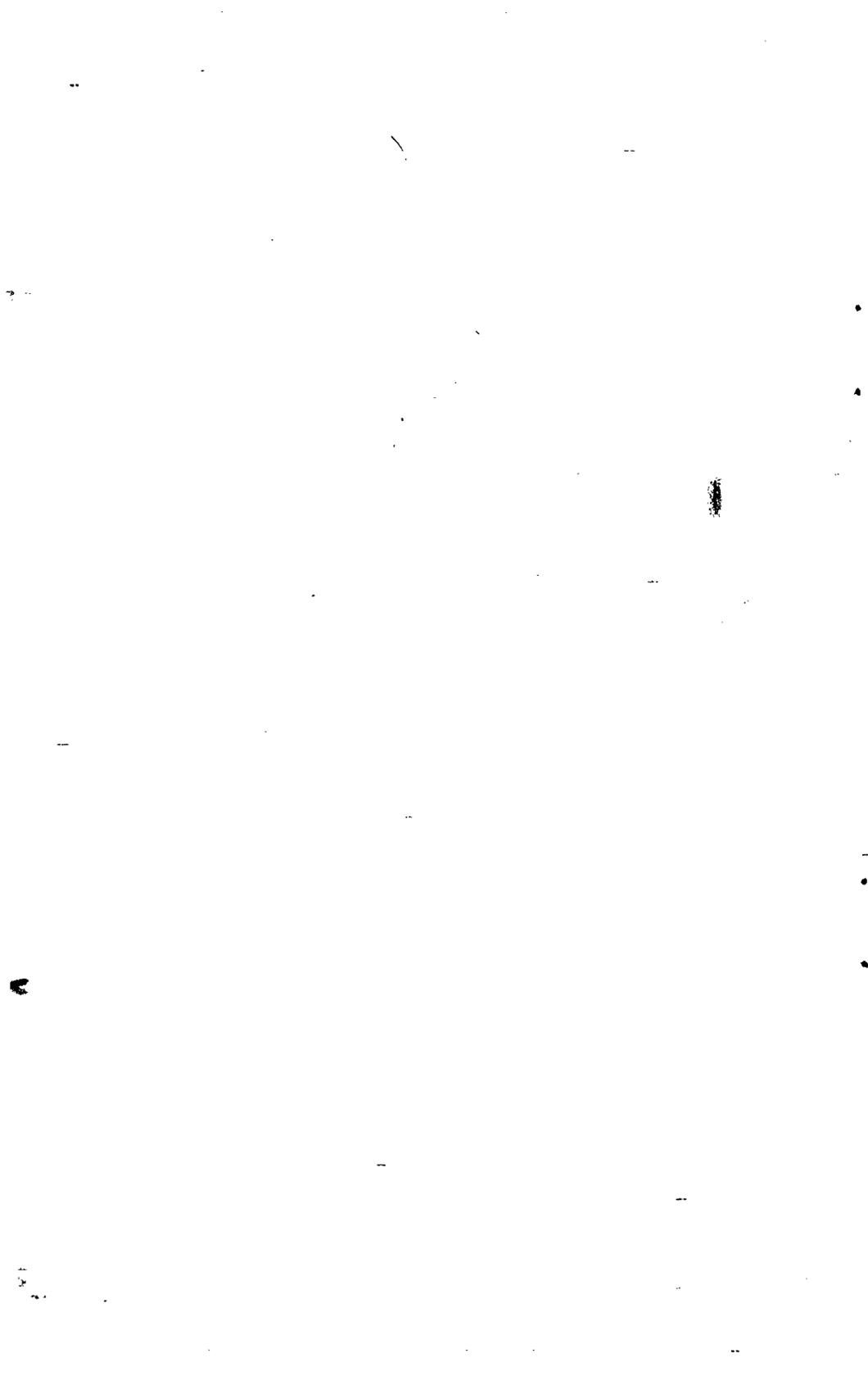
**Appendix A**

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**Foreign Indebtedness to the United States—Briefing  
Material Prepared by the Staff of the  
Committee on Finance**

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FOREIGN INDEBTEDNESS TO  
THE UNITED STATES

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COMMITTEE ON FINANCE  
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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Briefing Material Prepared by the Staff of the  
Committee on Finance for the Use of the

SUBCOMMITTEE ON INTERNATIONAL  
FINANCE AND RESOURCES

HARRY F. BYRD, JR., *Chairman*

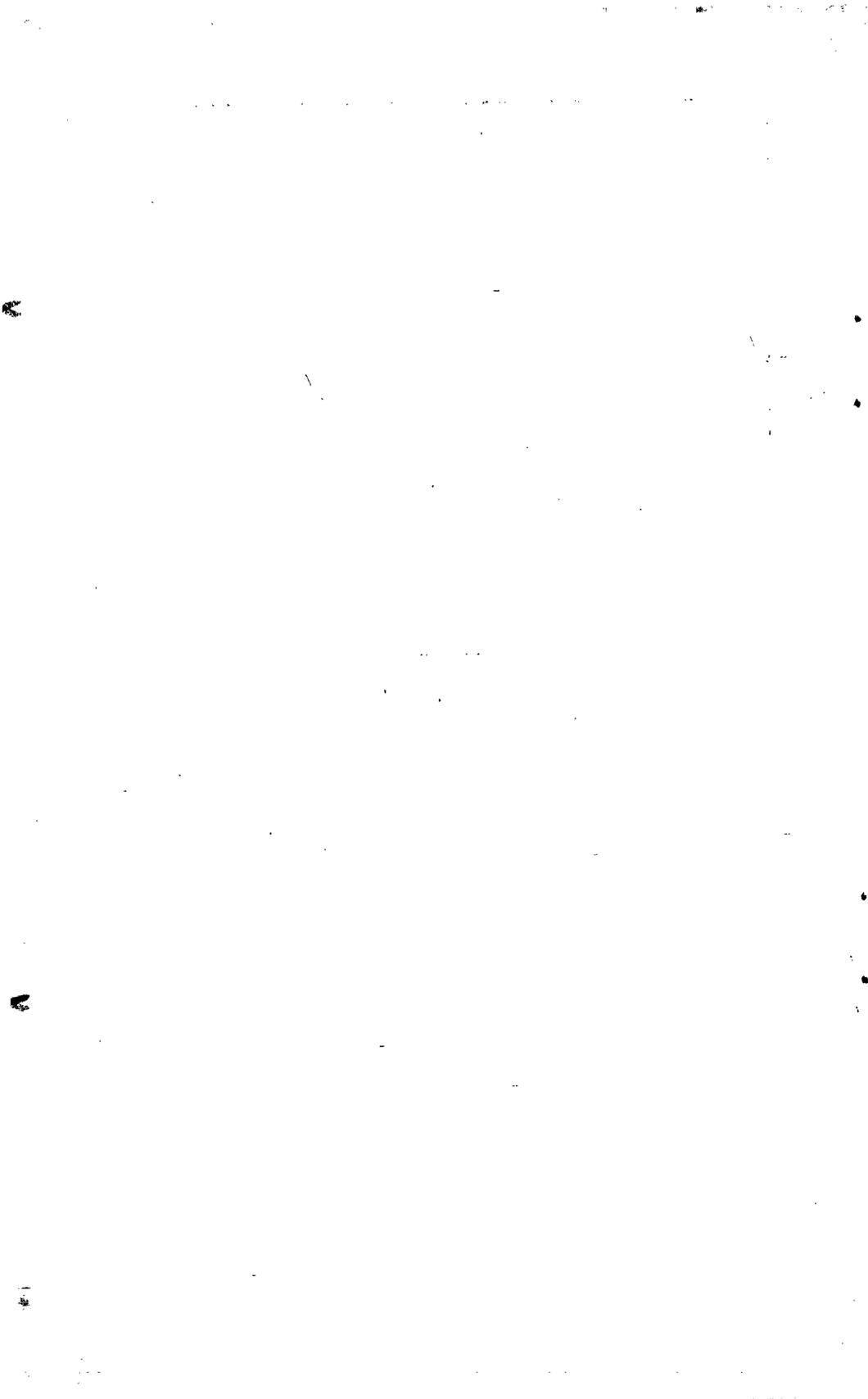


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## FOREIGN INDEBTEDNESS TO THE UNITED STATES

Since 1917 the United States Government has transferred abroad (loans and grants) approximately \$258 billion in financial resources, almost \$200 billion of which has been committed since World War II. The breakdown of this foreign assistance is as follows:

	(billions of dollars)
World War I.....	<sup>1</sup> 12.2
World War II (Lend-Lease).....	50.2
Post-World War II.....	<sup>2</sup> 195.6
<b>Total.....</b>	<b>258.0</b>

<sup>1</sup> Excludes interest.

<sup>2</sup> Includes \$11.1 billion in fiscal year 1973 and a projected \$11 billion for fiscal year 1974. The \$11 billion estimate for fiscal year 1974 does not include any expected increases in aid resulting from the Middle East War. (See Table A.)

More than \$130 billion of the post-World War II aid has been in the form of grants. Of the estimated \$60 billion the U.S. has loaned abroad since World War II, approximately \$25 billion has been repaid.

Total foreign indebtedness to the U.S. Government now exceeds \$55.2 billion by one calculation and may approach \$60 billion, according to another estimate. The \$55.2 billion figure is the sum of outstanding World War I debts (\$24.6 billion, including interest, as of June 30, 1972; see Tables B-1 and B-2) and the total of outstanding foreign loans and credits of U.S. Government agencies incurred after 1941 as reported by Treasury (\$30.6 billion as of June 30, 1972; see Tables C-1 and C-2). The \$60 billion estimate<sup>1</sup> is obtained by broadening the definition of "debts," to include, for example, indebtedness due on unsettled international claims. Estimates of foreign indebtedness to the U.S. moreover, are based upon figures which have been reduced from original obligations due to negotiated settlements, re-schedulings, and cancellations.

As of June 30, 1972, Treasury reported 105 foreign countries and international organizations with delinquent debts (principal and

<sup>1</sup> The \$60 billion figure is the estimate of the House Government Operations Subcommittee on Foreign Operations and Government Information. "Delinquent International Debts Owed to the United States." Hearings of the Subcommittee on Foreign Operations and Government Information, Committee on Government Operations, U.S. House of Representatives, 93d Congress, July 24, 1973.

interest due and unpaid ninety days or more) to U.S. Government agencies totaling \$678 million. This figure excludes World War I debts and certain lend lease obligations.

The Attorney General of the United States issued an opinion on December 24, 1970 (at the request of the Secretary of Treasury) stating that the Executive has authority to renegotiate the terms of loans and credits under the Foreign Assistance Act of 1961, as amended, Public Law 480 long-term dollar sales and export credits under the Export-Import Bank Act of 1945, as amended. Such "debt reschedulings," as they are termed, have occurred regularly in recent years, and although such actions provide foreign assistance to debt burdened countries they are not included in the President's proposals for new economic assistance and thereby reduce the apparent funding requirements of aid-disbursing agencies.

Neither the Congress nor the courts have challenged the Attorney General's decision regarding the power of the Executive to reschedule or cancel debt obligations of foreign countries to the U.S. In 1966 the Congress adopted an amendment (known as the Dirksen Amendment, Section 620(r) of the Foreign Assistance Act of 1961) which provides that:

No recipient of a loan under the authority of this Act, any part of which is outstanding on or after the date of enactment of this subsection [Sept. 19, 1966], shall be relieved of liability for repayment of any part of the principal of or interest on such loan.

Notwithstanding this provision of law, the Executive continues to hold it has authority to renegotiate and even forgive foreign indebtedness. The basis for this position is that the Dirksen Amendment relates only to loans "made under the authority of this act," i.e., the Foreign Assistance Act—and therefore the Executive can reschedule debt obligations made under other provisions of law.<sup>3</sup>

A recent case of Executive branch debt renegotiations involves India where the Executive, under terms negotiated by U.S. Ambassador to India Daniel P. Moynihan, agreed to write-off virtually all of the \$3 billion debt India has to the U.S. By a vote of 67 to 18, the U.S. Senate adopted an amendment offered to the Defense Appropriation Authorization Act of 1974 by Senator Harry F. Byrd, Jr., Chairman of the Subcommittee on International Finance and Resources of the Senate Committee on Finance, the effect of which would require Congressional approval of the India Loan Settlement. The amendment is now pending before the Congress.

<sup>3</sup> The opinion of the Attorney General on the rescheduling of the Indonesian debt to the U.S. is reprinted as appendix A.

### Foreign Indebtedness to the U.S. Arising From World War I.

As of June 30, 1972, Treasury reported the outstanding indebtedness of foreign Governments to the U.S. arising from World War I at \$24.6 billion (principal and interest due and unpaid) including \$1.6 billion in German World War I indebtedness. Tables B-1 and B-2 in Appendix C provide a breakdown of World War I debts, both conventional debts and German indebtedness, as of June 30, 1972. A summary of World War I indebtedness is shown below.

<i>World War I Indebtedness</i>	
Original indebtedness.....	\$12, 195, 087
Interest through June 30, 1972.....	13, 605, 247
Total.....	25, 800, 334
 Payments:	
Principal.....	762, 401
Interest.....	2, 000, 919
Total.....	2, 763, 320
Total outstanding.....	23, 037, 014
Unmatured principal.....	4, 697, 232
Principal and interest due and unpaid.....	<sup>1</sup> 18, 339, 774

<sup>1</sup> Excludes \$1.6 billion German World War I indebtedness.

The bulk of World War I debts to this country arose when the U.S. extended assistance to foreign countries in the form of cash loans or other credits toward (and immediately following) the end of the war.

In the post-war years, repayment of the debts was compounded by transfer problems created by altered currency values and later, by increases in U.S. tariffs which hampered the inflow of goods and services. The repayment of the debts was further compounded by the decision of foreign governments, particularly the French Government, to link war debt payments with the receipt of an equivalent amount of their entitlement to German reparations. In 1924, the Dawes Plan scaled down Germany's reparations payments and made available to the German Government loans from private lenders, enabling the German Government to make reparations payments for a few years. In turn, the governments receiving reparations payments made payments on their war debts. With the onset of the depression and the declaration of a moratorium on repayments by President Hoover in 1931, repayments for the most part ceased.

Tables B-1 and B-2 provide the status of World War I indebtedness to the U.S., as of June 30, 1972. It should be noted that of the debtor nations the Soviet Union does not recognize debts incurred by Russian

pre-Bolshevik Governments, Armenia does not exist as an independent nation, and Estonia, Latvia, and Lithuania were annexed by the Soviet Union as constituent republics during World War II. During fiscal year 1972, the Governments of Finland and Greece made payments of \$353,545 and \$328,898.02, respectively, on their World War I debt accounts.

The defaulting of World War I debts to the U.S. prompted the Congress in 1934 to enact the Johnson Debt Default Act (48 Stat. 574; 18 U.S.C. 955, as amended) which prohibits the extension of long-term private credit to nations in default on earlier obligations to the U.S., unless the U.S. is participating in such credit or the nation concerned is a member of both the World Bank and the International Monetary Fund.<sup>3</sup>

Foreign countries indebted to the U.S. have never denied the validity of their World War I obligations. They have, however, generally taken the view that payment to the U.S. of the sums agreed upon is still contingent upon their receiving payments from Germany, a position which the U.S. has never officially recognized. The question of World War I claims was deferred "until a final general settlement of this matter" by the London Agreement on German External Debts, concluded in 1953. This agreement, to which the U.S. is a party, has the status of a treaty and, in the opinion of some, has the practical effect of barring recovery of World War I debts as a matter of international politics if not international law. A working group of the National Advisory Council on International Monetary and Financial Policies has been reviewing the status of World War I indebtedness, and is expected to issue a future report, presumably including an analysis of the positions of the West German and East German Governments. A detailed account of World War I indebtedness is contained in Appendix B.

### Foreign Indebtedness to the U.S. Arising From World War II

The bulk of foreign indebtedness to the U.S. arising from World War II was incurred under authority of the Lend Lease Act of 1941 and the Surplus Property Act of 1944 and related legislation. As of June 30, 1972, Treasury reported settlement obligations, plus interest, totaling \$5.5 billion under lend lease and property agreements (Table D). Of this amount, \$1.2 billion remained outstanding.<sup>4</sup> A summary of lend lease obligations follows:

<sup>3</sup> Section 706 of the Administration's Trade Reform Act (H.R. 6767) would repeal the Johnson Act. However, the bill as reported by the Committee on Ways and Means does not repeal the Johnson Act (H.R. 10710).

<sup>4</sup> These figures do not reflect the Soviet Lend Lease settlement of October 1972.

