

FOREIGN INDEBTEDNESS TO THE UNITED STATES

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

FEBRUARY 23, 1976



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

68-013

19
S361-201

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FOREIGN INDEBTEDNESS TO THE UNITED STATES

MONDAY, FEBRUARY 23, 1976

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

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2221, Dirksen Senate Office Building, Hon. Harry F. Byrd, Jr., of Virginia (chairman of the subcommittee) presiding.

Present: Senators Byrd, Jr., of Virginia and Hansen.

Senator BYRD. 9:30 having arrived, the committee will come to order.

The Subcommittee on International Finance and Resources this morning conducts an oversight review of foreign indebtedness to the United States. The last oversight hearing was held on January 16, 1975.

Foreign countries owe the United States somewhere between \$50 and \$60 billion. No one seems to know precisely what the debt figure is because debts have been rescheduled and canceled regularly without congressional involvement. The committee hopes that witnesses today will be able to submit to the committee a precise figure.

This committee is deeply concerned about the staggering amount of foreign debts outstanding and the State Department's apparent lack of zeal in collecting these debts.

I believe that many high officials of government need to be reminded that the only place they can obtain money to spend or to give away to foreign countries must come out of the pockets of the working men and women of our Nation. I believe very strongly that the handling of public funds is a public trust.

[Committee on Finance press release announcing these hearings follow:]

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
February 12, 1976

COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL
FINANCE AND RESOURCES
2227 Dirksen Senate Office Building

SENATOR HARRY F. BYRD, JR.
ANNOUNCES SUBCOMMITTED HEARINGS
ON FOREIGN INDEBTEDNESS TO THE UNITED STATES

Senator Harry F. Byrd, Jr., (Ind.-Va.), Chairman of the Finance Committee's Subcommittee on International Finance and Resources, today announced that the panel will conduct hearings on February 23 to examine foreign indebtedness to the United States. The hearings will be held beginning at 9:30 a.m. on Monday, February 23, in Room 2221, Dirksen Senate Office Building.

The panel will call representatives of the Department of State to explain the calculation of our claims and the progress of negotiations. As of December 31, 1974, foreign indebtedness is estimated to have totaled \$60.7 billion. Chairman Byrd stated that it is the Subcommittee's intention to examine the nature of these various debts owned by the foreign countries and efforts to collect these debts when they become due.

"The federal budget remains heavily in the red, and the burden of our growing national debt must be carried by the taxpayer at crippling interest rates," said Chairman Byrd. "It is increasingly important to insure that foreign indebtedness to the United States is settled on an equitable basis."

Senator Byrd expressed concern that foreign debt settlements are conducted with little chance for public scrutiny. "I hope officials of the Department of State can shed some light on their collection efforts and demonstrate that settlements are fair to the American taxpayer," said Chairman Byrd.

The schedule of witnesses to date are:

Paul H. Boeker
Deputy Assistant Secretary of State
for International Finance and Development

James G. Lowenstein
Deputy Assistant Secretary of State
for European Affairs

Senator Byrd said that the Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than twenty-five double-spaced pages in length, and mailed with five copies by Wednesday, March 3, 1976, to Michael Stern, Staff Director, Senate Finance Committee, 2227 Dirksen Senate Office Building, Washington, D. C. 20510.

Senator BYRD. This morning we have two witnesses who are well qualified to discuss this matter. They are the Honorable James G. Lowenstein, Deputy Assistant Secretary of State for European Affairs, and the Honorable Paul H. Boeker, Deputy Assistant Secretary of State for International Finance and Development.

We hope to keep the hearing brief this morning. I realize that these hearings, in the estimation of some, are boring. So for that reason we will attempt to keep the boredom as limited as possible.

I might say that when the news media reported the last hearing, it quoted one of the witnesses as saying the committee hearing was boring, so I thought that I should report that to the Senate and to the people of Virginia because it dramatized to me that there are many high officials in government who have great enthusiasm for giving away American tax dollars, but find it somewhat boring when the Congress ascertains what is being done to retrieve the legitimate debts owed to the United States.

The committee today is looking forward to the witnesses telling us how much the debt is, how much it has been reduced since the last meeting of the committee, what payments have been received, and from what nations.

The first witness will be the Honorable James G. Lowenstein, Deputy Assistant Secretary of State for European Affairs.

STATEMENT OF JAMES G. LOWENSTEIN, DEPUTY ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS, DEPARTMENT OF STATE

Mr. LOWENSTEIN. Thank you, Mr. Chairman.

My statement today relates to the FRELOC claim against France. Mr. Boeker will address himself to the general problem of foreign indebtedness to the United States and will give you a geographic rundown, item-by-item account. My statement is quite brief, Mr. Chairman.

I welcome the opportunity to appear before you again today to bring the subcommittee up to date with regard to the FRELOC claim against France, which was the subject of testimony before you on January 16, 1975. I testified at that time that when the French asked the United States, Canada, and NATO to remove their military presence from France in 1966, they were put on public notice by the United States that there would be financial consequences flowing from their decision.

In 1968, the United States filed a claim with France, and later a statement tabulating the claim at \$276 million for the loss of user rights to facilities, plus \$102 million for the cost of relocation, a total of \$378 million.

The French took the claim under study, and for more than 3 years they gave no substantive response despite repeated urgings by the Ambassador to France. In 1972, we advised the French that a settlement would be politically important in terms of public and congressional support for continued U.S. military presence in Europe.

Later that year, the French proposed a lump-sum settlement that would set aside all legal arguments. The United States agreed to a financial settlement on this basis, provided the amount were large enough to be judged politically acceptable to both sides.

Since the French did not recognize an indebtedness, the question of interest did not arise in considering the lump-sum settlement of the claim. At first the French offered roughly \$40 million, which the United States considered too little and worse than no settlement at all. We suggested a settlement at a figure halfway between the total amount of the claim and the initial French offer.

The French did not improve their offer until after the present French administration took office in 1974. Toward the end of that year, the French offered a settlement of \$100 million. This was considered to be a reasonable settlement by the United States, and announcement of its acceptance was included in the statement issued at the conclusion of the summit meeting at Martinique in December 1974.

The French originally proposed to pay this amount over a period of 10 years, but later agreed to compress the payments into 5 years and to make payment each June. France did not accept the argument that they had a legal obligation to make a financial settlement. The agreement amounted to a political settlement intended to resolve the long-outstanding question and to contribute to a further improvement in relations between France and the United States.

My full statement to the subcommittee regarding the FRELOC claim and its settlement is attached as appendix 1 to my statement.

The agreement with France was signed on June 12, 1975, as I informed you in my letter of June 16, 1975, attached as appendix 2. The terms of the agreement were along the lines set forth in my testimony on January 16, 1975. A report on the agreement was submitted to both Houses of Congress on August 1, 1975, in accordance with the provisions of the Case Act (Public Law 92-403), and a copy of this report is attached as appendix 3.

The agreement states that the French Government proposes to pay \$100 million to the United States over a period of 5 years, beginning in June 1975, as a financial settlement of the claim submitted by the United States in 1968 following the denial of further U.S. use of French military facilities in which the United States had made a significant investment prior to 1966.

The French note also relates this lump-sum settlement to the original four bilateral facilities agreements that contained provisions on residual value. In our response to the French note, the United States indicates that it approves the French proposals. A copy of the agreement is attached as appendix 4.

The French Government made its initial payment of \$20 million to the United States on June 25, 1975, as I indicated to you in my letter of July 17, 1975, a copy of which is attached as appendix 5.

The next French Government payment is due in June 1976. At our request, the French make the annual payments to the Secretary of State by deposit to the credit of the U.S. disbursing officer, Regional Finance Center, American Embassy, Paris, at the Morgan Guaranty Trust Co. branch at Paris.

A portion of the receipts from France, as explained in my letters to you of May 21 (a copy of which is attached as app. 6) and June 16,

1975 (app. 2), is transferred by the Department of State each year to the account of NATO, in accordance with an undertaking to reimburse NATO from any such receipts in partial compensation for an extraordinary NATO undertaking to finance about \$100 million in U.S. relocation projects which would normally have been financed solely by the United States.

Approximately 36 percent of the receipts from France are to be so transferred during this 5-year period, which is the proportion that the NATO financing bore to total U.S. relocation costs. Thus, \$7.2 million of the first \$20 million received from France was transferred to reimburse NATO, and the remainder was deposited into the miscellaneous receipts of the Treasury.

The United States remains a party to the separate multilateral claim against France, related to the investment by the NATO Infrastructure Fund in the improvement of military facilities in France. Thus far there has been no French approach to a settlement of this NATO claim. We believe that the French Government intends next to settle the bilateral claim by Canada, and there has been some indication that the French would like to reach this settlement before turning to the NATO claim.

We will continue to keep the subcommittee informed in writing regarding the progress in settlement of the NATO claim against France, and will advise you when the next payment is received from France under its agreement with the United States.

Mr. Boeker will discuss the general problem with regard to the United States.

[The appendixes referred to by Mr. Lowenstein follow:]

APPENDIX 1

STATEMENT OF JAMES G. LOWENSTEIN, DEPUTY ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY PAUL BOEKER, DEPUTY ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS

Mr. LOWENSTEIN. Thank you, Mr. Chairman.

I am appearing today in place of Arthur Hartmen, the Assistant Secretary of State for European Affairs, who is absent from Washington. With me is my colleague, Mr. Paul Boeker, Deputy Assistant Secretary of State for Economic and Business Affairs.

My prepared statement has been designed to respond to the questions in your letter to me of January 10 regarding the negotiation of the financial settlement with the French Government arising from the relocation of NATO-committed U.S. military bases and forces from France.

The chain of events began in 1966 when President de Gaulle informed President Johnson that:

France proposes to recover on her territory the full exercise of her sovereignty, presently restricted by the permanent presence of allied military elements or by the continued use made of her skies; to end her participation in the integrated commands, and no longer to put her forces at the disposal of NATO. It goes without saying that for the application of these decisions she is ready to settle with the allied governments and, in particular, with the United States, the practical measures that concern them.

In the voluminous exchanges that followed between the two Governments in 1966, the United States included the following statement, in its aide memoire of April 12, 1966:

The attention of the French Government is called to the fact that its actions in withdrawing from, abrogating or repudiating existing agreements will entail financial problems and responsibilities that must be taken into account in any discussion of these actions.

All U.S. and other foreign forces, military materiel and headquarters were withdrawn from France by the spring of 1968.

The United States had meanwhile begun to consult with the other NATO allies to consider the financial consequences of the imposed withdrawal of the allied military presence from France. After 2 years of study, they jointly formulated the claim which has been described by Assistant Secretary Ellsworth.

The U.S. claim was presented to the French Government in a note of September 17, 1968. I will be glad to provide a copy of that note to the subcommittee.

Following the French request that we end the use of military facilities in France, the United States had proposed in 1966 that the use of all these facilities be terminated in accordance with the 2-year consultation and termination provisions of the system of communications agreement of 1958. The French Government refused to accept this proposal.

Had the proposal been accepted, the United States would have been able to continue to use the facilities in France for at least 2 more years, and there would have been no basis for a claim against the French. These circumstances were outlined in the September 17, 1968, note which stated the claim in the following language:

Consequently, it is the view of the United States Government that it is entitled to financial compensation by the French Government with respect to facilities developed or constructed pursuant to the agreements cited above, and, also with respect to certain improvements made by the United States at its own expense to facilities constructed in France under the NATO infrastructure program, plus the costs incurred by the United States in moving out of the aforementioned facilities.

The note proposed early discussions in Paris.