*Status of World War II accounts under lend-lease and surplus property agreements as of June 30, 1972*

	<i>Dollars in thousands</i>
Gross value of U.S. lend-lease assistance.....	50,200,000
Settlement obligations and interest billed (net).....	5,491,448
Credits:	
Collections:	
U.S. dollars.....	3,308,012
Foreign currency (in U.S. dollar equivalent) ..	660,025
Other credits.....	334,688
Total outstanding.....	1,176,697
Status of amounts outstanding:	
Amounts past due.....	234,384
Due over a period of years by agreement.....	942,314

<sup>1</sup> Rounded.

By far the largest source of World War II indebtedness to the U.S. was the wartime assistance program initiated by the Lend Lease Act of 1941. The Act authorized the President to procure and make available to the government of any country whose defense he deemed vital to the defense of the U.S. a broad range of defense assistance. At the end of World War II, the gross value of assistance under the program totaled \$47.9 billion, with another \$2.3 billion in assistance either en route or otherwise received following the war's end. The net value of lend lease assistance (subtracting "reverse lend lease" received by the U.S.) totaled more than \$40 billion. The British Commonwealth countries received 63 percent of total lend lease aid, the U.S.S.R. 22 percent, and France and its possessions 7 percent. Aid was given to 38 countries, including 19 western hemisphere republics.

Several other types of loan programs were carried on by the U.S. during World War II. Excluding the obligations arising from the post-war settlement of lend-lease accounts, the credits utilized under these programs totaled \$1.1 billion in the five-year period ending June 30, 1946. The Reconstruction Finance Corporation, for example, provided loans of \$417 million to foreign countries, including a loan commitment to Great Britain in July, 1941, of \$425 million of which \$390 million was utilized. British-owned assets in the U.S. and their earnings were pledged as collateral for the loan. The earnings were sufficient to pay off the loan in slightly more than a decade.

In addition to these wartime loans, the U.S. made a series of post-war recovery loans to foreign Governments which ultimately totaled \$10.4 billion. A special loan to Great Britain, for example, agreed to as part of the British lend lease settlement, made available \$3.75 billion at 2 percent interest, repayable over fifty years beginning in 1952.

In bilateral negotiations following World War II, the U.S. sought repayment only for lend lease assistance of value in civilian economies. As of June 30, 1972, settlement obligations and accrued interest totaled \$5,491,448,062.36<sup>6</sup> (Table D).

### The Soviet Lend Lease Debt and Settlement

The Soviet lend lease settlement, announced October 18, 1972, is the latest example of U.S. efforts to secure repayment for lend lease obligations (with the Soviet case the most intractable one). The background of the Soviet lend lease indebtedness was summarized by Sidney Weintraub, Deputy Assistant Secretary of State for International Finance and Development, in testimony February 18, 1972, before the House Subcommittee on Foreign Operations and Government Information:

The original value of all lend-lease equipment provided the Soviet Union during World War II is estimated at \$10.8 billion.<sup>6</sup> This figure excludes both merchant and naval vessels which, for technical reasons, were not included under the lend-lease agreement.

In lend-lease settlement negotiations with all our allies, including the Soviet Union, it was our policy to seek payment only for those goods which had usefulness in the civilian economy. After repeated requests for an inventory of these "civilian-type" articles in the Soviet Union went unanswered, the United States estimated their value at approximately \$2.6 billion.

In reaching agreements with our other World War II allies, we settled for a percentage of the value of the "civilian-type" equipment. As noted in this testimony to which this explanation is appended, the U.S. Government has made specific settlement offers of \$1.3 billion and \$800 million. Both offers were rejected by the Soviet Union. Our present negotiations are approaching a figure which will compare favorably with the final terms reached with other lend-lease recipient countries.<sup>7</sup>

The ships excluded from the lend lease agreement for "technical reasons" included 84 merchant vessels plus naval ships and other water craft in Soviet custody at the end of World War II.

<sup>6</sup> This figure does not reflect the Soviet lend lease settlement of October 18, 1972.

<sup>6</sup> The White House Fact Sheet of October 18, 1972 set the total value of assistance at \$11.1 billion.

<sup>7</sup> "Delinquent International Debts Owed to the United States," hearings of the Subcommittee on Foreign Operations and Government Information, Committee on Government Operations, U.S. House of Representatives, 92d Congress, February 18, 1972, p. 125.

The Soviets took the view that U.S. Lend Lease assistance was not a conventional debt and that the aid was the U.S. contribution to the war effort, an effort in which the Soviet Union had lost more than 20 million lives. In an agreement signed in October, 1945, the Soviet Union agreed to pay for "pipeline" deliveries (deliveries requisitioned or en route at the close of the war) which ultimately totalled \$225.5 million in 22 annual payments at an interest rate of 2½ percent per annum. The Soviet Union has been making payments on the "pipeline" account since 1954, making deductions (unrecognized by the U.S.) for damages allegedly resulting from non-delivery and for damages to Soviet ships in Haiphong during the Vietnam War.<sup>6</sup>

Negotiations over the Lend-Lease debt broke down in 1952 with the U.S. seeking \$800 million and the Soviets offering \$300 million. Negotiations were resumed eight years later but again reached the same deadlock. The principal issues throughout the negotiations were the amount of the total settlement, whether and how much interest should be charged, the length of time for repayment, a grace period, and the right to defer payments under certain conditions. In later years negotiations were complicated by the length of time since World War II, the differential between current interest rates and those prevailing in 1945, and a problem created by the higher tariffs imposed on Soviet products than those on British products during the intervening years.

The lend lease statute grants the Executive wide discretion in settling lend lease debts. The prospect of better relations between the two countries—and particularly the Soviet Union's desire for most-favored-nation (MFN) treatment—led the U.S. and the Soviet Union to resume negotiations over the lend lease debt in August, 1971. The settlement announced on October 18, 1972, resulted from those negotiations.

Under the Lend-Lease Settlement, the Soviets will pay to the U.S. an amount of at least \$722 million over the period ending July 1, 2001. Initial installments were to be as follows: \$12 million on October 18, 1972; \$24 million on July 1, 1973, and \$12 million on July 1, 1975. The balance will be paid in equal annual installments (\$24,071,429 for each of 28 installments assuming the first such annual payment is on July, 1974) ending on July 1, 2001. The exact total amount will depend upon when and how many of the four allowable deferments are taken by the Soviets. If they were to take their four postponements early in the period, interest on the deferments could total \$37 million making the total settlement amount to be paid approximately \$759

<sup>6</sup> The Soviet "pipeline" account was made part of the lend-lease settlement of October 18, 1972, and presumably the schedule of future payments is contingent upon Congressional approval of most-favored-nation treatment for the Soviet Union.

million. Such deferments, if taken, will nonetheless be repaid by July 1, 2001, and will bear interest at the rate of three percent per annum.

In comparison, the British pay 2 percent interest on any deferments and are permitted to add a year beyond 2000 for each deferment.

Beyond the initial Soviet payments of \$48 million by mid-1975, the payments schedule is triggered by Congress granting the Soviet Union MFN treatment. If MFN is granted between June 1 and December 1, the first lend lease payment is due thirty days later. If MFN is granted from December 2 through May 31 of the following year, the first lend lease payment becomes due on July 1 of that year. Without MFN, the schedule for the repayment of the remaining \$674 million is uncertain.

The following table compares the terms of the British and Soviet lend-lease settlements:

	Great Britain	U.S.S.R.
Total aid extended.....	\$21,500,000,000.....	\$11,100,000,000.
Total amount to be paid..	\$895,000,000 <sup>1</sup> .....	\$921,000,000. <sup>1</sup>
Grace period.....	5 years.....	None.
Final due date.....	Not before Dec. 31, 2005, but no later than Dec. 31, 2008.	July 1, 2001.
Annual deferments allowed.	7; each deferment ex- tends final due date.	4; no extensions.
Interest rate on defer- ments.	2 percent.....	3 percent.

<sup>1</sup> Assumes no deferments are taken and includes payments for goods in the pipeline at the end of World War II (the Soviet Union has made \$199,000,000 in pipeline payments since 1954).

The Soviet lend lease settlement presents an anomaly in Treasury's reporting of foreign indebtedness to U.S. Government agencies. The anomaly can be found in Tables C-1 and C-2 which represent Treasury's statistics for foreign loans and other credits of U.S. Government agencies. Table C-1 is a breakdown by credit program and includes an entry entitled "War Accounts Settlements and Lend Lease". Table C-2 summarizes the identical data by country and includes entries of \$146.8 million and \$93.4 million for the Soviet Union in the column entitled "Principal Outstanding" and "Principal and Interest Due and Unpaid Ninety Days or More". It is difficult to reconcile either figure with the \$722 million settlement announced October 18, 1972. Table C-3 contains Treasury's arrearage data as of December 31, 1972, and reflects a rescheduling of the Soviet debt of six months earlier, presumably in response to the October 18, 1972 settlement.

### **Post-World War II Foreign Indebtedness to the U.S.**

Foreign indebtedness to the U.S. since World War II has arisen principally in the context of foreign aid, military assistance, and trade finance. The total of outstanding foreign indebtedness to the U.S. incurred since 1945 is now approximately \$30 billion. (Table C-1). The bulk of outstanding U.S. Government postwar credits were extended under the Export-Import Bank Act of 1945 (\$5.9 billion as of June 30, 1972), Foreign Assistance and related acts (\$13 billion), the Agricultural Trade Development and Assistance Act (\$6.6 billion), and the Commodity Credit Corporation Charter Act (\$582 million). Tables E-1, E-2, and E-3 present the status of dollars repayable under loans of the Agency for International Development (AID) and predecessor agencies; under the P.L. 480 program; and the status of the U.S. Military Export Sales Program. The table on the following page summarizes post-war foreign assistance.

*Overseas loans and grants—summary for all countries*

[U.S. fiscal years—millions of dollars]

U.S. overseas loans and grants—obligations and loan authorizations														Total FAA period	Total loans and grants	Repay- ments and interest	Total less repay- ments and interest
Post- war relief period	Marshall plan period	Mutnal Security Act period	Foreign Assistance Act period														
1946-48	1949-52	1953-61	1962-65	1966	1967	1968	1969	1970	1971	1972	1973	1974*	1962-74	1946-72	1946-72	Interest	
Total economic and military programs.....	15,125	22,533	51,042	26,565	7,634	8,427	8,169	7,570	8,096	9,391	11,114	11,100	11,000	109,096	195,642	25,584	170,058
Loans.....	8,058	3,448	9,642	10,111	3,109	3,767	3,470	2,537	2,950	3,743	4,312	4,090	5,000	44,099	64,175	25,584	38,591
Grants.....	7,067	19,084	41,400	16,474	4,525	4,659	4,699	5,033	5,146	5,647	6,802	6,500	6,000	64,996	131,467	.....	131,467

\*1974 estimates do not include anticipated increase in foreign aid resulting from the Middle East War.

## Delinquent Foreign Indebtedness to the U.S.

As of June 30, 1972, Treasury reported 105 foreign countries and international organizations with delinquent debts (principal and interest due and unpaid ninety days or more) to U.S. Government agencies, totaling \$678 million (Tables C-1 and C-2). This figure, however, excludes delinquent debts arising prior to July 1, 1941, which include, at the least, unpaid debts arising from World War I. Six months later, as of December 31, 1972, Treasury reported 104 foreign countries and international organizations with delinquent debts to Government agencies totaling \$639 million (Table C-3). The improvement in delinquent indebtedness during the six month period is attributed to the elimination of the Soviet arrearage on its Lend Lease debt in the settlement announced October 18, 1972, and to improved collection procedures, generally.

The Department of Treasury bears primary accounting responsibility over foreign indebtedness to U.S. Government agencies. Secondary responsibility is borne by the Department of State and the Department of Defense (the latter, in the area of military assistance).

During the past two years the Executive Branch has undertaken a comprehensive review of its procedures for reporting and collecting overdue foreign debts. Under procedures instituted by the National Advisory Council on International Monetary and Financial Policies, the evaluation of a country's debt status has been given greater weight in determining that country's credit worthiness. As a general policy, the Council has recommended that "loans to countries whose Governments are in arrears 90 days or more on debts which they or their agencies owe to the U.S. Government or its agencies should be deferred and, where appropriate, disapproved."<sup>9</sup>

### Reporting and Settlement of Foreign Debts

There is no specific requirement in existing law which requires a consolidated report on the status of active foreign credits of the U.S. Such a report is, however, prepared by the Treasury Department which includes both long-term and short-term loans and credits to foreigners. The long-term credits reporting is pursuant to the requirements of Section 634(f) of the Foreign Assistance Act of 1961. The short-term loans and credits are pursuant to a request of the Foreign Operations and Government Information Subcommittee of the Committee on Government Operations of the House.

Legislation is now pending in the Congress to improve statutory reporting requirements of foreign indebtedness. The bill, H.R. 9360

<sup>9</sup> National Advisory Council on International Monetary and Financial Policies, 1972 Annual Report, p. 40.

the Mutual Development and Cooperation Act of 1973, for example, would expand the reporting required on the status of foreign credits. Section 19 of the bill would amend the law to provide for comprehensive semi-annual reports on the status of all outstanding obligations owing to the United States and potential liabilities under insurance and contracts of guarantees and loans and other credits resulting from transactions under the Foreign Assistance Act, the Foreign Military Sales Act, the Agricultural Trade and Development and Assistance Act and the Export-Import Bank Act. The status report would be limited to those outstanding balances on individual items which exceed \$1 million.

In testimony July 24, 1973, before the House Government Operations Subcommittee on Foreign Operations and Government Information, Sidney Weintraub, Acting Assistant Secretary for Economic and Business Affairs of the Department of State asserted, "The Department of State is of the opinion, and other agencies have indicated that they agree, that the President does have authority in appropriate circumstances to settle claims against foreign Governments, even if in a particular case no payment can be obtained where, for example, it is established that the debts are uncollectible."<sup>10</sup>

A recent Report to the Congress by the General Accounting Office ("Developing Countries' External Debt and U.S. Foreign Assistance: A Case Study," May 11, 1973) made the following summary of Executive authority to renegotiate foreign loans:

#### EXECUTIVE AND LEGISLATIVE PARTICIPATION IN DEBT RENEGOTIATIONS

According to the Attorney General of the United States, the executive branch has authority to renegotiate terms of loans to countries without congressional review or approval. This is in contrast to the restrictions on executive branch authority to negotiate new loans, including statutory limitations on minimum lending terms, sources of procurement, and loans to countries in default.

##### *Executive authority*

The President's authority to renegotiate the terms of loans and credits to foreign governments varies with the enabling legislation. The principal ongoing programs under which foreign debts to the United States are concentrated include:<sup>11</sup>

<sup>10</sup> "Delinquent International Debts Owed to the United States," hearings of the Subcommittee on Foreign Operations and Government Information, Committee on Government Operations, U.S. House of Representatives, 93d Congress, July 24, 1973, p. 15.

<sup>11</sup> Debt renegotiations may also include debts incurred under current or defunct programs; hence this list is not intended to be exhaustive.

1. Loans to countries under the Foreign Assistance Act of 1961, as amended.
2. Long-term dollar sales of agricultural commodities under Public Law 480.
3. Export credits under the Export-Import Bank Act of 1945, as amended.

In 1970 the United States participated with other creditors in a massive rescheduling of Indonesia's external debt. In response to a request from the Secretary of the Treasury, the Attorney General issued an opinion on December 24, 1970, stating that the executive branch had the authority to renegotiate the terms of loans and credits under the above programs.

For loans to countries made under the Foreign Assistance Act of 1961, as amended, this authority is provided under section 635(g)(2), which states that "in making loans under this Act, the President \* \* \* may collect or compromise any obligations assigned to, or held by \* \* \* him." The authority to compromise is limited by section 620(r) of the same act, which provides that:

No recipient of a loan made under the authority of this Act, any part of which is outstanding on or after the date of enactment of this subsection [Sept. 19, 1966], shall be relieved of liability for the repayment of any part of the principal or of interest on such loan.

The purpose of this restriction, known as the Dirksen Amendment, was to prevent the conversion of loans into grants by subsequently relieving the recipient country of its liability for repayment of interest or principal.

Similarly, in his opinion on the Indonesian debt rescheduling, the Attorney General found adequate legal authority for rescheduling Public Law 480 debt and Export-Import Bank credits under the circumstances presented there.

Within the executive branch, foreign loan and credit programs are administered by several agencies, such as AID and the Export-Import Bank. These agencies are responsible for the granting of loans and credits and the actual negotiations involved in making collections.

General coordination of U.S. loan policy is a function of the National Advisory Council on International Monetary and Financial Policies. This interagency council, chaired by the Secretary of the Treasury, considers the overall debt burden in a recipient country as part of its consideration of proposed loans. The Council also considers debt renegotiations in its meetings.