The French said they would study the claim. Meanwhile, the military liquidation section in the American Embassy at Paris continued to compute the claim in accordance with the formula described by Assistant Secretary Ellsworth. This work was completed early in 1969.

On January 14, 1969, the United States presented a memorandum to the French Government which described the legal premises for the claim, the method of calculating the claim, and presented to the French Government, for the first time, the amount of the claim which totaled \$378 million. I will be glad to provide a copy of this memorandum to the subcommittee.

NATO as an organization had already notified France—on February 14, 1968—that the 14 allies had suffered loss of use of certain assets in France in which there had been common financing under the NATO infrastructure fund, and that certain extraordinary expenditures had also been incurred in the relocation of certain facilities, such as NATO military headquarters, outside of France. On June 4, 1969, a followup memorandum from NATO to the French Government provided details of NATO's claim.

The amount of this claim remains a classified NATO figure, but I will be happy to provide the information separately to the subcommittee. A third, relatively small, claim relating to several airfields which had been used by Canada, was submitted by the Canadian Government.

The French Government stated that it would study all of these detailed presentations. To date, however, there has been no response to the NATO claim, or, as far as the Department of State is aware, to the Canadian claim.

The French authorities did not enter into any serious discussion of the U.S. claim for more than 4 years, that is until October 1972—despite repeated inquiries and requests on the part of Ambassadors Shriver and Watson and Secretary of State Rogers. We approached the French Government at least 22 times about the claim after 1969.

From all of the evidence available to the Department of State, it appears that the episode that led the French to take the claim seriously for the first time was a conversation in Washington between Secretary of Defense Laird and French Defense Minister Debre on July 10, 1972. At that time, Mr. Laird indicated that he had sat for many years on the House committee that processed appropriations for NATO installations in France and that he had seen the adverse effect on congressional attitudes regarding the deployment of U.S. forces in Europe caused by France's failure to pay relocation costs when U.S. forces were expelled from France.

He told Mr. Debre that when he became Secretary of Defense he promised his former colleagues that he would press for an early settlement of these costs, and he said that he hoped the Defense Minister could use his influence to help resolve the matter.

This conversation led to the first serious discussion of the U.S. claim with a French official. The participants in the discussion, which took place in Paris on October 24, 1972, were the Secretary General of the French Foreign Ministry, Mr. Alphand, Deputy Secretary of State John Irwin, who later became Ambassador to France, and Assistant Secretary of Defense Nutter.

Mr. Alphand said that it was the view of the French Government that if the claim were to be resolved it would have to be based on the residual value to France of the facilities in question and not on their remaining useful value to the United States. He said that the claim, in the French view, was of a political nature and not a contractual one.

He also said that although the original agreements contained no formula for determining residual value, there was obvious reasonable ways of doing so, and the French Government had used them in assessing the residual value of each facility.

Rather than have a lengthy argument about the valuation of each facility, the French Government proposed that the two Governments reach a political agreement on a lump-sum settlement. Mr. Alphand then suggested a figure of 200 million francs—then the equivalent of about \$43 million—a figure he described as close to the total residual value to the French Government and economy of the facilities.

These views were then considered by the Departments of State and Defense. They decided to respond to the French offer with a proposal for a settlement of \$200 million—about half-way between the amount of original U.S. claim of \$378 million and the French offer of \$43 million.

This proposal was regarded at the time by both the Departments as a negotiating proposal, for it was the view of Secretary Laird that we should be prepared to settle for \$100 million or an amount close to this.

The next step was that the U.S. Government then submitted a memorandum to the French Government on November 14, 1972. In that memorandum, we stated that we agreed that we should avoid a lengthy negotiation on the legal basis for determining the value of the facilities involved and should work instead toward a rapid, lump-sum settlement of the claims based on political criteria and imperatives.

We indicated our belief that both sides should seek to arrive at a compromise figure which recognized our mutual political needs, rather than challenge the legal position of either side or press sums which were clearly based on differing legal positions. We agreed that the issue of the proper legal basis for settling the matter should not be governing.

We stated, however, that a settlement on the order of 200 million francs would not serve the political purposes which both sides had indicated should govern any agreement and proposed, as a reasonable compromise between the respective initial positions, a settlement in the amount of \$200 million.

The French Government took this proposal under study but gave no response. When the new Defense Minister, Mr. Galley, visited Washington in October 1973, he suggested that France make an immediate downpayment of 50 million francs as a basis for further discussion.

Our view was that a downpayment without an agreement on a final figure would not be a satisfactory solution. We thus rejected the French offer as a step backward from the position we had reached a year earlier.

The French did not come forward with any new proposal, or response to our November 1972 counteroffer, as the year 1974 opened. Further negotiations were interrupted by the death of President Pompidou, the election of President Giscard d'Estaing, and the installation of his new government. We were informed last summer that the subject was still under active consideration within the French Government.

Late last November the French Government proposed that a settlement be reached in the amount of \$100 million. (This amount was the figure discussed between the Defense and State Departments at the end of 1972 as our realistic objective.)

The \$100 million amount was referred to the Defense and Treasury Departments by the State Department and approved by Secretaries Schlesinger and Simon at the beginning of December. The President accepted the recommendation of all three Departments that he indicate to President Giscard d'Estaing at Martinique that we were agreeable to a financial settlement in this amount.

While this settlement was the result of a process that began with the filing of a U.S. claim against France, it did not represent a formal or funded indebtedness or obligation to the United States. It was not included in the survey of Foreign Indebtedness to the United States published by this subcommittee on October 29, 1973.

As the Department of State indicated in its letter to you, Mr. Chairman, on June 4, 1974, there is no established obligation or undertaking by France to make any financial restitution whatsoever to the United States in connection with the relocation of our bases and forces from France. The United States had, in 1972, set aside the legal argumentation relating to the claim it had filed in 1968 in order to permit a settlement of this question on political grounds, a settlement enabling the United States to realize a significant financial recovery.

We believe that if the United States had not agreed to settle this matter on political grounds, there would not have been any financial recovery at all. The U.S. claim was susceptible only to settlement on a voluntary, political basis with France.

The reservation France entered at the International Court of Justice in May 1966, in which it no longer accepted the jurisdiction of the court in any dispute relating to questions affecting national defense, would have covered any unforeseen developments arising from the actions that France had taken to evict the United States, Canadian and NATO military presence from France.

We are now discussing with the French Government an exchange of notes regarding such technical details of the settlement as the period of repayment and the date of the first payment.

That concludes my statement. Mr. Chairman.

APPENDIX 2

DEPARTMENT OF STATE,
Washington, D.C., June 16, 1975.

Hon. HARRY F. BYRD, Jr.,
U.S. Senate.

DEAR SENATOR BYRD: I am writing as a follow up to my letter to you of May 21 in which I reported on the status of bilateral and multilateral claims against France resulting from the French decision in 1966 on the removal of all foreign military forces and headquarters from France.

On June 12, we concluded the agreement with France on this claim. The first payment is expected before the end of the month.

I indicated in my letter of May 21 that the Department of State would keep you informed of the arrangements for repayment of NATO financing of our relocation projects. In the negotiations with France, the United States was acting not only on its own behalf but on behalf of NATO, as well, as trustee for that portion of the US claim against France due to NATO. The arrangement with NATO called for the net receipts from the United States bilateral claim against France to "be divided . . . between the United States and NATO" in a ratio which was later calculated to be 36.16 percent for NATO and 63.84 percent for the United States—a ratio reflecting the share that the NATO financing of our relocation projects bore to the total relocation cost—although there may be a minor revision of these percentages because of fluctuations in exchange rates. The amount advanced by NATO (including the United States cost share) was about \$100 million, and—as indicated above—we will reimburse NATO about \$36 million from the \$100 million which France will pay in settlement of the claim.

The NATO reimbursement will be made directly from the funds received from France, in accordance with the procedures of and pursuant to the appropriation contained in 31 U.S.C. Section 547 which regulates the handling of monies received by the Secretary of State from foreign governments in trust. The balance of the overall payment from the French—approximately \$64 million—will be placed in the miscellaneous receipts of the Treasury.

Sincerely,

JAMES G. LOWENSTEIN,
Deputy Assistant Secretary
for European Affairs.

APPENDIX 3

STATEMENT REGARDING

Agreement between the United States and France Concerning the settlement of the United States claim in connection with the removal of United States military personnel, supplies and equipment from France at the request of the French Government in 1966, with related letter; effected by an exchange of notes at Paris on June 12, 1975.

EXPLANATION OF AGREEMENT

The text of this agreement states that the French Government proposed to pay \$100 million to the United States over a period of five years, beginning in June 1975, as a financial settlement of the claim submitted by the United States in 1968-69 following the denial of further United States use of French military facilities in which the United States had made a significant investment prior to 1966. The French note also related this lump sum settlement to the original four bilateral facilities agreements which contained provisions on residual value. The United States indicated that it approved these French proposals.

BACKGROUND INFORMATION ON NEGOTIATIONS

When the French asked the United States, Canada and NATO to remove their military presence from France in 1966 they were put on public notice by the United States that there would be financial consequences flowing from their decision. In 1968 the United States filed a claim with France, and later a statement tabulating it at \$276 million for the loss of user rights to facilities plus \$102 million for the cost of relocation, a total of \$378 million.

The French took the claim under study and for more than three years they gave no substantive response despite repeated urgings by the Ambassador to France. In 1972 the Secretary of Defense advised his French counterpart that a settlement would be politically important, in terms of public and Congressional support for continued United States military presence in Europe. Later in 1972 the French proposed a lump-sum settlement that would set aside all legal arguments. The United States agreed to a financial settlement on this basis, provided the amount were large enough to be judged politically acceptable to both sides. At that time the French offered roughly \$40 million, which the United States considered too little and worse than no settlement at all. We suggested a settlement at a figure half way between the total amount of the claim and the initial French offer.

The French did not improve their offer for more than two years. The change in government in Paris after the death of President Pompidou in April 1974, and the election of President Giscard d'Estaing in May, added to the delay because of the need for the new administration to study the matter. Toward the end of November the French offered a settlement amounting to \$100 million. This was considered to be a reasonable settlement by the United States and announcement of its acceptance was included in the statement issued at the conclusion of the summit meeting at Martinique in December 1974. The French originally proposed to pay this amount over a period of ten years but later agreed to compress the payments into five years, and to make payment each June.

EFFECT OF AGREEMENT

France did not accept the argument that they had a legal obligation to make a financial settlement. This agreement amounts to a political settlement intended to resolve the long outstanding question and to contribute to a further improvement in relations between France and the United States.

France will pay \$20 million to the United States each year for five years, for a total financial settlement of \$100 million. Payments will be made, as indicated in the accompanying letter, to the Secretary of State. A portion of these receipts will then be transferred each year to NATO, in accordance with an undertaking to reimburse NATO from any such receipts in partial compensation for an extraordinary NATO undertaking to finance about \$100 million in United States relocation projects which would normally have been financed solely by the United States. Approximately 36 percent (the proportion that the NATO financing bore to total United States relocation costs) of the receipts from France will be so transferred. The remainder will be deposited each year into the miscellaneous receipts of the Treasury. The initial payment was received from France on June 25.

APPENDIX 4

PARIS, June 12, 1975.

His Excellency JEAN SAUVAGNARGUES,
Ministry of Foreign Affairs

EXCELLENCY: I have the honor to acknowledge your Excellency's note of today's date which reads in translation as follows:

"MR. AMBASSADOR: I have the honor to refer to the recent talks between representatives of the United States Government and the French Government regarding the financial consequences of the decisions reached by the French Government in application of its Aide-Memoires of March 10 and 29, 1966, which led to the withdrawal of United States military personnel, supplies, and equipment from French territory.