Renegotiation of loan terms can release a developing country's foreign exchange which may then be used for development imports. In some instances, however, renegotiation may reduce or

defer a lending nation's available resources until repayment is made. Under the AID-administered development loan program, for example, interest and principal collections are recycled into the program. Recycling of collections also reduces AID's new funding requirements in its budgetary requests to the Congress.

### *Congressional interest*

Although legislative restrictions on executive branch authority to renegotiate loans are few, the Congress has shown considerable interest in the ability of developing countries to repay existing debts to the United States. The Congress also has shown interest in debt relief. In the specific case of the 1970 Indonesian debt rescheduling, the executive branch informally discussed the matter with several congressional committees and later submitted a special report to them. The Congress was also consulted in the case of the Egyptian debt rescheduling in 1971.

The importance of keeping the Congress well informed with respect to debt relief matters cannot be overemphasized. The United States is the largest single creditor to the developing countries and—together with other creditor nations—is under increasing pressure to reschedule, refinance, or cancel outstanding debt. Any form of debt relief provided is comparable to new aid. And as the need for relief becomes more frequent, debt relief is increasingly an important form of economic assistance.

In our opinion, debt rescheduling—as an example of debt relief—provides additional resources to assisted countries because the foreign exchange that would have been used to repay their debts remains available to pay for needed imports.

The assistance which the United States provides developing countries through debt relief is not now included in the President's proposals to the Congress for new economic assistance. Nor is it shown in a meaningful manner in subsequent reports summarizing the actual assistance provided. We believe this assistance should be systematically and comprehensively reported to the Congress with the President's annual proposals for foreign assistance.

### **Debt Obligations and International Monetary Reform**

One of the major concerns of this subcommittee has been the deterioration in the value of the dollar at home and abroad, and the urgency of achieving fair and adequate rules under which international monetary and trade transactions can function. One important element in the international monetary reform discussions has been what to do about the large "overhang" of U.S. dollars abroad. U.S. liquid liabilities to foreigners totaled \$93,101 million as of July 1973, while

U.S. monetary reserve assets were only \$12,918 million, an amount clearly insufficient to cover our liabilities and warrant making the dollar convertible into gold at almost any price.

*U.S. monetary reserves, and liquid liabilities to foreigners  
1962-73 (July)*

[In billions of dollars]

	U.S. liquid liabilities		
	Total U.S. reserve assets	Total	To official institutions
1962-----	17.2	24.3	12.9
1964-----	16.7	29.3	15.7
1966-----	14.9	31.0	14.9
1968-----	15.7	38.5	17.3
1970-----	14.5	47.0	23.8
1972-----	13.2	82.9	61.5
1973 (July)-----	12.9	93.1	70.9

Note: See table F in Appendix C for a comparison of outstanding loans, U.S. assistance, and liquid liabilities.

The issue of foreign indebtedness to the United States has not really entered into any of the international monetary reform plans. Obviously, foreign countries would suggest that the question of indebtedness is a separate issue; that World War I and lend lease debts are so enmeshed in German reparations and other complex issues that it would be impossible to resolve all these complicated questions in the context of international monetary reform. Yet, from the U.S. point of view, foreign countries still owe us legally binding debts of between \$50 and \$60 billion. Before restoring internal convertibility of the dollar, it may well be that these debt obligations should be settled.

### Summary and Conclusion

Since 1917, the U.S. Government has transferred abroad an estimated one quarter trillion dollars, yielding a net foreign indebtedness to the United States of approximately \$55.2 billion and possibly more. The transfers abroad occurred in three principal phases: World War I, World War II, and post-war foreign assistance.

Foreign military and economic assistance disbursements are rising and now exceed \$11 billion a year, in spite of the recent cutback in AID appropriations. More than half of these disbursements are on a grant basis with no repayment obligation whatsoever.

Current law does not provide for central reporting of foreign indebtedness, though Treasury is engaged in a program to provide a more comprehensive reporting system.

The Executive asserts broad legal authority, both statutory and inherent, to renegotiate foreign indebtedness. In the case of developing countries, the need for development capital must be balanced against the burden of external debt. Congress, under present procedures, plays a limited, ad hoc role in the process of rescheduling and renegotiating foreign debts.

Foreign indebtedness to the United States has important implications for economic policy, including monetary policy. The Congress may wish to consider legislation to strengthen its oversight over the reporting, collection, and rescheduling of foreign indebtedness.

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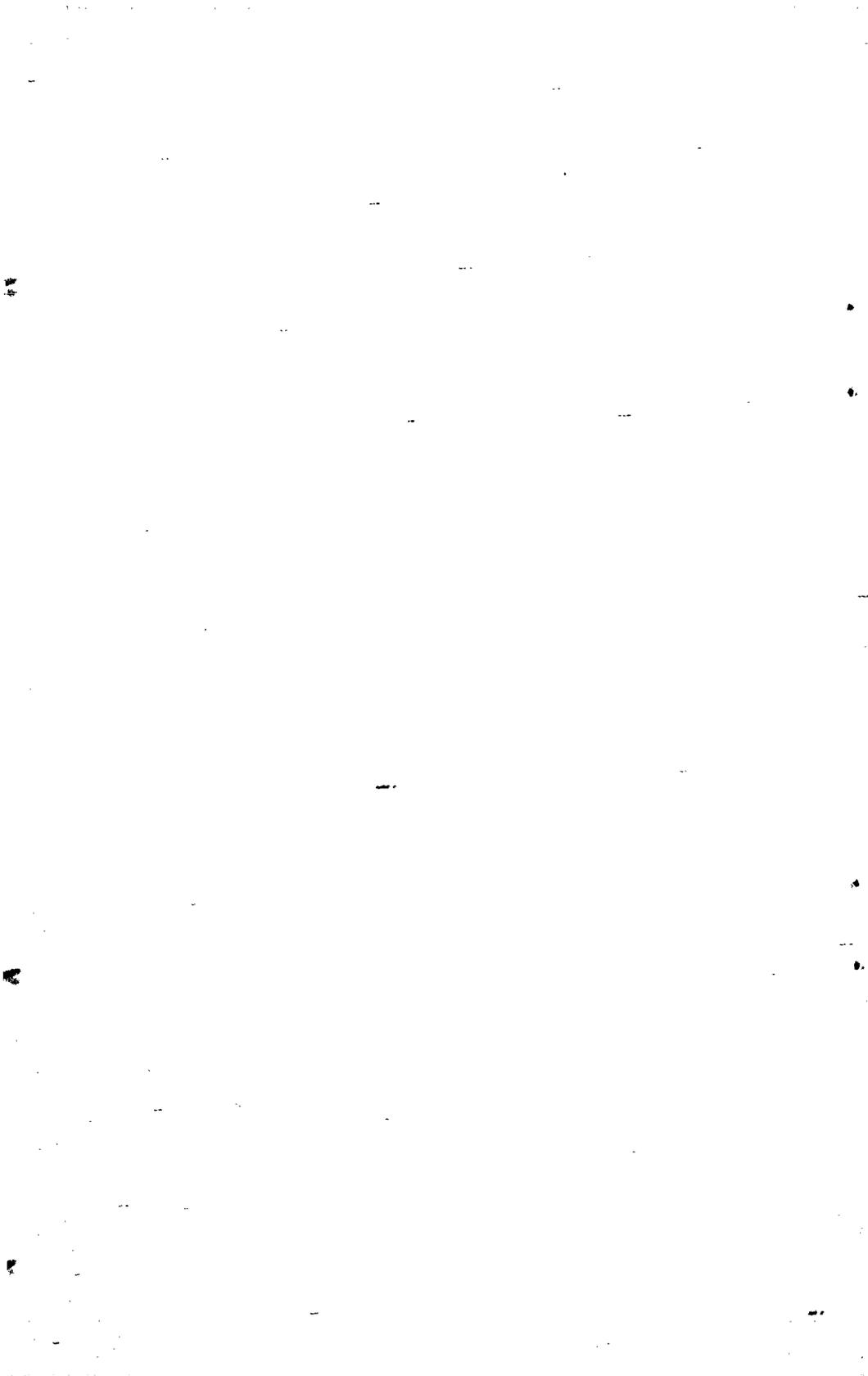
**Appendix A**

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**Rescheduling of Indonesian Debt to the United  
States—Opinion of the Attorney General  
of the United States**

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## Opinion of the Attorney General of the United States

### RESCHEDULING OF INDONESIAN DEBT TO THE UNITED STATES

The United States can reschedule certain debts owed to it by Indonesia.

The power to reschedule loans made under the Foreign Assistance Act of 1961 is limited by § 620(r) of that Act, which provides that no recipient of a loan made under the Act outstanding after September 19, 1966, shall be relieved of liability for the repayment of any part of the principal or interest on such loan. 80 Stat. 807, 22 U.S.C. 2370(r).

By its plain language, § 620(r) of the Foreign Assistance Act of 1961 does not apply to loans made under the Economic Cooperation Act.

The authority to carry out a provision in a loan agreement made under the Economic Cooperation Act allowing for the postponement or modification of payments of principal or interest has been preserved by subsequent acts which state that agreements entered into under repealed acts shall continue in full force until modified by appropriate authority. Mutual Security Act of 1954, § 543(a), 63 Stat. 861; Foreign Assistance Act of 1961, § 643(a), 75 Stat. 460, 22 U.S.C. 2402(a).

Pursuant to the Federal Property and Administrative Services Act of 1949, § 401 (63 Stat. 397, 40 U.S.C. 511) the Secretary of State is authorized to amend and modify agreements made under the Surplus Property Act of 1944, 58 Stat. 765.

The Export-Import Bank is authorized to reschedule loans where such rescheduling will maximize repayment.

Neither § 403 (73 Stat. 610 as amended by 78 Stat. 1037) nor its successor, § 106(a), (80 Stat. 1532, 7 U.S.C. 1706(a) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), which provides terms for dollar credit agreements made under that Act, restricts the authority to reschedule debts incurred under those agreements where the debtor nation faces imminent default and repayment will be maximized.

DECEMBER 24, 1970.

THE SECRETARY OF THE TREASURY.

DEAR MR. SECRETARY: Your letter of July 16, 1970, asks for an opinion on a number of legal issues which have arisen in connection

with a proposed rescheduling of Indonesia's debts to the United States. Those debts are in the principal amount of \$154.1 million. Your letter notes that the United States, together with a number of other countries, has proposed entering into agreements with Indonesia to reduce the burden of certain large debts incurred by it prior to July 1, 1966, totaling some \$1.6 billion in principal. We understand that default is imminent on the Indonesian loans because both Indonesia's domestic and foreign exchange resources are inadequate to meet payments of principal and interest on its external debt. The agreements will in general extend the time for repayment of such debt and, in some cases, provide that no interest will be charged on past due principal and interest during the extended period of repayment. The purpose of these agreements, as I understand them, is to avoid complete default in the short run, and to maximize repayment of obligations owed to the United States and others in the long run.

Annexed to your letter is a legal memorandum which concludes that the proposed rescheduling can be accomplished under existing law. For the reasons set forth below, I concur with that conclusion.

There are four classes of debts due the United States which are involved: loans by the Agency for International Development (AID); surplus property loans; Export-Import Bank loans; and P.L. 480 debts. It is necessary to construe the statutes governing these obligations to determine whether the Executive has the authority to modify them in the manner proposed.

#### AID LOANS

Two loans administered by AID are subject to the proposed rescheduling. One loan was originally made under the Economic Cooperation Act of 1948 (ECA loan), the other under the Foreign Assistance Act of 1961 (FAA loan).

Section 635(g)(2) of the Foreign Assistance Act of 1961 (75 Stat. 456, 22 U.S.C. 2395(g)) provides that "in making loans under this Act" the President may collect or compromise any obligations assigned to, or held by him. As your memorandum states, the compromise, authority is limited by sec. 620(r) of the same Act (as added in 1966 80 Stat. 807, 22 U.S.C. 2370(r) (Supp. V)), which provides:

"No recipient of a loan made under the authority of this Act, any part of which is outstanding on or after the date of enactment of this subsection [September 19, 1966], shall be relieved of liability for the repayment of any part of the principal of or interest on such loan."

In keeping with this provision you conclude that any rescheduling of the FAA loan involved must, in accordance with its terms, require payment of interest on all outstanding balances of both principal and interest. (The memorandum states that one way this can be accom-

plished is by reducing the amounts due under the other loans, which are discussed *infra*.) Such a requirement complies with the limitations of sec. 620(r), and the proposed arrangement regarding the FAA loan is expressly authorized by sec. 635(g)(2) of the 1961 Act.

The Economic Cooperation Act of 1948, 62 Stat. 137, stated that assistance could be provided through grants, payment in cash, credit, or on such other terms of payment as the Economic Cooperation Administration (ECA) found appropriate, depending on the needs of the recipient country. Section 111(c), 62 Stat. 145. The ECA loan agreement at issue was executed by the Export-Import Bank for ECA. See sec. 111(c)(2). In line with both the broad authority of the ECA and the general powers of the Bank (see page 6, *infra*) it contained a renegotiation provision allowing for the postponement or modification in payments of interest or principal.<sup>1</sup> We understand that insertion of such a provision in ECA loan agreements administered by the Bank was a standard and unquestioned practice.<sup>2</sup>

The original authority to carry out the agreement validly made under the now repealed Act has been preserved. Both the Mutual Security Act of 1954, which repealed the Economic Cooperation Act, and the Foreign Assistance Act, which repealed the former Act, include provisions which state that agreements entered into under authority of repealed acts shall continue in full force until modified by appropriate authority. Mutual Security Act of 1954, sec. 543(a), 68 Stat. 861; Foreign Assistance Act of 1961, sec. 643(a), 75 Stat. 460, 22 U.S.C. 2402(a). By its plain language, sec. 620(r), which only applies to loans "made under the authority of this Act" (*i.e.*, the Foreign Assistance Act of 1961), does not apply to loans made under the Economic Cooperation Act. We therefore agree that there is authority to modify the ECA loan.

### SURPLUS PROPERTY LOAN

Under the Surplus Property Act of 1944, 58 Stat. 765, United States excess property was sold to Indonesia in 1947 under credit arrangements. Pursuant to a later statute the Secretary of State is authorized to amend and modify agreements made under that Act which were in effect on July 1, 1949. Federal Property and Administrative Services Act of 1949, sec. 401, 63 Stat. 397, 40 U.S.C. 511. In this

<sup>1</sup> Agreement between the Government of the Kingdom of the Netherlands and Export-Import Bank of Washington, Art. 4, Oct. 28, 1948:

"If at any time or from time to time the parties hereto determine that it would be in their common interests because of adverse economic conditions or for any other reasons to postpone, or provide for the postponement of, any installments of interest or principal, or to alter or provide for the alteration of any provisions of the aforesaid promissory note relating to payment of interest and principal, or to modify the aforesaid promissory note in any other respect, they may by mutual agreement in writing provide for any such postponement or alteration or other modification."

Indonesia has assumed the obligation of The Netherlands.

<sup>2</sup> Letter from Herbert H. Morris, Assistant General Counsel for East Asia, AID, October 7, 1970.

connection it is noteworthy that the latter Act further provides that foreign excess property may be disposed of by sale, exchange or transfer, for cash or credit, and "upon such other terms and conditions as the head of the executive agency concerned deems proper." 40 U.S.C. 512, 63 Stat. 398. It is clear that Congress has given the Executive broad discretion in this area. I concur in your conclusion that payments governed by this legislation may be rescheduled.

#### EXPORT-IMPORT BANK LOANS

Some of the loans at issue were made by the Export-Import Bank. The Bank is authorized to do "a general banking business." 12 U.S.C. 635(a). Its enabling act has no specific restrictions concerning the modification of loan agreements and it appears from the memorandum that the unquestioned administrative practice under the Bank's act has been to permit rescheduling as the Bank's business requires in the same manner as a private bank. Since the memorandum expresses the view that the proposed rescheduling will maximize repayment, and there is no express or implied statutory limit on rescheduling, the Bank possesses the necessary authority to accomplish this. Cf. *United States v. Corliss Steam-Engine Co.*, 91 U.S. 321 (1875); *Whitman v. United States*, 110 F. Supp. 444 (Ct. Cl. 1953).

#### P.L. 480 AGREEMENTS

There are two agreements with Indonesia for the sale of agricultural products which were entered into in 1966 under the dollar-credit provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly called "P.L. 480". Section 403 of the Act, which was applicable when the agreements were executed, required that dollar credits must be repaid in annual installments over a period not to exceed twenty years, plus a two-year grace period for the initial installment, and that the amounts financed bear interest at a rate set by the Secretary of Agriculture, which could not be less than that charged for certain loans made under the Foreign Assistance Act. 73 Stat. 610 (1959), amended by 78 Stat. 1037 (1964). P.L. 480 was revised in 1966. Section 106(a) of the revision effective January 1, 1967 (after the agreements were made), contains credit provisions identical to those of sec. 403. 80 Stat. 1532, 7 U.S.C. 1706(a) (Supp. V). You note that the proposed rescheduling would run counter to the limits now set out in sec. 106(a) and ask whether they apply to the rescheduling.