"The French Government proposes that the Government of the United States accept the sum of U.S. dollars 100 million, payable in five equal payments of U.S. dollars 20 million each in the month of June 1975 and in the month of June of the four succeeding years, in total settlement of the financial claims submitted to the French Government in its note of September 17, 1968, and its memorandum of January 14, 1969. This lump sum settlement is reached in application of the provisions of the Franco-American Agreements of February 27, 1951, October 4, 1952, June 17, 1953, and December 8, 1958.

"If these proposals are acceptable to your Government, the French Government suggests that this note and the reply thereto shall constitute an agreement between our two governments which shall enter into force on the date of the last signature."

I am pleased to inform you that these proposals are acceptable to and have received the approval of the Government of the United States.

Accept, Excellency, the renewed assurances of my highest consideration.

KENNETH RUSH.

EMBASSY OF THE UNITED STATES OF AMERICA,
Paris, June 12, 1975.

His Excellency JEAN SAUVAGNARGUES,
Minister of Foreign Affairs,
Paris.

Dear Mr. MINISTER: In connection with the notes we have signed today regarding the final consequences of the decisions reached by the French Government in application of its Aide Memoires of March 10 and 29, 1966, which led to the withdrawal of United States military personnel, supplies, and equipment from French territory, I request that the Government of France make its annual payments to the Secretary of State by deposit to the credit of the United States Disbursing Officer, Regional Finance Center, American Embassy, Paris, at the Morgan Guaranty Trust Company of New York, 14 Place Vendome, Paris.

Sincerely yours,

KENNETH RUSH,
Ambassador.

APPENDIX 5

DEPARTMENT OF STATE,
Washington, D.C., July 17, 1975.

Hon. HARRY F. BYRD, Jr.,
U.S. Senate.

Dear SENATOR BYRD: I am writing further to my letter to you of June 16 regarding the settlement of the claims against France following the removal of the Allied military presence from that country in 1966.

The French Government made its initial payment of \$20 million to the United States on June 25, in accordance with the terms of the financial settlement signed earlier in June. The next French Government payment is due in June 1976.

Sincerely,

JAMES G. LOWENSTEIN,
Deputy Assistant Secretary
for European Affairs.

APPENDIX 6

DEPARTMENT OF STATE,
Washington, D.C. May, 21, 1975.

DEAR SENATOR BYRD: Thank you for your letter of April 30 regarding the bilateral and multilateral claims against France resulting from the French decision in 1966 on the removal of all foreign military forces and headquarters from France. I thought you would be interested in a status report.

The French Government continues to work out internal arrangements to assemble funds to pay the \$100 million settlement of the bilateral claim. They have indicated that they hope to be prepared to formalize the exchange of notes and make the initial \$20 million payment next month. I will, of course, advise you when this takes place.

As indicated at the hearing in January, the United States has undertaken to reimburse to NATO a portion of the receipts from France as partial repayment of NATO financing of our relocation projects after 1966. The Department of Defense advised the Senate and House Armed Services Committees and the Military Construction Subcommittees of the two Appropriations Committees of this undertaking in 1969 and again last year when it notified the committees of the impending financial settlement with France. I understand that the Department of Defense will further advise these committees regarding the arrangements for this reimbursement. As I have said, the Department of State will advise you.

We do not anticipate that the French will take any steps to resolve the multilateral NATO claim until some time after they have formalized their agreement for settlement of the United States claim.

Sincerely,

JAMES G. LOWENSTEIN,
*Deputy Assistant Secretary
for European Affairs.*

Senator BYRD. If it is satisfactory to you, suppose we hear Mr. Boeker, and then we can put questions to both of them, Senator Hansen.

Senator HANSEN. Yes, sir.

**STATEMENT OF PAUL H. BOEKER, DEPUTY ASSISTANT SECRETARY
FOR INTERNATIONAL FINANCE AND DEVELOPMENT, DEPARTMENT OF STATE**

Mr. BOEKER. Mr. Chairman and Senator Hansen, I thank you and I appreciate the opportunity to appear before your subcommittee this morning and welcome your interest in the issue of foreign indebtedness to the United States. I would like to speak briefly on the matter of U.S. policy on foreign debts. I will also discuss the role of debt within the context of our overall foreign economic relations, and address some of the more important current problems we are encountering in the process of carrying out our policy in this important area.

The objective of our foreign policy is to protect the interests of the United States, among which are the assets represented by foreign debts. We expect these debts to be repaid, and we pursue any delinquencies vigorously. To do otherwise would be contrary to the interests of our overall foreign policy and a structure of relationships based on mutual respect and responsibilities.

It is clear that our performance in collecting debt is best in countries where we maintain good bilateral relations. And conversely, countries where relations have been marred by serious friction frequently constitute serious debt collection problems. There is thus an inherent relationship between the management of our bilateral relations and our success in debt collection. The enhancement of debt repayment

prospects is thus an ongoing consideration in foreign policy management.

Outstanding long-term indebtedness of foreign countries on U.S. Government credits (exclusive of indebtedness arising from World War I, to which I will turn later) totaled approximately \$34.5 billion as of June 30, 1975. This debt encompasses many different categories of loans, with the terms of lending reflecting the purpose of the program under which the loan was extended.

Humanitarian or development loans are, for example, highly concessional, while loans by the Export-Import Bank are at market-related rates consistent with the Bank's legislative mandate to provide official financing for U.S. exports comparable to that of our major competitors. Approximately two-thirds of outstanding debt is owed by developing countries.

In their loan and guarantee operations the U.S. lending agencies must give full consideration to protecting the U.S. taxpayers' right to expect full repayment of all debts. In our contacts with debtor nations, we have made clear our position that the United States extends credits on the assumption that agreed repayment schedules will be fully adhered to. Debt collection is, moreover, accorded priority attention by all government lending agencies. When agencies have exhausted their usual efforts to collect overdue payments, the Department of State and U.S. Embassies overseas have the responsibility of pursuing collection efforts.

In the vast majority of instances debts due to the United States since the Second World War have been paid on time. As of year-end 1974 principal and interest due and unpaid 90 days or more totaled \$652 million. Without questioning the seriousness of any delinquent debt, it is important to place the problem in proper perspective.

For example, of the approximately \$64 billion in long-term U.S. Government credits extended since 1940, repayments of over \$42 billion (including \$12 billion in interest) have been received, while only \$25 million in principal—all on loans to nongovernment entities—has been written off as uncollectible.

We believe this compares favorably with the best performance on debt collection in the private sector. Of the \$652 million arrearage, \$364 million was due on long-term credits (original maturities over 1 year) and \$288 million was due on short-term credits and accounts receivable (representing original maturities of from 90 days to 1 year). Total arrearages reflect a \$145 million decline since December 31, 1973. Preliminary data indicate, furthermore, that as of June 30, 1975, arrearages have been further reduced to \$633 million.

Within the year-end 1974 total the larger arrearages on long-term debt were owed by the Republic of China (\$79.5 million), Cuba (\$61.6 million), Egypt (\$58 million), Pakistan (\$35 million), and Iran (\$35 million). Together these five countries accounted for almost three-quarters of total long-term credit arrearages.

The Cuban arrearages reflect problems involved in our political relationships with that country, while the Chinese delinquencies involve a number of issues including the proper allocation of claims between the Republic of China and the People's Republic of China, the correct evaluation of the claims, and the problems of government succession.

Egypt has paid much of its arrearages since the beginning of calendar 1975. The Pakistan arrearage is tied to the complex debt negotiations that followed the 1971 division of Pakistan. These negotiations are now nearing completion.

The Iranian arrearage relates to lend-lease and surplus property debt—on which payments were halted during the period of instability of the 1950's. This arrearage is proving particularly difficult to resolve. In 1973 the Iranians indicated their desire to postpone settlement to permit them to present us with claims against the U.S. Government stemming from damages to Iranian railways by Allied military forces during World War II. In December 1974 the Iranians presented us with a note detailing claims totaling approximately \$172 million. The Iranians wanted discussions of our lend-lease debt to coincide with discussion of their claims against us.

In high-level contacts with the Iranian Government, we continue to urge strongly that the lend-lease debt be settled in full. We have been discussing the Iranian claim, but have stressed that we see no legal or factual connection between this claim and the lend-lease and surplus-property debt due to the United States. We do not believe the evidence submitted to date by Iran supports their claim against the U.S. Government.

In October the Iranians paid \$1.8 million to "clear the air," but noted that further payments would be contingent on negotiations of their claims against the United States. We have welcomed the forward movement on the lend-lease debt, but continue to emphasize the importance of fully settling the debt.

Of the \$288 million in arrearages on short-term credits and accounts receivable, about \$200 million stem from logistical support provided by the United States to other nations during the Korean conflict. While the United States has reached formal agreements for repayment of this Korean conflict assistance with 14 countries, largely industrialized countries, the accounts of six countries (Colombia, Ethiopia, Greece, the Philippines, Thailand, and Turkey) have never been regularized.

The history of these Korean conflict claims is complex and presents a unique situation as illustrated by the fact that the Tenth Report (1973) of the Committee on Government Operations noted "There is no reason for continuing to carry these claims on U.S. Treasury records." The matter of the Korean conflict claims is being intensively reviewed within the U.S. Government at this time.

Apart from these Korean conflict claims, short-term and accounts receivable arrearages are of three principal types. The Department of Defense was owed some \$43 million, due and unpaid, on its foreign military sales, logistical support, and military assistance advisory group programs as of year-end 1974. The United States is also owed \$21.5 million on past-due lend-lease cash accounts. Nearly all of this is due from China, but the settlement of this account is being deferred pending the overall resolution of the Chinese World War II debt problem. The Export-Import Bank is due \$9.4 million on delinquent U.S. private sector loans and credits guaranteed by the Bank.

DEBT RESCHEDULING

The issue of "debt rescheduling" is attracting considerable attention in international fora, and deserves specific mention.

Recognizing that extraordinary circumstances may require a modification of loan terms to reflect a change in conditions in a borrowing country, the Congress has provided authority for debt rescheduling for each U.S. Government lending program. Even with this authority, however, it is U.S. Government policy to confine the use of this authority to exceptional situations where debt rescheduling is judged to enhance the probability of repayment of all debt owed to the United States.

It is sound financial practice, followed also by private commercial banks, to avoid the bankruptcy of a debtor who faces a temporary liquidity crisis. It is also sound practice to grant temporary relief from contractual debt obligations when such relief will improve the prospects for actually collecting debt in the future.

On the basis of these principles the United States—while willing to consider each country's special circumstances—contemplates negotiating a rescheduling of debt only if a debtor country's economic position and prospects make full repayment doubtful and alternative courses of action are clearly less beneficial to United States interests. The U.S. Government does not treat debt rescheduling as a normal channel for providing development assistance.

Eligibility for debt relief has traditionally been based on a case-by-case examination of individual debt problems as they arise. This is normally done in a multilateral framework to insure equal treatment among creditors. The "uniqueness" of debt rescheduling is evidenced by the fact that during the past 2 years—which were particularly difficult years for most developing countries—the United States participated in multilateral debt renegotiation for only three countries: Chile, Pakistan, and India. In Chile's case the choices open to the creditors were either to reschedule or to accept default. Chile is currently meeting its 1976 debt obligations to the United States on schedule.

Negotiations with Pakistan were the result of the exceptional circumstances that arose from the 1971 war, the independence of Bangladesh, and the desire of the creditor countries to insure full servicing of the prewar Pakistan debt.