The authority to make sales under P.L. 480 is set forth in general terms. Section 101 (80 Stat. 1526, 7 U.S.C. 1701 (Supp. V)) now provides that "the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agri-

cultural commodities for dollars on credit terms or for foreign currencies." Title IV of the earlier Act included a similar provision. In general, an officer authorized to make and carry out a contract for the United States has the authority to modify it where it is in the best interests of the United States to do so. Cf. *United States v. Corlies Steam-Engine Co.*, *supra*; *Whitman v. United States*, *supra*.

The inquiry here then is whether sec. 403 or its successor, sec. 106(a), imposes express or implied restrictions on the responsible official which would limit his authority to reschedule these debts in what he considers to be the best interests of the United States. The language of these provisions as it bears on this point is as follows:

"\* \* \* Payment for such commodities shall be in dollars with interest at such rates as the Secretary may determine but not less than the minimum rate required by section 201 of the Foreign Assistance Act of 1961 for loans made under that section. Payment may be made in reasonable annual amounts over periods of not to exceed twenty years from the date of the last delivery of commodities in each calendar year under the agreement, except that the date for beginning such annual payment may be deferred for a period not later than two years after such date of last delivery, and interests shall be computed from the date of such last delivery."

The statutory language appears to address itself to the terms which should be contained in an agreement between the United States and the debtor nation. Clearly, the language calls for an agreement which, if performed according to its tenor, will result in retirement of the debt in accordance with the provisions of the section. There is no indication that the terms of either of the agreements for which rescheduling is currently contemplated were inconsistent with the statute.

The congressional policy expressed in sec. 106(a) and its predecessor undoubtedly reflects a determination on the part of Congress that dollar credit transactions are to be placed on a sound business basis with minimum financial loss to the United States. Officials charged with negotiating agreements subject to the provisions of this section are not free to authorize agreements between the United States and debtor nations which in form comply with the restrictions imposed by the statute, but which, as a matter of reasonable expectation, cannot possibly be performed by the debtor nation in compliance with that section.

But while the law does require more than *pro forma* compliance with its terms on the part of officials responsible for negotiating agreements, it does not address itself to the problem of rescheduling previously contracted debts when, notwithstanding the fact that the agreement has been made in good faith, the debtor nation at some later date faces the prospect of imminent default on its obligation.

It cannot be denied that provisions in an agreement for repayment of principal and interest negotiated with developing countries in long-term credit transactions are necessarily based on somewhat speculative projections as to the future ability of the borrowing country to repay. In the instant case, for example, agreements were made following a period of grave political and economic difficulty. We are informed that an independent study commissioned by creditor nations has found that Indonesia presently lacks the necessary domestic resources in foreign exchange to service its current external debt, and that unless a renegotiation is effected, payments it is required to make under its existing obligations will be beyond its financial capacity for some years to come. We understand that the United States Government has accepted these findings pursuant to an agreed minute of April 24, 1970. That minute may fairly be compared to a composition of creditors concerning the Indonesian debts.

Nothing in P.L. 480 suggests any congressional certainty that every single agreement for repayment would be carried out according to its terms. Giving the statute the broadest reading consistent with its language, we find that it neither expressly nor impliedly prohibits renegotiation under the circumstances here presented, where the facts clearly establish that the debtor nation faces imminent default. Indeed, the broad congressional policy underlying sec. 106(a) and its predecessor—that the maximum recovery be obtained for the United States—may well be furthered, rather than hindered, by the sort of rescheduling of debts on the part of the creditor nations which is here contemplated. Accordingly, rescheduling of the debts incurred by Indonesia under P.L. 480 is authorized, it having been found by those officials charged with the responsibility that it will in fact maximize repayment to the United States.

Sincerely,

JOHN N. MITCHELL.

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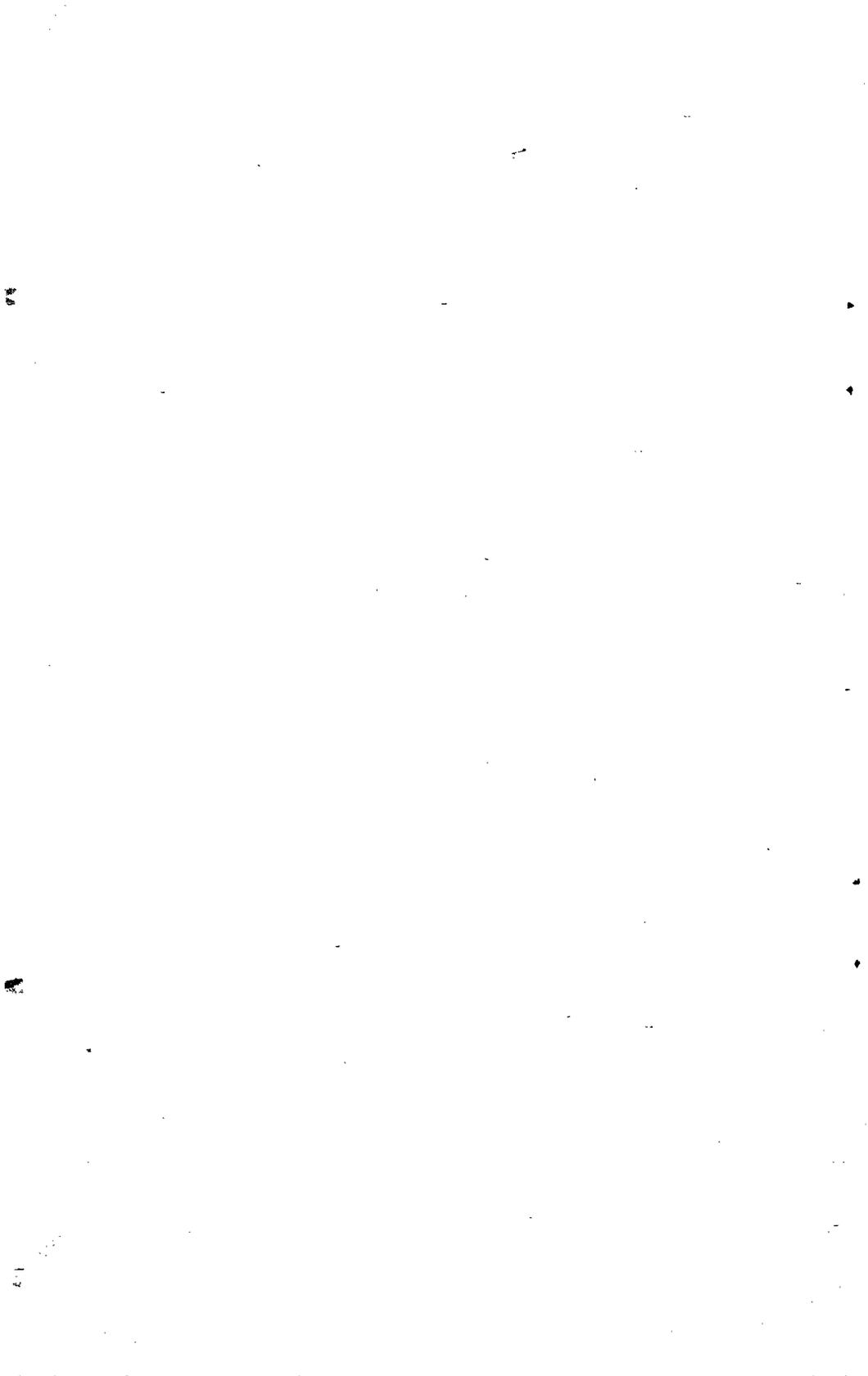
**Appendix B**

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**World War I Indebtedness**

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## World War I Indebtedness

The bulk of World War I debts arose when the U.S. extended assistance to foreign countries in the form of cash loans or other credits toward (and immediately following) the end of the war.

The earliest such credits were authorized by a succession of Liberty Bond Acts.<sup>3</sup> They provided, in effect, that a portion of the proceeds of the issues of Liberty bonds may be used to establish credits for foreign governments then engaged in war against the enemies of the United States. The final total appropriation for such credits was set, after a few increases, at \$10 billion.

As evidence of these credits, the United States was authorized to accept obligations issued by the borrowing governments. These obligations were in the form of short-term or demand certificates of indebtedness and carried, at first, an interest rate of 3½ percent. After the passage of the Second Liberty Bond Act, the interest rate was increased to 4¼ percent, and after May 15, 1918 to 5 percent.

The total of credits established under the Liberty Bond Acts in favor of 11 foreign countries amounted to \$9,647 million of which \$9,631 million was actually used.

An act approved on February 25, 1919 (P.L. 65-274, 40 Stat. 1161) appropriated \$100 million in a revolving fund for American relief supplies to former non-enemy countries in Europe. The cost of these supplies was to be reimbursed so far as possible by the recipient countries. The American Relief Administration received on account of these supplies \$84 million in 5-percent medium-term obligations issued by eight relief recipient countries.

The Victory Liberty Loan Act of March 3, 1919 (P.L. 65-328, 40 Stat. 1309) appropriated the unexpended balance of appropriations made under the Liberty Bond Acts for credits to foreign allied governments for the purchase of United States war surplus property and wheat. The obligations covering these credits were to bear at least 5 percent interest. War surplus credits were extended to eleven countries and totaled \$599 million in medium- and long-term obligations bearing 5 percent interest.

Public Law 66-167 (41 Stat. 548), enacted on March 30, 1920, authorized the United States Grain Corporation to sell up to 5,000,000 barrels of flour for cash or on credit to European countries to alleviate

<sup>3</sup> Enacted in 1917 and 1918 (First Liberty Bond Act, April 24, 1917, P.L. 65-3, 40 Stat. 35; Second Liberty Bond Act, September 24, 1917, P.L. 65-43, 40 Stat. 288; Third Liberty Bond Act, April 4, 1918, P.L. 65-120, 40 Stat. 502; Fourth Liberty Bond Act, July 9, 1918, P.L. 65-192, 40 Stat. 844).

food shortages. In these flour sales, the United States accepted medium-term obligations of one to five year terms, bearing 5 percent interest for the shorter terms and 6 percent for 5 year loans. The total of these obligations, issued by five countries, amounted to \$57 million.

Thus the gross initial credits extended by the United States to a total of 20 foreign countries during and immediately after World War I amounted to \$10,371 million.

*Consolidation and funding.*—As the bulk of foreign obligations in the possession of the United States was payable on demand and almost all of the remainder had maturity dates in the early 1920's, it was patent that the debtor-nations as a group were not in a position to adhere to the original payment terms. The U.S. Congress, therefore, passed on February 9, 1922 an act (P.L. 67-139; 42 Stat. 363) providing, basically, for the funding of these debts and/or their conversion into long-term obligations (bonds). It prohibited the exchange of obligations of one foreign government for those of another and the cancellation of any part of the indebtedness except by payment. The final maturity of such funded indebtedness was not to run beyond June 15, 1947, and the interest rate was to be at least 4½ percent. The act also established a five-member World War Foreign Debt Commission and placed it in charge of negotiating and concluding funding agreements; the Commission was to operate for three years. The membership of the Commission was later (P.L. 67-445, 42 Stat. 1325, February 28, 1923) increased to eight, and the limitation on maturity terms and interest rates was abolished. Furthermore, on January 21, 1925, the life of the Commission was extended for two more years (P.L. 67-327; 43 Stat. 763).

In 1922, at the time of the creation of the Commission, the United States held obligations of foreign governments arising from World War I operations amounting, in their principal amount, to a total of \$10,102 million. Throughout the life of the Commission the major part of these obligations was converted into funded indebtedness. Between February 1923 and April 1926, funding agreements under P.L. 67-139 were signed with Belgium, Czechoslovakia, Estonia, Finland, France, Great Britain, Hungary, Italy, Latvia, Lithuania, Poland, Rumania, and Yugoslavia. All funding agreements had to be—and were—ratified by the U.S. Senate and by the debtor-country's legislature.

*Funding agreements.*—In these agreements, the short-term indebtedness of individual debtor-countries was consolidated and converted into 62-year bonded debt. The debtors undertook to make annual payments on the principal and semi-annual payments of interest. As a rule, the interest rate charged was 3 percent for the first ten years and 3½ percent for the remainder of the debt period. Several funding agreements, however, provided for lower overall interest charges, which will be noted below. At the option of the debtor-nation and on at least

90 days' notice, the installments on principal could be postponed for two years. This option could not be exercised unless all the regular or previously postponed installments had been paid in full. With some exceptions, the interest rates on such postponements were those applicable to the principal.

The installments of principal and interest were payable in "United States gold coin of the present standard of value" or at the option of the debtor country, on 30 days' notice, in United States obligations issued after April 6, 1917. Prepayments on principal could be made at the option of the debtor on 90 days' notice in multiples of \$1,000.

The total value of the principal of the obligations funded under P.L. 67-139 before funding was \$9,664,829,252; the total funded debt amounted to \$11,522,354,000. In the funded principal were reflected the following components: on the debit side, the outstanding principal of the short-term obligations, interest accrued and unpaid before December 15, 1922 at 4¼ percent, interest accrued at 3 percent and unpaid on the above two items since December 15, 1922, and any other war-connected United States claims against the debtor-nation; on the credit side, any payments of principal and interest on any payments made on principal since December 15, 1922, and any war-connected claims by the debtor-nation against the United States.

*Unfunded indebtedness.*—World War I debts of five countries were not funded. Of these, the *Cuban* debt, in the principal amount of \$10 million plus accrued interest, was paid in full in 1927. The debts of *Liberia* and *Nicaragua* in the principal amounts of \$26,000 and \$166,604, respectively, plus accrued interest were paid in full in 1927.

It might be mentioned in this connection that, in February 1927, Nicaragua contracted a new debt amounting to approximately \$290,000 at 6 percent interest, payable in monthly installments of \$5,000 beginning January 1929. This debt was not serviced regularly, and together with accrued interest amounted to about \$484,000 at the end of August 1937. The debt was cancelled in 1939 pursuant to the agreement concluded with Nicaragua on April 14, 1938, and ratified by the U.S. Senate on June 13, 1938. The agreement provided for cancellation by the United States of this debt, and by Nicaragua of a claim against the United States for refund of income taxes amounting to about \$373,000 and interest charges thereon totaling approximately \$268,000, and, in addition, for a lump sum payment of \$72,000 by the United States to Nicaragua.

The indebtedness of *Armenia*, in the principal amount of almost \$12 million plus accrued interest could not be funded because there was no Armenian government in existence. Similar difficulties were encountered in regard to the *Russian* debt, amounting to \$192.6 million. This debt had been incurred by pre-Communist governments and was repudiated by the Bolsheviks. The repudiation was one of the factors in

United States refusal to recognize the Soviet government until 1933. A small portion of this debt was paid from the proceeds of the liquidation of Czarist assets in the United States pursuant to a 1933 agreement between the two countries. In practice, however, the repudiation still stands.

*Hoover moratorium.*—Due to the world-wide financial crisis of 1930, the U.S. Congress, urged by President Hoover, granted on December 23, 1931 (Public Resolution 72-5, 47 Stat. 3) to all debtor-nations who had funded their indebtedness, a postponement of their contractual payments falling due in the fiscal year 1931-2, subject to the signing of a requisite moratorium agreement. The statute provided that such postponed installments would be payable in ten equal annuities beginning in the fiscal year 1933-34 and would carry a 4 percent interest charge. The Congress also expressly declared itself against any cancellation or reduction of the debts.

In the period from May through September 1932, all the countries indebted to the United States under funding agreements, except Yugoslavia, executed moratorium agreements containing terms as laid down by the statute. Yugoslavia advised that it could not accept the provisions of the moratorium because of the effect such action would have on its budgetary situation.

The total amount of payments on principal and interest postponed by the moratorium agreements was \$246,316,806 (\$62,094,618 on principal and \$184,222,188 on interest); total amount receivable by the United States annually over the ten year period, including 4 percent interest, was \$30,018,734.

After the expiration of the moratorium period, Austria, Estonia, Greece, Latvia, and Poland also availed themselves of the postponement provisions contained in their funding agreements and postponed the installments due on principal during FY 1933. In addition, Czechoslovakia, Finland, Great Britain, Italy, Lithuania, and Rumania took advantage of a provision (Sec. 45 of the Agricultural Adjustment Act of 1933, P.L. 73-10, 48 Stat. 53) which authorized the President, for a period of six months, to accept silver in payment of any amounts due from foreign governments.