While the United States agreed to reschedule approximately one-third of the dollar debt service owed to the United States by India in 1974, India met fully its debt service to us of approximately \$145 million in 1975.

The economic difficulties facing many developing countries have stimulated increased pressure for more generalized debt relief, and made "debt" a major issue in the North/South dialog. Many developing countries now view debt relief as a potential means of alleviating their balance-of-payments deficits and/or supplementing what they consider to be inadequate flows of development assistance.

The United States has taken a firm stand opposing generalized debt rescheduling, and we have stressed firmly that our insistence on the case-by-case approach is not subject to negotiation.

The executive branch is, of course, fully complying with section 4 of the Foreign Disaster Assistance Act of 1974 requiring congressional notification prior to entering into any negotiations with any foreign government regarding the cancellation, renegotiation, rescheduling or settlement of debt owed to the United States under the Foreign Assistance Act of 1961.

WORLD WAR I DEBT

The question of the delinquent principal and accrued interest on World War I debt owed to this Government by our then—European allies, and related debts owed by Germany, has remained unresolved for over 40 years.

U.S. allies during World War I borrowed \$12 billion to purchase war materiel. After taking into account interest charges—\$14.6 billion—and payments of principal and interest—\$2.8 billion—outstanding debt totaled approximately \$24 billion as of June 30, 1975.

These debts present special problems. Most debtor countries fulfilled their commitments under the debt agreements until the Depression of the thirties. Aside from a few countries, however, the debtor governments have made no payments since the Depression of 1933–34. The principal debtor governments—except the Soviet Union which repudiated all foreign debts in January 1918—have never denied the validity of the debts.

Despite their clear legal validity, however, the debts are as a practical matter inextricably bound up with the whole question of German war reparations and the intra-European debts generated during the First World War. Many European nations are net creditors on World War I indebtedness, with Germany owing them more than they, in turn, owe. These nations have since the early 1930's steadfastly maintained that they would only resume payments on their war debts to the United States on the condition that the issue of Germany's war reparations was satisfactorily settled.

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

While the United States has never recognized any legal connection between World War I obligations owed to this country and reparations claims on Germany, there is a linkage in reality. A National Advisory Council working group has this complex matter under study.

EASTERN EUROPEAN DEBT

Given the committee's stated interest in Eastern Europe, I would also like to take this opportunity to review existing agreements and outstanding issues in that region. Several agreements covering claims of U.S. nationals for expropriated property, war damage and other financial debts were signed with Eastern European countries in the early 1960's: Romania in March 1960, Poland in July 1960, and Bulgaria in July 1974.

Amendments to the Trade Act of 1974 presently block full implementation of these last two agreements. Failure to grant most-favored-nation trading status to Hungary within a reasonable time, as called for under the agreement, could result in a future cessation of payments by Hungary.

The Trade Act also contravenes a key element of the Czech agreement by prohibiting the United States consent to the return of certain gold allocated to Czechoslovakia from gold seized by the allies from

Germany after World War II. Negotiation of a claims settlement agreement will also be an essential element of our normalization of relations with East Germany. Discussion of such a settlement has not yet begun.

A settlement of U.S. Government claims against the Soviet Union, arising from the lend-lease indebtedness, was signed in October 1972, and the U.S.S.R. made the first three obligatory payments under this agreement by July 1, 1975. Their commitment to make subsequent payments is conditioned upon the United States granting most-favored-nation trading status, which has been effectively blocked by provisions of the Trade Act of 1974 relating to emigration from the Soviet Union.

We believe settlement of this issue would contribute to continued normalization of commercial relations, which should improve the prospects for negotiation of the settlement of U.S. private claims against the Soviet Union.

Bonds issued during the interwar period by Eastern European countries, as well as czarist bonds, are also a matter of concern. The traditional and continuing policy of the U.S. Government is that loan and investment transactions, such as bonds, are primarily private matters to be handled by the parties concerned, and that it would not be wise for this Government to undertake directly the settlement of private debt situations.

In view of its general obligation to defend American interests abroad, the Department of State was instrumental in the formation in 1933 of the Foreign Bondholders Protective Council. This non-profit public service corporation was formed to act as spokesman for holders of defaulted foreign dollar-denominated bonds which had been publicly offered in the United States. All claims agreements with Eastern European countries include a provision requiring that these governments reach a satisfactory settlement with the Bondholders Council on defaulted bonds.

The Department of State does not participate in these negotiations nor does it approve the terms or conditions of the bond settlement offers, but our policy of insisting upon such settlements has been instrumental in the achievement of recent agreements by the Council and recommended to U.S. bondholders. These settlements included Poland in May 1975, Hungary and Romania in June 1975.

We understand that discussions are continuing between the Council and the Polish Government on bonds of the Free City of Danzig. We are hopeful that talks will begin in the near future between the Bulgarian Government and the Council on the 1927-28 bonds of the Kingdom of Bulgaria. The Council normally does not pursue the question of private bond settlement until a settlement regarding private claims has been reached between the governments concerned.

In closing, Mr. Chairman, let me assure you that the Department takes its responsibilities in this area of foreign debt very seriously. On pursuit of arrearages and prudent use of debt renegotiation to preserve our assets, we think our record is a good one, but we will continue to press for improved results wherever we can.

Senator BYRD. Thank you, Mr. Boeker.

I will ask the staff to notify me in 10 minutes.

At the end of 1975—December 31—what was the total debt owed the United States by foreign governments?

Mr. BOEKER. I mentioned in my statement, Mr. Chairman, the overall figure of \$34.5 billion of long-term credits. That does not, however, include all debts. Just over \$60 billion, Mr. Chairman, including the World War I debt.

Senator BYRD. Do you have the exact figure? It is over \$60 billion.

Mr. BOEKER. Yes, that is the total outstanding.