In late 1932, a number of debtor-countries requested that the entire complex of intergovernmental obligations be reviewed and that any payments due during the period of such review and negotiations be suspended. Such a review, however, was never initiated.

*Debt default.*—Despite the one-year moratorium, some contractual postponements, and the possibility to pay in silver, the servicing of the funded foreign debts after the moratorium was grossly lacking in regularity. *In fact, only Finland has been making regular payments on the principal and interest of its funded debt as well as on the moratorium installments and subsequent postponements.* After the Soviet attack

on Finland and Russo-Finnish war (1939-1940), the U.S. Congress on June 15, 1940 authorized by a Joint Resolution (Public Res. 76-84; 54 Stat. 398) a postponement of all Finland's payments due during calendar year 1940, and made them payable with 3-percent interest thereon in ten annual installments beginning in 1941. The following year, a similar Joint Resolution (Public Law 77-10; June 12, 1941; 55 Stat. 250) authorized the postponement of all Finland's payments due during calendar years 1941 and 1942, and made them payable in 40 semiannual interest-free installments beginning in 1945.

At the opposite side of the debt-servicing roster are six nations (Austria, Belgium, Estonia, France, Poland, and Yugoslavia) which after the one-year moratorium made no payments on either the principal or interest of their funded indebtedness or on the amounts postponed under moratorium agreements or other postponement provisions.

A number of debtor-nations made a few more payments on either principal or interest of the funded indebtedness or both, but none on the moratorium annuities. The latest payments on principal and/or interest made by any debtor country (except Finland) since the moratorium were as follows:

Country	Date of last payment on principal	Date of last payment on interest
Czechoslovakia.....	Dec. 15, 1933	.....
Great Britain.....	Dec. 15, 1932	Dec. 15, 1933
Greece.....	.....	Nov. 10, 1938
Hungary (interest payments due from December 1932 to June 1937 were made in pengő rather than in dollars).....	.....	Dec. 12, 1941
Italy.....	.....	Dec. 15, 1933
Latvia.....	Dec. 15, 1932	Do.
Lithuania.....	.....	Do.
Rumania (also made a token payment of \$100,000 on June 15, 1940, as a token of good faith pending negoti- ation of new agreement).....	.....	June 15, 1933

The following information was obtained from the records of the  
 Department of the Interior, Bureau of Land Management, regarding  
 the land parcels described herein. The information is being  
 furnished to you for your information and use. It is not to be  
 construed as a warranty of accuracy or completeness. The  
 information is based on the records of the Department of the  
 Interior, Bureau of Land Management, as of the date of this  
 report. The information is not to be used for any purpose other  
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**Appendix C**

**Statistical Material**

TABLE A.—Overseas loans and grants, 1946-72, summary for all countries

[U.S. fiscal years, millions of dollars]

Program	U.S. overseas loans and grants, obligations and loan authorizations							
	Post-war relief period 1946-1948	Marshall Plan period 1949-1952	Mutual Security Act period 1953-1961	Foreign Assistance Act period				
				1962-1965	1966	1967	1968	1969
<b>ECONOMIC PROGRAMS</b>								
<b>A. Official economic assistance</b>								
AID and predecessor agencies, total.....		14,505	16,885	9,516	2,677	2,419	2,176	1,690
Loans.....		1,577	3,266	5,362	1,306	1,195	1,084	723
Grants.....		12,928	13,619	4,154	1,370	1,224	1,092	966
(Supporting assistance).....	(-)	(394)	(8,853)	(2,370)	(905)	(773)	(602)	(443)
Food for Peace, total.....		83	6,417	5,715	1,558	971	1,329	1,179
Title I, total.....			3,867	3,739	1,046	612	952	734
Repayable in U.S. dollars, loans.....				328	282	114	405	507
Payable in foreign currency—Planned for country use.....			3,867	3,410	764	498	548	227
(Total sales agreements, including U.S. uses).....	(-)	(-)	(5,492)	(4,367)	(991)	(640)	(649)	(280)
Title II, total.....		83	2,550	1,976	512	359	376	445
Emergency relief, economic development and world food.....			753	730	254	156	180	242
Voluntary relief agencies.....		83	1,796	1,246	258	203	196	203
Other official economic assistance.....	12,553	4,045	752	1,807	549	553	598	655
Contributions to international lending organizations <sup>1</sup> .....	635		189	717	354	374	424	480
Peace Corps.....			( <sup>2</sup> )	246	113	104	107	100
Other.....	11,918	4,045	563	844	82	75	67	75
Total official economic assistance.....	12,553	18,633	24,053	17,037	4,784	3,942	4,102	3,524
Loans.....	5,967	2,550	5,850	8,346	2,238	1,662	1,835	1,340
Grants.....	6,586	16,082	18,203	8,691	2,546	2,281	2,267	2,184

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**B. Other official economic programs**

Export-Import Bank loans.....	2,091	898	3,628	1,250	347	1,272	702	703
Other loans.....				4	13	2	108	77
Total other official loans.....	2,091	898	3,628	1,254	360	1,274	810	780
Total economic programs.....	14,644	19,531	27,681	18,291	5,144	5,216	4,912	4,304
Loans.....	8,058	3,448	9,478	9,600	2,598	2,936	2,645	2,120
Grants.....	6,586	16,082	18,203	8,691	2,546	2,281	2,267	2,184

**MILITARY PROGRAMS**

Military assistance—(Charged to FAA appro- priation).....	2,517	22,367	7,414	1,312	1,047	840	727
Credit sales (FMS).....		164	460	317	323	263	281
Grants.....	2,517	22,203	6,955	995	724	577	445
Military assistance service, funded grants.....		201	917	1,594	1,728	2,276	
Transfers from excess stocks.....	160	439	395	51	33	69	115
Other grants.....	481	324	554	231	17	29	12
Export-Import Bank military loans <sup>3</sup> .....			52	194	508	562	136
Total military programs.....	481	3,002	23,361	8,293	2,490	3,210	3,258
Total economic and military programs <sup>4</sup> .....	15,125	22,533	51,042	26,585	7,634	8,427	8,169
Loans.....	8,058	3,448	9,642	10,111	3,109	3,767	3,470
Grants.....	7,067	19,084	41,400	16,474	4,525	4,659	4,699

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TABLE A.—Summary for all countries—Continued

Program	U.S. overseas loans and grants, obligations and loan authorizations						
	Foreign Assistance Act period				Total loans and grants 1946-1972	Repay-ments and interest 1946-1972	Total less repayments and interest
	1970	1971	1972	Total FAA period 1962-1972			
<b>ECONOMIC PROGRAMS</b>							
<b>A. Official economic assistance</b>							
AID and predecessor agencies, total.....	1,877	1,861	2,072	124,288	153,533	4,466	49,067
Loans.....	807	718	625	11,820	15,591	4,466	11,125
Grants.....	1,070	1,142	1,446	12,464	37,942		37,942
(Supporting assistance).....	(503)	(573)	(620)	(6,789)	(15,116)		
Food for Peace, total.....	1,142	1,231	1,223	14,348	20,847	1,999	18,848
Title I, total.....	711	791	746	9,331	13,197	1,999	11,198
Repayable in U.S. dollars, loans.....	485	546	683	3,349	3,349	508	2,841
Payable in foreign currency, planned for country use..	226	245	63	5,981	9,848	1,490	8,358
(Total sales agreements, including U.S. users).....	(272)	(311)	(60)	(7,570)	(13,061)		(13,061)
Title II, total.....	432	440	477	5,017	7,650		7,650
Emergency relief, economic development and world food.....	250	250	280	2,342	3,095		3,095
Voluntary relief agencies.....	181	190	197	2,674	4,555		4,555
Other official economic assistance.....	657	350	646	5,815	23,165	5,633	17,532
Contributions to international lending organizations <sup>1</sup> .....	480	180	142	3,151	3,975		3,975
Peace Corps.....	91	85	75	921	922		922
Other.....	86	85	429	1,743	18,268	5,633	12,635
Total official economic assistance.....	3,677	3,442	3,940	44,448	97,545	12,098	85,447
Loans.....	1,389	1,299	1,639	19,748	33,044	12,098	20,946
Grants.....	2,288	2,143	2,301	24,701	64,501		64,501

**B. Other official economic programs**

Export-Import Bank loans.....	1,169	1,259	2,086	8,788	15,405	10,705	4,700
Other loans.....	112	263	386	964	964	434	530
Total other official loans.....	1,281	1,522	2,472	9,753	16,369	11,139	5,230
Total economic programs.....	4,958	4,964	6,412	54,201	113,914	23,237	90,677
Loans.....	2,670	2,821	4,111	29,501	49,413	23,237	26,176
Grants.....	2,288	2,143	2,301	24,701	64,501	.....	64,501

**MILITARY PROGRAMS**

Military assistance—(Charged to FAA appropriation).....	457	1,516	1,100	14,413	39,296	1,242	38,054
Credit sales (FMS).....	70	743	550	3,007	3,171	1,242	1,929
Grants.....	387	771	550	11,404	36,125	.....	36,125
Military assistance service, funded grants.....	2,308	2,484	2,753	14,261	14,261	.....	14,261
Transfers from excess stocks.....	136	108	101	1,008	1,608	.....	1,608
Other grants.....	27	140	597	1,112	2,472	.....	2,472
Export-Import Bank military loans <sup>1</sup> .....	210	179	151	1,991	1,991	1,106	885
Total military programs.....	3,138	4,427	4,702	32,784	59,628	2,347	57,281
Total economic and military programs <sup>4</sup> .....	8,096	9,391	11,114	86,986	173,542	25,584	147,958
Loans.....	2,950	3,743	4,812	34,499	54,575	25,584	28,991
Grants.....	5,146	5,647	6,302	52,486	118,967	.....	118,967

<sup>1</sup> Excludes \$43,000,000 in fiscal year 1967, \$31,000,000 in fiscal year 1968, \$29,000,000 in fiscal year 1969, \$52,000,000 in fiscal year 1970, \$65,000,000 in fiscal year 1971, and \$28,000,000 in reimbursements by the Department of Defense for grants to Vietnam.

<sup>2</sup> Data exclude callable capital.

<sup>3</sup> Excludes loans purchased by the Export-Import Bank and guaranteed by the Department of Defense.

<sup>4</sup> Estimated \$9,500,000,000 for fiscal year 1973; projected \$11 billion for fiscal year 1974.

<sup>5</sup> See the general notes for coverage and qualifications, particularly for AID and for military programs.

**TABLE B-1—Indebtedness of foreign governments to the United States arising from World War I as of June 30, 1972**

[Dollars in thousands]

	Original Indebtedness	Interest through June 30, 1972	Total	Cumulative payments		Total outstanding	Unmatured principal	Principal and interest due and unpaid
				Principal	Interest			
Armenia.....	\$11,959	\$31,577	\$43,536	(10)		\$43,536		\$43,536
Austria <sup>1</sup> .....	26,843	44	26,887	\$862		26,024		26,024
Belgium.....	419,837	360,464	780,302	19,157	\$33,033	728,111	\$156,780	571,331
Cuba.....	10,000	2,286	12,286	10,000	2,286			
Czechoslovakia.....	185,071	133,997	319,068	19,829	304	298,934	67,740	231,194
Estonia.....	16,466	24,732	41,198		1,248	39,950	7,036	32,914
Finland.....	8,999	12,212	21,212	\$ 5,322	\$ 12,212	3,677	3,677	
France.....	4,089,689	3,911,498	8,001,187	226,039	260,036	7,515,111	1,435,303	6,079,808
Great Britain.....	4,802,181	7,739,631	12,541,813	434,181	1,590,672	10,516,959	1,908,000	8,608,959
Greece.....	34,319	4,532	38,852	1,326	4,445	33,080	19,638	13,442
Hungary <sup>4</sup> .....	1,982	3,107	5,089	73	482	4,532	871	3,661
Italy.....	2,042,364	424,529	2,466,893	37,464	63,365	2,366,063	945,900	1,420,163
Latvia.....	6,888	10,446	17,335	9	752	16,573	2,974	13,599
Liberia.....	26	10	36	26	10			
Lithuania.....	6,432	9,689	16,122	234	1,003	14,884	2,777	12,106
Nicaragua <sup>5</sup> .....	141	26	168	141	26			
Poland.....	207,344	315,271	522,615	\$ 1,287	21,359	499,969	91,984	407,985
Rumania.....	68,359	60,337	128,696	\$ 4,498	7292	123,905	25,870	98,035
Russia.....	192,601	524,240	716,841		\$ 8,750	708,090		708,090
Yugoslavia.....	63,577	36,609	100,187	1,952	636	97,598	28,679	68,919
<b>Total.....</b>	<b>12,195,087</b>	<b>13,605,247</b>	<b>25,800,334</b>	<b>762,401</b>	<b>2,000,919</b>	<b>23,037,006</b>	<b>4,697,232</b>	<b>18,339,774</b>

<sup>1</sup> The Federal Republic of Germany has recognized liability for securities falling due between Mar. 12, 1938, and May 8, 1945.

<sup>2</sup> \$8,480,090.26 has been made available for educational exchange programs with Finland pursuant to 22 U.S.C. 2455(e).

<sup>3</sup> Includes \$13,155,921 refunded by the agreement of May 28, 1964. The agreement was ratified by Congress Nov. 5, 1966.

<sup>4</sup> Interest payment from Dec. 15, 1932, to June 15, 1937, were paid in pengo equivalent.

<sup>5</sup> The indebtedness of Nicaragua was canceled pursuant to the agreement of Apr. 14, 1938.

<sup>6</sup> Excludes claim allowance of \$1,813,428.69 dated Dec. 15, 1969.

<sup>7</sup> Excludes payment of \$100,000 on June 14, 1940, as a token of good faith.

<sup>8</sup> Principally proceeds from liquidation of Russian assets in the United States.

<sup>9</sup> Includes \$12,813,601.32 on agreement of May 28, 1964.

<sup>10</sup> \$17.49.

Table B-2.—Status of German World War I indebtedness as of June 30, 1972

	Funded indebtedness	Interest through June 30, 1972	Total	Cumulative payments, principal
<b>Agreement as of June 23, 1930, and May 26, 1932:</b>				
Mixed claims (Reichsmarks).....	1,632,000,000.00	848,640,000.00	2,480,640,000.00	81,600,000.00
Army costs (Reichsmarks).....	1,048,100,000.00	756,187,051.50	1,804,287,051.50	50,600,000.00
<b>Total (Reichsmarks).....</b>	<b>2,680,100,000.00</b>	<b>1,604,827,051.50</b>	<b>4,284,927,051.50</b>	<b>132,200,000.00</b>
<b>U.S. dollar equivalent<sup>1</sup>.....</b>	<b>\$1,059,107,665.84</b>	<b>\$646,667,062.08</b>	<b>\$1,705,774,727.92</b>	<b>\$31,539,595.84</b>
<b>Agreement of Feb. 27, 1953, mixed claims (U.S. dollars).....</b>				
	97,500,000.00		97,500,000.00	73,500,000.00
	<b>Cumulative payments, interest</b>	<b>Total outstanding</b>	<b>Unmatured principal</b>	<b>Principal and interest due and unpaid</b>
<b>Agreement as of June 23, 1930, and May 26, 1932:</b>				
Mixed claims (Reichsmarks).....	5,610,000.00	2,393,430,000.00	367,200,000.00	2,026,230,000.00
Army costs (Reichsmarks).....	856,406.25	1,752,830,645.25		1,752,830,645.25
<b>Total (Reichsmarks).....</b>	<b>6,466,406.25</b>	<b>4,146,260,645.25</b>	<b>367,200,000.00</b>	<b>3,779,060,645.25</b>
<b>U.S. dollar equivalent<sup>2</sup>.....</b>	<b>\$2,048,213.85</b>	<b>\$1,672,186,918.23</b>	<b>\$148,091,760.00</b>	<b>\$1,524,095,158.23</b>
<b>Agreement of Feb. 27, 1953, mixed claims (U.S. dollars).....</b>				
		24,000,000.00	24,000,000.00	

<sup>1</sup> Agreement of Feb. 27, 1953, provided for cancellation of 24 bonds totaling 489,600,000 Reichsmarks and issuance of 26 dollar bonds totaling \$97,500,000. The dollar bonds mature serially over 25 years beginning Apr. 1, 1953. All unmatured bonds are of \$4,000,000 denomination.

<sup>2</sup> Includes 4,027,611.95 Reichsmarks (1,529,049.45 on moratorium agreement (Army costs) and 2,498,562.50 interest on funded agreement) deposited by German Government in the Konversionskasse für Deutsche Auslandsschulden and not paid to the United States in dollars as required by the debt and moratorium agreement.

<sup>3</sup> The unpaid portion of this indebtedness is converted at 40.33 cents to the Reichsmarks, which was the exchange rate at the time of default. The 1930 agreement provided for a conversion formula for payments relating to the time of payment. These figures are estimates made solely for this statistical report.

<sup>4</sup> Payments converted to U.S. dollars at rate applicable at the time of payment; i.e., 40.33 or 23.82 cents to the Reichsmark.

**TABLE C-1.—Foreign loans and other credits of U.S. Government agencies, as of June 30, 1972, summary by program**

[In dollars or dollar equivalents]

Credit program	Principal outstanding			
	Total	Long-term credits	Short-term credits	Accounts receivable
<b>Total, worldwide</b> .....	<b>30,580,537,269</b>	<b>30,126,766,087</b>	<b>81,651,369</b>	<b>372,119,813</b>
<b>Under foreign assistance and related acts</b> .....	<b>13,026,528,794</b>	<b>12,735,831,589</b>	<b>14,914,544</b>	<b>275,782,661</b>
Country loans.....	11,420,500,965	11,420,500,965		
Social progress trust fund.....	506,614,304	506,614,304		
Deficiency and basic material development.....	7,821,985	7,821,985		
Financing of military sales.....	868,565,001	793,252,558	14,914,544	60,397,899
OPIC—Investment support.....	7,641,777	7,641,777		
Logistical support.....	206,980,012			206,980,012
Military assistance advisory groups.....	2,795,414			2,795,414
Housing guarantee receivables.....	712,718			712,718
AID refund claims—Grant assistance.....	4,896,618			4,896,618
<b>Under Mutual Education and Cultural Exchange Act</b> .....	<b>794,294</b>	<b>794,294</b>		
<b>Under Agricultural Trade Development and Assistance Act</b> .....	<b>6,561,744,394</b>	<b>6,560,122,321</b>		<b>1,622,073</b>
Currency loans to foreign governments.....	3,700,593,012	3,700,593,012		
Currency loans to private enterprises.....	162,511,173	162,511,173		
Long-term dollar sales.....	2,697,018,135	2,697,018,135		
AID refund claims—Grant assistance.....	1,622,073			1,622,073

Under Commodity Credit Corporation Charter Act.....	581,868,634	516,854,241	65,014,393	.....
Under Export-Import Bank Act.....	5,913,815,686	5,895,970,211	.....	17,845,475
Postal debt settlements.....	30,731,519	1,672,372	288,522	28,770,625
<b>Administrative area development.....</b>	<b>9,363,494</b>	<b>9,363,494</b>	.....	.....
<b>Surplus property sales.....</b>	<b>315,172,474</b>	<b>311,388,945</b>	<b>724,054</b>	<b>3,059,475</b>
Sales of overseas surpluses.....	312,009,960	311,285,906	724,054	.....
Sales of domestic surpluses.....	103,039	103,039	.....	.....
Sales of foreign service property.....	3,059,475	.....	.....	3,059,475
<b>British loan.....</b>	<b>2,834,730,083</b>	<b>2,834,730,083</b>	.....	.....
Loans to United Nations.....	70,899,043	70,899,043	.....	.....
War account settlements and lend lease.....	1,151,614,831	1,126,279,027	.....	25,335,804
Under Atomic Energy Act.....	19,484,243	16,667,747	.....	2,816,496
Under Euratom Cooperation Act.....	51,160,320	46,538,651	.....	4,621,669
<b>International Ice Patrol.....</b>	<b>709,856</b>	.....	<b>709,856</b>	.....
Canal Zone Government.....	3,507,871	.....	.....	3,507,871
Panama Canal Company.....	4,676,143	.....	.....	4,676,143
Federal Aviation Administration.....	266,417	.....	.....	266,417
United States Coast Guard.....	149,147	.....	.....	149,147
<b>Tennessee Valley Authority.....</b>	<b>3,259,823</b>	.....	.....	<b>3,259,823</b>
Immigration and Naturalization Service.....	267,569	.....	.....	267,569
National Bureau of Standards.....	42,931	.....	.....	42,931
National Oceanic and Atmospheric Administration.....	37,459	.....	.....	37,459
Department of the Interior.....	647	.....	.....	647
<b>Adjustments.....</b>	<b>-288,400</b>	<b>-345,928</b>	.....	<b>57,528</b>
Indonesian debt rescheduling of Mar. 16, 1971.....	-345,928	-345,928	.....	.....
Overpayments other than AID refund claims.....	57,528	.....	.....	57,528

**TABLE C-1.—Foreign loans and other credits of U.S. Government agencies, as of June 30, 1972,  
summary by program—Continued**

(In dollars or dollar equivalents)

Credit program	Principal and interest due and unpaid 90 days or more			
	Total	Long-term credits	Short-term credits	Accounts receivable
<b>Total, worldwide.....</b>	<b>678,039,280</b>	<b>375,857,627</b>	<b>5,926,504</b>	<b>296,255,149</b>
<b>Under Foreign Assistance and Related Acts.....</b>	<b>277,077,673</b>	<b>27,508,300</b>	<b>5,387,930</b>	<b>244,181,443</b>
Country loans.....	24,106,561	24,106,561		
Social progress trust fund.....				
Deficiency and basic material development.....	1,363,992	1,363,992		
Financing of military sales.....	38,470,427	1,989,597	5,387,930	31,092,900
OPIC—Investment support.....	48,150	48,150		
Logistical support.....	205,114,674			205,114,674
Military assistance advisory groups.....	2,735,441			2,735,441
Housing guarantee receivables.....	712,718			712,718
AID refund claims—Grant assistance.....	4,525,710			4,525,710
<b>Under Mutual Education and Cultural Exchange Act.....</b>				
<b>Under Agricultural Trade Development and Assistance Act.....</b>	<b>53,750,831</b>	<b>52,199,626</b>		<b>1,551,205</b>
Currency loans to foreign governments.....	34,762,710	34,762,710		
Currency loans to private enterprises.....	13,247,765	13,247,765		
Long-term dollar sales.....	4,189,151	4,189,151		
AID refund claims—Grant assistance.....	1,551,205			1,551,205
<b>Under Commodity Credit Corporation Charter Act.....</b>				
<b>Under Export-Import Bank Act.....</b>	<b>101,479,921</b>	<b>87,545,826</b>		<b>13,934,095</b>
Postal debt settlements.....	4,946,174		288,522	4,651,652

Administrative area development.....			
Surplus property sales.....	50,516,185	50,516,185	
Sales of overseas surpluses.....	50,379,301	50,379,301	
Sales of domestic surpluses.....	136,884	136,884	
Sales of foreign service property.....			
British loan.....			
Loans to United Nations.....			
War account settlements and lend lease.....	183,423,494	158,087,690	25,335,804
Under Atomic Energy Act.....	934,683		934,683
Under Euratom Cooperation Act.....	3,259		3,259
International Ice Patrol.....	250,052	250,052	
Canal Zone Government.....	2,933,870		2,933,870
Panama Canal Company.....	2,487,965		2,487,965
Federal Aviation Administration.....	82,032		82,032
United States Coast Guard.....	27,878		27,878
Tennessee Valley Authority.....			
Immigration and Naturalization Service.....	55,618		55,618
National Bureau of Standards.....	20,054		20,054
National Oceanic and Atmospheric Administration.....	4,061		4,061
Department of the Interior.....	25		25
Adjustments.....	51,505		51,505
Indonesian debt rescheduling of Mar. 16, 1971.....			
Overpayments other than AID refund claims.....	51,505		51,505

**TABLE C-2.—Foreign loans and other credits of United States Government agencies, as of June 30, 1972; summary by area and country**

[In dollars or dollar equivalents]

Area/country	Principal outstanding				Principal and interest due and unpaid 90 days or more			
	Total	Long-term credits	Short-term credits	Accounts receivable	Total	Due on long-term credits <sup>1</sup>	Due on short-term credits	Due on accounts receivable
<b>Total, all countries and international organizations.....</b>	<b>30,580,537,269</b>	<b>30,126,766,088</b>	<b>81,651,368</b>	<b>372,119,813</b>	<b>678,039,280</b>	<b>375,857,627</b>	<b>5,926,504</b>	<b>296,255,149</b>
<b>Western Europe (excluding Greece and Turkey).....</b>	<b>6,306,598,207</b>	<b>6,221,816,412</b>	<b>20,427,655</b>	<b>64,354,140</b>	<b>24,516,779</b>	<b>549</b>	<b>3,864,417</b>	<b>20,651,813</b>
Austria.....	47,051,325	46,729,916	85,037	236,372	7,861		1,668	6,193
Belgium.....	56,736,268	55,631,956	858,392	245,920	23,005		9,516	13,489
Denmark.....	23,334,506	21,533,950	737,093	1,063,463	68,031		4,852	63,179
Finland.....	53,106,949	52,030,863		1,076,086	55			55
France.....	311,119,947	306,937,747	130,997	4,051,203	169,364		16,707	152,657
Germany, Federal Republic of.....	40,541,599	29,659,497	6,025,871	4,856,231	172,960			172,960
Iceland.....	24,741,586	24,741,186		400	400			400
Ireland.....	108,525,322	104,852,063	3,332,796	340,463	1,333			1,333
Italy.....	243,148,081	221,778,623	2,390,766	18,978,692	16,923,256		2,346,087	14,577,169
Liechtenstein.....	508			508				
Luxembourg.....	1,587,410	1,563,871	14,386	9,153	6,158		6,158	
Malta.....	803,637	802,186		1,451	71			71

Netherlands.....	28,578,925	26,060,458	91,786	2,426,681	371,797	.....	371,797
Norway.....	50,082,386	45,567,794	3,420,481	1,094,111	253,163	71,687	181,476
Portugal.....	80,600,213	80,474,678	.....	125,535	24,573	148	24,425
Spain.....	542,034,153	526,334,344	27,916	15,671,893	5,036,399	401 26,085	5,009,913
Sweden.....	11,421,805	8,796,493	1,281,493	1,343,819	12,867	.....	12,867
Switzerland.....	954,574	.....	10,591	943,983	37,683	.....	37,683
United Kingdom.....	3,962,806,695	3,955,493,270	92,809	7,220,616	19,684	3,668	16,016
Vatican City.....	9,051	.....	.....	9,051	.....	.....	.....
Yugoslavia.....	568,407,236	568,354,275	44,752	8,209	35,899	29,711	6,188
European Atomic Energy Community.....	59,783,235	55,161,566	.....	4,621,669	3,259	.....	3,259
European Coal and Steel Community..	41,300,000	41,300,000	.....	.....	.....	.....	.....
North Atlantic Treaty Organization.....	1,980,242	69,122	1,882,489	28,631	1,348,961	1,348,278	683
Western Europe— Regional.....	47,942,554	47,942,554	.....	.....	.....	.....	.....
Eastern Europe....	285,141,476	284,194,926	619,664	326,886	100,703,311	100,507,897	195,414
Bulgaria.....	3,002	.....	.....	3,002	.....	.....	.....
Czechoslovakia.....	4,945,560	4,869,868	.....	75,692	6,212,295	6,212,295	.....
Germany, Soviet Zone.....	52,594	.....	.....	52,594	.....	.....	.....
Hungary.....	1,380,690	1,380,690	.....	.....	1,104,552	1,104,552	.....
Poland.....	89,620,844	89,621,180	619,664	.....	.....	.....	.....
Rumania.....	42,353,440	42,353,440	.....	.....	.....	.....	.....
U.S.S.R.....	146,785,346	146,589,748	.....	195,598	93,386,464	93,191,050	195,414

See footnotes at end of table.

**TABLE C-2.—Foreign loans and other credits of United States Government agencies, as of June 30, 1972; summary by area and country—Continued**

[In dollars or dollar equivalents]

Area/country	Principal outstanding				Principal and interest due and unpaid 90 days or more			
	Total	Long-term credits	Short-term credits	Accounts receivable	Total	Due on long-term credits <sup>1</sup>	Due on short-term credits	Due on accounts receivable
Near East (including Greece, Turkey, and Egypt).....	4,023,356,464	3,901,727,376	3,720,105	117,908,983	180,144,044	70,227,674	170,019	109,746,351
Cyprus.....	3,875,663	3,875,658	.....	5	201,812	201,807	.....	5
Egypt, Arab Republic of.....	541,391,785	541,339,391	.....	52,394	31,629,862	31,599,090	.....	30,772
Greece.....	208,416,760	186,925,650	39,892	21,451,218	18,400,031	180	.....	18,399,851
Iran.....	768,751,386	767,018,994	426,499	1,305,893	36,807,419	35,623,767	50,983	1,132,669
Iraq.....	13,677,043	13,677,043	.....	.....	14	14	.....	.....
Israel.....	1,065,958,745	1,060,033,845	909,686	5,015,214	1,026,458	44,996	72,760	908,702
Jordan.....	34,553,091	30,667,340	2,296,180	1,589,571	1,458,427	.....	.....	1,458,427
Kuwait.....	30,004,266	30,000,000	.....	4,266	.....	.....	.....	.....
Lebanon.....	18,524,845	18,161,205	45,868	317,772	247,240	.....	44,296	202,944
Saudi Arabia.....	66,565,068	66,556,314	.....	8,754	2,964	.....	.....	2,964
Syria.....	11,962,602	11,922,435	.....	40,167	2,487,149	2,446,982	.....	40,167
Turkey.....	1,259,573,775	1,171,549,501	1,980	88,022,294	87,782,417	310,838	1,980	87,469,599
United Arab Emirates.....	709	.....	.....	709	.....	.....	.....	.....
Yemen.....	475	.....	.....	475	.....	.....	.....	.....
Central Treaty Organization.....	100,251	.....	.....	100,251	100,251	.....	.....	100,251
South Asia.....	7,985,914,896	7,979,409,268	719,328	5,786,300	39,312,504	33,586,041	167,202	5,559,261

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Afghanistan.....	58,664,762	58,664,445		317	426	109		317
Bangladesh.....	33			33	33			33
India.....	5,817,088,677	5,812,115,905	118	4,972,654	21,011,771	16,141,631	118	4,870,022
Nepal.....	3,667,094	3,488,068		179,026	179,026			179,026
Pakistan.....	2,006,776,116	2,005,434,663	719,210	622,243	16,995,480	16,321,281	167,084	507,115
Sri Lanka.....	97,718,214	97,706,187		12,027	1,125,768	1,123,020		2,748
South Asia— Regional.....	2,000,000	2,000,000						
<b>Africa (excluding Egypt).....</b>	<b>1,665,281,827</b>	<b>1,638,410,830</b>	<b>10,206,937</b>	<b>16,664,060</b>	<b>23,005,069</b>	<b>6,455,669</b>	<b>280,154</b>	<b>16,269,246</b>
Algeria.....	20,575,576	20,574,006		1,570				
Angola.....	5,219,938	5,219,938						
Botswana.....	40	40						
Cameroon.....	26,017,514	26,017,514						
Central African Republic.....	97,570	97,450		120				
Chad.....	22			22				
Dahomey.....	791,364	791,364						
Ethiopia.....	86,867,837	72,541,769		14,326,068	14,755,996	430,008		14,325,988
Gabon.....	408			408				
Gambia.....	3,180			3,180				
Ghana.....	187,100,535	185,011,036	1,667,603	421,896	512,040	86,615	51,276	374,149
Guinea.....	41,516,624	40,961,443		555,181	968,709	416,453		552,256
Ivory Coast.....	30,210,741	30,202,737		8,004				
Kenya.....	26,264,109	26,227,958		36,151				
Liberia.....	133,992,586	133,584,356	314,232	93,998	535,854	245,510	226,056	64,288
Libya.....	17,885			17,885	17,885			17,885
Malagasy Republic..	4,164,383	4,164,383						
Malawi.....	5,591,167	5,589,880		1,287	1,287			1,287
Mali.....	1,687,899	1,666,028		21,871	19,528	19,528		
Mauritius.....	304			304				
Morocco.....	466,004,966	465,671,601	8,936	324,429	218,450	11,947	2,822	203,681
Niger.....	2,364,492	2,363,301		1,191				
Nigeria.....	82,866,454	82,807,335		59,119	130,217	116,192		14,025
Rhodesia.....	43,579			43,579	1,008,451	*964,872		43,579

See footnote at end of table.

**TABLE C-2.—Foreign loans and other credits of United States Government agencies, as of June 30, 1972; summary by area and country—Continued**

[in dollars or dollar equivalents]

Area/country	Principal outstanding				Principal and interest due and unpaid 90 days or more			
	Total	Long-term credits	Short-term credits	Accounts receivable	Total	Due on long-term credits <sup>1</sup>	Due on short-term credits	Due on accounts receivable <sup>2</sup>
Rwanda.....	316			316				
St. Helena.....	515			515				
Senegal.....	1,051,837	1,051,837						
Seychelles.....	135			135				
Sierra Leone.....	12,950,647	12,285,566		665,081	2,527,699	1,888,414		639,285
Somali Republic.....	13,635,504	13,635,360		144	1,453,873	1,453,780		93
South Africa.....	6,400,691		6,358,091	42,600	26,766			26,766
Sudan.....	17,782,260	17,780,570		1,690	1,375	1,375		
Swaziland.....	250,012	250,000		12				
Tanzania.....	33,369,763	33,355,886		13,877	415			415
Togo.....	583,504	583,504						
Tunisia.....	307,869,396	307,859,010		10,386	422,473	421,855		618
Uganda.....	10,988,673	10,985,567		3,106				
Zaire.....	115,170,829	113,302,819	1,858,075	9,935	4,931			4,931
Zambia.....	8,091,240	8,091,240			399,120	399,120		
East African Common Services Organization.....	2,074,481	2,074,481						
University of East Africa.....	2,726,000	2,726,000						
West Africa Development Bank.....	1,262,356	1,262,356						
Africa-Regional.....	9,674,495	9,674,495						
Eastern Asia and Pacific.....	4,048,037,863	3,909,065,359	38,880,249	100,092,255	165,577,530	72,843,349	424,251	92,309,930
Australia.....	405,627,518	404,905,663	2,285	719,570	219,889			219,889

Brunei.....	13,929,900	13,929,900							121
Burma.....	48,627,262	48,586,218	7,068	33,976	121				121
China, Peoples Republic of.....	175,295			175,295	121,563				121,563
China, Republic of...	490,848,329	468,532,160	369,005	21,947,164	91,192,933	70,578,703	369,005	20,245,225	
Fiji Islands.....	15,187			15,187					
French Polynesia.....	6,223			6,223					
Gilbert and Ellice Islands.....	311			311					
Hong Kong.....	4,081,338	2,448,000	684,417	948,921	62				62
Indonesia.....	865,207,430	865,111,657		95,773	2,102	122			1,980
Japan.....	853,692,758	847,206,892	3,837,110	2,648,756	112,181				112,181
Khmer Republic.....	4,166,139	2,050,341		2,115,798	2,114,318				2,114,318
Korea, Republic of...	787,930,858	761,509,294	24,176,741	2,244,823	1,721,688	244,013			1,477,675
Laos.....	42,283			42,283	33,517				33,517
Macao.....	5,990			5,990					
Malaysia.....	41,762,843	41,731,539		31,304	1,041				1,041
New Caledonia.....	445			445					
New Guinea (Papua).....	25,491,885	25,491,885		78					
New Hebrides.....	78			78					
New Zealand.....	45,848,919	45,719,705		129,214	29,453				29,453
Philippines.....	316,965,840	268,577,709	51,075	48,337,056	50,094,734	2,020,511	51,075	48,023,148	
Pitcairn Island.....	104			104					
Singapore.....	210,414	74,562	7,080	128,772	22,472		174	22,298	
Thailand.....	111,926,697	82,986,127	9,745,468	19,195,102	19,053,596		3,997	19,049,599	
Vietnam, Republic of.....	31,466,103	30,203,707		1,262,396	857,860				857,860
Western Samoa.....	7,714			7,714					
<b>Western Hemi- sphere.....</b>	<b>6,004,286,872</b>	<b>5,941,002,431</b>	<b>7,077,430</b>	<b>56,207,011</b>	<b>134,019,635</b>	<b>92,236,448</b>	<b>1,020,461</b>	<b>40,762,726</b>	
Antigua.....	2,599,715	843,750		1,755,965	1,755,965				1,755,965
Argentina.....	354,415,247	350,101,239	463	4,313,545	3,488,274	1,606,941			1,881,333

See footnote at end of table.

**TABLE C-2.—Foreign loans and other credits of United States Government agencies, as of June 30, 1972; summary by area and country—Continued**

[In dollars or dollar equivalents]

Area/country	Principal outstanding				Principal and interest due and unpaid 90 days or more			
	Total	Long-term credits	Short-term credits	Accounts receivable	Total	Due on long-term credits <sup>1</sup>	Due on short-term credits	Due on accounts receivable
Bahamas.....	13,481,382	12,021,042		1,460,340	1,331,673			1,331,673
Bermuda.....	2,956,532	2,885,183		71,349				
Bolivia.....	207,713,015	205,012,351	1,666,294	1,034,370	2,163,038	1,322,116	288,522	522,400
Brazil.....	1,683,008,958	1,680,582,225	2,283,365	143,368	371,564	330,119	1,018	40,427
British Honduras.....	39,345	16,712		22,633				
British Virgin Islands.....	1,878			1,878	120			120
Canada.....	71,580,514	65,977,108	5,386	5,598,020	2,313,379		1,647	2,311,732
Cayman Islands.....	39,891			39,891				
Chile.....	927,412,320	922,119,450	3,181	5,289,689	38,727,353	34,582,679	1,858	4,142,816
Colombia.....	766,085,827	754,440,418	54,987	11,590,422	12,325,938	720,420	54,987	11,550,531
Costa Rica.....	73,678,342	72,727,342		951,000	573,869	17,167		556,702
Cuba.....	39,224,590	36,266,581		2,958,009	52,535,100	49,645,348		2,889,752
Dominican Republic.....	220,727,695	218,306,687	303,280	2,117,726	1,292,477	50,013	303,280	939,184
Ecuador.....	117,392,553	115,347,589	323,248	1,721,716	3,083,494	1,087,183	323,248	1,673,063
El Salvador.....	57,313,268	57,017,405		295,863	227,593	146		227,447
French Guiana.....	817			817				
Grenada.....	2,798			2,798				
Guadeloupe.....	6,435			6,435				
Guatemala.....	52,969,303	52,042,226	801,460	125,617	53,568			53,568
Guyana.....	29,932,770	29,776,143		156,627				
Haiti.....	33,846,393	33,270,373		576,020	391,404	389,893		1,511
Honduras.....	43,501,330	43,400,307		101,023	86,531			86,531

Jamaica.....	29,920,493	29,123,482	649,165	147,846	31			31
Martinique.....	8,179			8,179				
Mexico.....	396,038,768	393,859,642	422	2,178,704	1,230,922	667,796	17	563,109
Montserrat.....	366			366				
Netherlands								
Antilles.....	994,986		930,121	64,865				
Nicaragua.....	82,388,719	82,132,768	20,767	235,184	250,020		20,767	229,253
Panama.....	110,148,925	101,829,868	35,126	8,283,931	5,503,456		24,986	5,478,470
Paraguay.....	51,722,826	51,646,733		76,093	1,552,603	1,482,371		70,232
Peru.....	206,314,755	204,805,761		1,508,994	1,519,285	203,509		1,315,776
St. Pierre and								
Miquelon.....	278			278				
Surinam.....	4,064,380	4,033,489		30,891				
Trinidad and								
Tobago.....	11,383,194	11,348,967		34,227	7			7
Turks and Caicos								
Islands.....	8,240			8,240				
Uruguay.....	69,374,005	67,806,108		1,567,897	1,508,415	4,247		1,504,168
Venezuela.....	252,100,503	250,868,542	165	1,231,796	1,239,157	126,500	131	1,112,526
Central American								
Bank for Eco-								
nomic Integration.....	81,256,028	81,256,028						
Western Hemisphere—Regional.....	3,386,910	3,386,910						
Western Hemisphere—Unspecified.....	7,244,399	6,750,000		494,399	494,399			494,399
Worldwide.....	261,919,664	251,139,486		10,780,178	10,760,408			10,760,408
United Nations.....	78,246,159	70,899,043		7,347,116	7,347,116			7,347,116
Worldwide—Unspecified.....	183,673,505	180,240,443		3,433,062	3,413,292			3,413,292

<sup>1</sup> Includes amounts shown in tables headed, "Principal and Interest Due and Unpaid 90 Days or More," p. 158; and "Refund Claims on Long-Term Foreign Loans of the Agency for International Development," p. 164.

<sup>2</sup> Amount due on an obligation guaranteed by Rhodesia and Zambia. The outstanding principal balance on the loan is included in the total shown for Africa—Regional.

**TABLE C-3.—Foreign loans and other credits of U.S. Government agencies, as of Dec. 31, 1972, summary by area and country**

[In dollars or dollar equivalents]

Area/country	Principal and interest due and unpaid 90 days or more			
	Total	Due on long-term credits	Due on short-term credits	Due on accounts receivable
<b>Total, all countries and international organizations.....</b>	<b>639,119,917</b>	<b>334,164,629</b>	<b>9,954,136</b>	<b>295,001,152</b>
<b>Western Europe (excluding Greece and Turkey).....</b>	<b>19,331,217</b>	<b>148</b>	<b>1,901,127</b>	<b>17,429,942</b>
Austria.....	6,355		6,150	205
Belgium.....	93,328		45,477	47,851
Denmark.....	466,490		358,840	107,650
Finland.....				
France.....	441,141			441,141
Germany, Federal Republic of.....	190,552			190,552
Iceland.....				
Ireland.....	3,309		2,459	850
Italy.....	16,245,484		565,777	15,679,707
Luxembourg.....	9,390		9,390	
Malta.....	71			71
Netherlands.....	332,711			332,711
Norway.....	124,033		107,367	16,666
Portugal.....	73,337	148		73,189
Spain.....	388,347		44,541	343,806
Sweden.....	39,437		38,067	1,370
Switzerland.....	13,681		10,652	3,029
United Kingdom.....	224,733		200,455	24,278
Vatican City.....				
Yugoslavia.....	43,201		36,778	6,423
European Atomic Energy Community.....	25,838			25,838
European Coal and Steel Community.....				
North Atlantic Treaty Organization.....	609,779		475,174	134,605
Western Europe—Regional.....				
<b>Eastern Europe.....</b>	<b>7,627,301</b>	<b>7,627,301</b>		
Bulgaria.....				
Czechoslovakia.....	6,522,749	6,522,749		
Germany, Soviet Zone.....				
Hungary.....	1,104,552	1,104,552		
Poland.....				
Romania.....				
Union of Soviet Socialist Republics.....				

See footnote at end of table.

**TABLE C-3.—Foreign loans and other credits of U.S. Government agencies, as of Dec. 31, 1972, summary by area and country—Con.**

(In dollars or dollar equivalents)

Area/country	Principal and interest due and unpaid 90 days or more			
	Total	Due on long-term credits	Due on short-term credits	Due on accounts receivable
<b>Near East (including Greece, Turkey, and Egypt)</b> .....	<b>189,174,080</b>	<b>77,516,738</b>	<b>2,822,133</b>	<b>108,835,209</b>
Cyprus.....	5			5
Egypt, Arab Republic of.....	38,920,397	38,919,488		909
Greece.....	18,258,800		39,880	18,218,920
Iran.....	37,057,763	35,513,711	1,125,070	418,982
Iraq.....	14	14		
Israel.....	1,240,373	69,126	198,749	972,498
Jordan.....	2,860,076		1,451,469	1,408,607
Kuwait.....				
Lebanon.....	220,596		1,827	218,769
Qatar.....				
Saudi Arabia.....	1,848			1,848
Southern Yemen.....				
Syrian Arab Republic.....	2,710,824	2,670,658		40,166
Turkey.....	87,903,384	343,741	5,138	87,554,505
United Arab Emirates.....				
Yemen Arab Republic.....				
<b>South Asia</b> .....	<b>18,763,439</b>	<b>13,073,142</b>	<b>30</b>	<b>5,690,267</b>
Afghanistan.....	426	109		317
Bangladesh.....				
India.....	16,360,503	11,369,882		4,990,621
Nepal.....	179,056		30	179,026
Pakistan.....	737,142	219,587		517,555
Sri Lanka.....	1,486,312	1,483,564		2,748
South Asia—Regional.....				
<b>Africa (excluding Egypt)</b> .....	<b>22,961,595</b>	<b>6,991,168</b>	<b>378,825</b>	<b>15,591,602</b>
Algeria.....	1,570			1,570
Angola.....	3,631			3,631
Botswana.....				
Cameroon.....				
Central African Republic.....				
Chad.....				
Dahomey.....	93	93		
Ethiopia.....	14,325,741		457	14,325,284
Gabon.....				
Gambia.....				
Ghana.....	776,985	203,045	51,276	522,664
Guinea.....	1,138,591	632,648		505,943
Ivory Coast.....				
Kenya.....				

See footnote at end of table.

TABLE C-3.—Foreign loans and other credits of U.S. Government agencies, as of Dec. 31, 1972, summary by area and country—Con.

(In dollars or dollar equivalents)

Area/country	Principal and interest due and unpaid 90 days or more			
	Total	Due on long-term credits	Due on short-term credits	Due on accounts receivable
Liberia.....	582,858	251,954	314,232	16,672
Libya.....	16,720		4,386	12,334
Malagasy Republic.....				
Malawi.....	1,287			1,287
Mali.....	26,133	26,133		
Mauritius.....				
Morocco.....	10,249		8,474	1,775
Niger.....				
Nigeria.....	251,474	226,522		24,952
Rhodesia.....	1,241,086	1,197,507		43,579
Rwanda.....				
St. Helena.....				
Senegal.....	83,722			83,722
Seychelles.....				
Sierra Leone.....	1,987,529	1,985,744		1,785
Somali Republic.....	1,506,558	1,506,565		93
South Africa.....	26,766			26,766
Sudan.....				
Swaziland.....				
Tanzania.....	18,927			18,927
Togo.....				
Tunisia.....	435,234	434,616		618
Uganda.....	9	9		
Zaire.....				
Zambia.....	526,332	526,332		
East African Common Services Organization.....				
University of East Africa.....				
West Africa Development Bank.....				
Africa-Regional.....				
<b>Eastern Asia and Pacific.....</b>	<b>174,152,531</b>	<b>78,999,132</b>	<b>915,534</b>	<b>94,237,865</b>
Australia.....	374,092		12,844	361,248
Brunei.....				
Burma.....	148	6		142
China, Peoples Republic of.....	129,426			129,426
China, Republic of.....	93,950,604	73,372,850	344,305	20,233,449
Fiji Islands.....				
French Polynesia.....				
Gilbert and Ellice Islands.....				
Hong Kong.....				
Indonesia.....	101,981	29,156		72,825

See footnote at end of table.

**TABLE C-3.—Foreign loans and other credits of U.S. Government agencies, as of Dec. 31, 1972, summary by area and country—Con.**

(In dollars or dollar equivalents)

Area/country	Principal and interest due and unpaid 90 days or more			
	Total	Due on long-term credits <sup>1</sup>	Due on short-term credits	Due on accounts receivable
Japan.....	752,421		477,770	274,651
Khmer Republic.....	2,114,318			2,114,318
Korea, Republic of.....	5,376,460	3,530,564	33,762	1,812,134
Laos.....	8,562			8,562
Macao.....				
Malaysia.....	829,790			829,790
New Caledonia.....				
New Guinea (Papua).....				
New Hebrides.....				
New Zealand.....	61,974			61,974
Philippines.....	50,329,449	2,066,556	35,890	48,227,003
Pitcairn Island.....				
Singapore.....	19,841		6,339	13,502
Thailand.....	19,057,473		4,624	19,052,849
Tonga.....				
Vietnam, Republic of....	1,045,992			1,045,992
Western Samoa.....				
<b>Western Hemisphere.....</b>	<b>197,522,791</b>	<b>149,957,002</b>	<b>3,936,487</b>	<b>43,629,302</b>
Antigua.....	1,831,589	137,100		1,694,489
Argentina.....	4,306,803	1,615,141	57,822	2,633,840
Bahamas.....	1,338,683			1,338,683
Bermuda.....	335			335
Bolivia.....	1,916,915	1,337,752		579,163
Brazil.....	3,575,519	378,815	3,154,793	41,911
British Honduras.....				
British Virgin Islands.....				
Canada.....	2,128,970		4,319	2,121,651
Cayman Islands.....				
Chile.....	92,717,021	86,163,637	3,181	6,550,203
Colombia.....	11,806,373	158,384	37,681	11,610,308
Costa Rica.....	743,322	19,358		723,964
Cuba.....	56,919,950	54,010,348		2,909,602
Dominican Republic....	3,301,483	2,032,185	303,280	966,018
Ecuador.....	2,008,181	584,447	325,792	1,097,942
El Salvador.....	243,217			243,217
French Guiana.....				
Grenada.....				
Guadeloupe.....				
Guatemala.....	314,843	261,162		53,681
Guyana.....				
Haiti.....	254,355	253,010		1,345
Honduras.....	86,858			86,858
Jamaica.....	6,501			6,501
Martinique.....				

<sup>1</sup> See footnote at end of table.

**TABLE C-3.—Foreign loans and other credits of U.S. Government agencies, as of Dec. 31, 1972, summary by area and country—Con.**

(In dollars or dollar equivalents)

Area/country	Principal and interest due and unpaid 90 days or more			
	Total	Due on long-term credits †	Due on short-term credits	Due on accounts receivable
Mexico.....	1,737,757	1,201,900		535,857
Montserrat.....				
Netherlands Antilles....	1,000			1,000
Nicaragua.....	254,270	1,046	14,033	239,191
Panama.....	6,499,486		35,126	6,464,360
Paraguay.....	1,573,475	1,500,804		72,671
Peru.....	1,199,442	218,031		981,411
St. Christopher-Nevis-Anguilla.....				
St. Vincent.....				
Surinam.....	12,610			12,610
Trinidad and Tobago....	4,000			4,000
Turks and Caicos Islands.....				
Uruguay.....	1,248,646	6,682	76	1,241,888
Venezuela.....	984,781	77,200	384	907,197
Central American Bank for Economic Integration.....				
Western Hemisphere—Regional.....				
Western Hemisphere—Unspecified.....	509,406			509,406
Worldwide.....	9,586,965			9,586,965
United Nations.....	7,347,099			7,347,099
Worldwide—Unspecified.	2,239,866			2,239,866

†Includes amounts shown in tables headed "Principal and Interest Due and Unpaid 90 Days or More," and "Refund Claims on Long-Term Foreign Loans of the Agency for International Development."

**TABLE D.—Status of accounts under lend-lease and surplus property agreements (World War II) as of June 30, 1972**

[Dollars in thousands]

	Settlement obligation and interest billed (net)	Credits			Total outstanding	Status of amounts outstanding	
		Collections		Other credits		Amounts past due <sup>1</sup>	Due over a period of years by agreement
		U.S. dollars	Foreign currency (in U.S. dollar equivalent)				
Australia.....	\$44,061	\$34,535	\$8,662	\$863			
Austria.....	10,591	3,054	6,980	556			
Belgium.....	116,627	41,390	12,196	61,340	\$1,699	\$1,699	
Burma.....	6,708	1,005	5,560	142			
Canada.....	388,765	388,765					
China.....	192,163	16,062	1,591	8,521	{ 165,987 -3,584 }	{ 91,611 -3,584 }	
Czechoslovakia.....	10,836	596	1,062	1,990	7,186	6,212 973	
Denmark.....	5,240	4,266	931	42			
Ethiopia.....	4,558	3,899	23	635			
Finland.....	25,169	19,729	2,271	697	2,470	2,470	
France.....	1,273,663	947,356	51,445	51,402	223,458	223,458	
Germany, Federal Republic of.....	* 224,418	3,855	218,755		1,808	1,808	
Greece.....	72,203	41,703	29,344	1,156	{ -1 }	{ -1 }	

See footnotes at end of table.

**TABLE D.—Status of accounts under lend-lease and surplus property agreements (World War II) as of June 30, 1972—Continued**

[Dollars in thousands]

	Credits					Status of amounts outstanding	
	Settlement obligation and interest billed (net)	Collections			Total outstanding	Amounts past due <sup>1</sup>	Due over a period of years by agreement
		U.S. dollars	Foreign currency (in U.S. dollar equivalent)	Other credits			
Greenland.....	8	8					
Hungary.....	21,710		18,512	1,818	1,380	1,104	276
Iceland.....	4,855	4,496	359				
India.....	198,174	184,777	6,943	287	6,165	6,165	
Indonesia.....	85,083	44,017	3,765	904	36,395		36,395
Iran.....	46,460	3,027	7,829		35,603	35,603	
Iraq.....	( <sup>2</sup> )	( <sup>2</sup> )					
Italy.....	268,135	165,077	98,269	3,541	1,247		1,247
Japan.....	13,728		12,971	756			
Korea.....	44,369		3,026	3,977	28,906		28,906
Liberia.....	19,440	2,467			16,972		16,972
Lebanon.....	1,656		521	1,134			
Luxembourg.....	( <sup>2</sup> )	( <sup>2</sup> )					
Middle East.....	50,377	11,142	39,234				
Netherlands.....	176,795	103,219	45,192	28,383			
New Zealand.....	4,935	2,176	2,114	644			
Norway.....	21,277	11,262	8,435	1,580			
Pakistan.....	40,308	40,308					

Philippines.....	5,000		2,005	2,988	5		5
Poland.....	51,104	36,153	10,385		4,565		4,565
Saudi Arabia.....	21,427	21,427					
Southern Rhodesia.....	1,415	1,371			43		43
Sweden.....	2,115	240	1,824	50			
Thailand.....	7,064	2,235	4,178	650			
Turkey.....	14,474	11,082	2,110	1,281			
Union of South Africa.....	117,774	116,608	242	923			
United Kingdom.....	1,155,592	467,620	40,792	154,635	492,543		* 492,543
U.S.S.R.....	351,747	205,158			146,589	93,191	53,398
Yugoslavia.....	694	63	17	623	7		7
American Republic.....	136,685	114,365	11,921	3,154	7,244	494	7,750
American Red Cross.....	2,023	2,023					
Federal agencies.....	243,114	243,092	21				
Military withdrawals.....	187	(*)	186				
Miscellaneous items.....	1,472	1,136	335				
United Nations Relief and Rehabilitation Adminis- tration.....	7,226	7,226					
<b>Total.....</b>	<b>5,491,448</b>	<b>3,308,012</b>	<b>660,025</b>	<b>334,688</b>	<b>* 1,176,697</b>	<b>234,384</b>	<b>942,314</b>

<sup>1</sup> Principal and interest considered past due as of June 30, 1972, and items subject to negotiation.

<sup>2</sup> Credit. Represents amounts collected under advance payment agreements not applied to outstanding indebtedness.

<sup>3</sup> Reduced due to settlement of a 3d party claim.

<sup>4</sup> Agreement provides for repayment of 37,099,999.99 rupees.

<sup>5</sup> Agreement dated Mar. 16, 1971, provides for payment of principal and interest semiannually on June 11 and Dec. 11 of each year beginning June 11, 1971, and June 11, 1985, respectively.

<sup>6</sup> Includes \$84,881,702.21 principal and interest postponed pursuant to agreement.

<sup>7</sup> Represents amount which is postponed by agreement pending settlement of certain claims.

<sup>8</sup> Includes \$297,494,921.56 due under surplus property agreements, \$751,057,229.05 due under lend-lease settlements, and \$128,145,049.38 due under other lend-lease agreements.

<sup>9</sup> Less than \$1,000.

Note.—No settlement agreement for lend-lease has been reached with China, Greece, or the U.S.S.R.

**TABLE E-1.—Status of dollar repayable AID and predecessor agency loans as of June 30, 1973**

[In thousands of dollars]

Country	Outstanding loan balance	1973 annual interest	Repay-ments principal	Amount delinquent	
				Interest	Principal
Argentina.....	64,785	1,164	4,537		
Bolivia.....	134,447	1,094	680	405	96
Brazil.....	974,519	13,193	3,164		
Chile.....	497,854	18		16,777	15,604
Colombia.....	665,067	9,225	4,965	28	
Costa Rica.....	46,365	519		22	
Dominican Republic..	142,026	1,750	2,149	224	
Ecuador.....	59,939	1,012	2,000		
El Salvador.....	37,150	458	391		
Guatemala.....	26,245	433	2,216		
Guyana.....	31,945	456			
Haiti.....					
Honduras.....	30,568	430	24		
Jamaica.....	9,459	186	311		
Mexico.....	62,638	1,084	1,150		
Nicaragua.....	58,914	854	91	3	8
Panama.....	71,887	1,300	2,888	3	
Paraguay.....	20,159	303	314	98	198
Peru.....	61,109	553	30	8	
Surinam.....	806	30	65		
Uruguay.....	41,922	715	623		
Venezuela.....	47,012	800	2,560		53
Latin American Regional.....	3,012	126	389		
East Caribbean Regional.....	125	1			
Central American Regional.....	93,046	862		9	
China.....	44,314	953	1,872		
Indonesia.....	250,625	3,717	1,223		
Korea.....	380,667	4,314	319		
Malaya.....	7,177	128	148		
Philippines.....	12,450	285	94		
Lebanon.....	880	54	411		
Nepal.....	150	1			
Pakistan.....	1,377,532	29,804			
Syria.....	427			20	
Turkey.....	823,681	11,132	4,387	575	2,426
Asia Regional.....	15,652	266	109		
Afghanistan.....	39,222	500	195		
Arab Republic of Egypt.....	63,962	1,786	2,019	54	84
Ceylon.....	18,153	516	526		
Greece.....	16,073	483	1,095		
India.....	2,746,500	33,687	12,930	1,629	3,394
Iran.....	77,569	2,746	10,447		
Israel.....	103,182	2,581	8,129	175	323

See footnotes at end of table.

**TABLE E-1.—Status of dollar repayable AID and predecessor agency loans as of June 30, 1973—Continued**

[In thousands of dollars]

Country	Outstanding loan balance	1973 annual interest	Repayments principal	Amount delinquent	
				Interest	Principal
Jordan .....	8,448	63			
Spain .....	11,574	430	3,352		
Thailand .....	12,241	384	304		
Vietnam .....					
Cameroon .....	12,295	99			
Dahomey .....	841	4		5	
Ethiopia .....	52,338	748	140		
Ghana .....	121,762	3,894	3,535		
Guinea .....	7,174	15		173	468
Ivory Coast .....	6,886	59	11		
Kenya .....	5,930	85		8	
Liberia .....	55,705	485		108	158
Libya .....					
Malagasy .....	4,377	30			
Malawi .....	6,690	121			
Mali .....	1,806	8		5	
Morocco .....	97,219	2,640	803		
Niger .....	2,654	17			
Nigeria .....	74,933	826	74	73	
Senegal .....					
Somalia .....	13,534	67		300	830
Sudan .....	4,465	5		1	
Tanzania .....	11,662	114	102		
Tunisia .....	147,465	1,895	287	4	
Uganda .....	10,349	91			
Zaire .....	68,199	1,690	1,093		
Africa Regional .....	49,113	750			
West Africa Regional .....	77				
East Africa Regional .....	3,463	38			
South Africa Regional .....					
Belgium .....	25,230	716	3,048		
Denmark .....	24,870	634	645		
Finland .....					
France .....					
Germany .....					
Iceland .....	7,762	285	1,185	10	36
Ireland .....	80,650	2,114	5,193		
Italy .....					
Luxembourg .....	1,361	56	202		
Netherlands .....					
Norway .....	14,325	383	1,339		
Poland .....	35,363	1,692	2,966		
Portugal .....	17,199	455	1,343	215	684
Sweden .....					
United Kingdom .....	236,620	6,225	16,356		

See footnotes at end of table.

**TABLE E-1.—Status of dollar repayable AID and predecessor agency loans as of June 30, 1973—Continued**

[In thousands of dollars]

Country	Outstanding loan balance	1973 annual interest	Repayments principal	Amount delinquent	
				Interest	Principal
Yugoslavia.....	10,252	357	695		
European Community.	36,100	1,600	5,200		
<b>Grand total.....</b>	<b>10,440,147</b>	<b>158,594</b>	<b>120,324</b>	<b>10,932</b>	<b>14,362</b>

! Discussions for possible rescheduling in process.

\* The following amounts were received on July 2-3, 1973:

Country	Interest	Principal
Iceland.....	10	36
Portugal.....	215	684
Turkey.....	575	2,426
India.....	1,629	3,394
<b>Total.....</b>	<b>2,429</b>	<b>6,540</b>

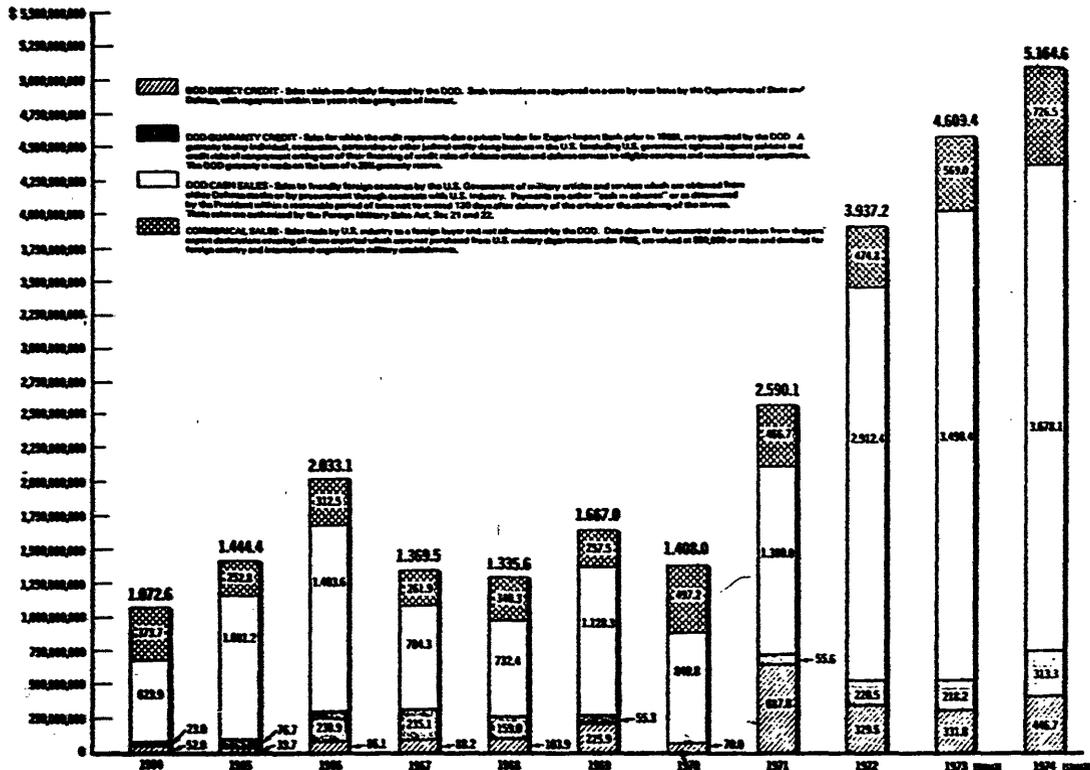
**TABLE E-2.—Status of dollar repayable Public Law 480 loans,<sup>1</sup> as of June 30, 1973**

[In thousands of dollars]

Country	Outstanding balance	1973 annual repayments		Amount delinquent	
		Interest	Principal	Interest	Principal
Mexico.....	7,506	321	681		1
Burma.....	3,978	122	173		
Iran.....	2,094	64	57		
Israel.....	28,899	349	750	53	181
Finland.....	12,918	392	186		
<b>Grand total.....</b>	<b>55,395</b>	<b>1,248</b>	<b>1,847</b>	<b>53</b>	<b>182</b>

<sup>1</sup> Represent Public Law 480 "G" loans only.

TABLE E-3.—U.S. Military Export sales



SOURCE: DEPARTMENT OF DEFENSE, AT THE REQUEST OF THE SENATE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS.

**TABLE F.—Comparison of outstanding loans, U.S. assistance, and liquid liabilities**

[In millions of dollars]

	Outstanding foreign loans and other credits of U.S. Government agencies, as of June 30, 1972, summary by area		Major U.S. Government foreign assistance, military and other, July, 1948 to Dec. 31, 1971, summary by area, net total	U.S. liquid and other liabilities to official institutions of foreign countries, by area as of July, 1973
	Principal outstanding	Principal and interest due and unpaid 90 days or more		
Western Europe (excluding Greece and Turkey).....	6,307	25	40,460	47,009
Eastern Europe.....	285	101	1,565	13,144
Near East (Including Greece, Turkey, and Egypt).....	4,023	180	16,043	13,684
South Asia.....	7,986	39	14,104	
Eastern Asia and Pacific....	4,048	166	46,203	928
Africa (excluding Egypt)....	1,665	23	4,498	
Western Hemisphere.....	6,004	134	10,590	6,113
<b>Total.....</b>	<b>430.6</b>	<b>678</b>	<b>133,463</b>	<b>70,878</b>

- <sup>1</sup> Includes Oceania.  
<sup>2</sup> Includes \$8,100,000,000 held by Japan.  
<sup>3</sup> Includes Middle East and Asian countries.  
<sup>4</sup> May not add due to rounding and due to the exclusion of loans and credits to worldwide organizations.  
<sup>5</sup> May not add due to rounding.

[Whereupon, at 12:20 p.m., the committee was adjourned, subject to the call of the Chair.]

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