Senator BYRD. At the hearing in October 1973, it was testified that the total was \$58.2 billion. It seems to me we have lost ground in those 18 months.

Mr. BOEKER. We have extended more credit. That number is the total amount outstanding. It has nothing to do with the amount that is overdue. But the total extensions have increased.

Senator BYRD. It has to do with the amount that the American taxpayers are being owed by the other governments. That is the broad figure that I am interested in.

Mr. BOEKER. That is correct. That is the amount that we are owed by other governments.

Senator BYRD. Which you say at the end of 1975—December 31—was a little over \$60 billion?

Mr. BOEKER. Correct.

Senator BYRD. How many foreign governments owed debts to the United States?

Mr. BOEKER. A very large number.

Senator BYRD. How many? That is one purpose of this meeting, to get some facts.

Mr. BOEKER. I can submit this for the record, Mr. Chairman. I have a full listing here. I do not have added up the total number of countries, but it is over 100 countries.

Senator BYRD. Over 100 countries owe these debts to the U.S. Government; is that correct?

Mr. BOEKER. Correct, including such ongoing programs as our export credit programs and our agricultural sales programs, and other programs which have a trade interest.

Senator BYRD. I don't want to take Senator Hansen's time. Otherwise—

Senator HANSEN. Mr. Chairman, if I could interrupt for a moment, let me take this occasion to compliment you for scheduling these hearings, to express my appreciation for your interest in delving more deeply than most of us have into this very important area of national concern and to say to you that I will likely have to go to another hearing before too long.

If I may, I would like to have you go right ahead. I think that you have done an excellent job in briefing yourself on the background of this subject. I share your keen interest. I want you to know that I couldn't do half as well as I know you will do.

Senator BYRD. I am grateful for what you say, Senator Hansen. I was going to say that, except for holding you up, I would be inclined to let the witness read into the record one by one each of these countries. But I don't want to hold you up.

Since you have to go to another meeting, let me yield to you for any questions you might have.

Senator HANSEN. I have a rather general question or two, Mr. Chairman.

In the private sector, I guess it would be fair to say that a typical banker or lender learns from experience as well as from what he may be told. I sometimes wonder how much or how long we keep any knowledge which we may get in that fashion.

You spoke, perhaps both of the witnesses did, about the difficulty that arises when one regime or one governmental authority is taken over by another. This, of course, was true in Red China. It has been true in other parts of the world. I suspect there isn't any way we can be sure when that might happen or when or where.

I have had the feeling that sometimes, in our desire to expand trade opportunities, we have made loans to nations which have a pretty poor track record to begin with. I can't escape the conviction now that Russia, I guess in 1918, did you say, repudiated all previous debts which had been incurred by that nation. If I recall correctly, they repudiated most of the obligations they owed us under lend-lease.

I am not unmindful of the fact that they suffered greatly in World War II and, overall, I would have to say that we were fortunate that we came through as well as we did. Yet it does irritate me when the rest of the countries around the world want to make certain that we pay every dime we owe them in a timely fashion and, on the other hand, forget about longstanding debts and short-terms as well that they may owe us.

To add to that insult the energy that results from our loaning money to encourage export of American products leaves me pretty much at sea in knowing how to justify some of the actions that the country has taken in the past.

That isn't a question. I guess it is a statement.

Senator BYRD. It is a very fine statement.

Senator HANSEN. I don't know what the answer is.

Senator BYRD. I think it is a very fine statement and certainly one that I can associate myself with.

Senator HANSEN. I don't have a question.

Senator BYRD. Thank you very much, Senator Hansen.

You have testified that 100 different countries owe the United States. How many of such countries are in arrears regarding their debts?

Mr. BOEKER. I have since counted up, Mr. Chairman. As far as the countries that have indebtedness outstanding to the United States, it is 122 that have a total indebtedness outstanding to the United States.

The number that have arrearages is much smaller.

Senator BYRD. We would hope so. In the interest of time, I will try to—

Mr. BOEKER. Will you settle for 15, Mr. Chairman, that have major arrearages to the United States?

Senator BYRD. You say "major arrearages." I am interested in arrearages.

Mr. BOEKER. The only reason I put in that qualification is the way we keep our records. Technically, if a payment is so many days overdue, it is an arrearage and there may be some outstanding today for technical reasons we won't be aware of until we get the data. On the basis of the most recent data, we have particularly large arrearages attributable to 15 countries.

Senator BYRD. Let's read that list into the record one by one.

Mr. BOEKER. China, \$96 million; Turkey, \$88 million; Cuba, \$65 million; Egypt, \$59 million; The Philippines, \$49 million; Iran, \$42 million; Pakistan, \$35 million; Greece, \$21 million; India, \$17 million; Thailand, \$19 million; Ethiopia, \$14 million; United Nations, \$7 million; Czechoslovakia, \$7 million; Panama, \$7 million.

Senator BYRD. What is the United Nations arrearage?

Mr. BOEKER. That again relates to logistical support such as that provided during the Korean conflict, the arrangements for which it might be said were less than an example of clarity at the time this logistical support was provided.

Senator BYRD. The Korean war ended 24 years ago, as I recall.

Mr. BOEKER. That is correct.

Senator BYRD. Throughout your statement you mentioned the Korean war and countries which owe debts in that regard. After 24 years wouldn't that be a reasonable time to come to an agreement on those debts?

Mr. BOEKER. As you might imagine, there is not a complete meeting of minds between the United States and the countries involved as to the status of these debts. This logistical support was provided by the U.S. military forces to countries participating under the United Nations Command in the Korean conflict. The arrangements were not well defined at that time. Although, as I mentioned, most of the countries involved have settled these matters, a number of developing countries claim that they did not see this as an obligation and the arrangements were not as now stated, and that they did not, in fact, expect that there was an obligation to repay U.S. forces for logistical support provided.

Senator BYRD. The U.S. Government—and I am taking round figures, but if I am wrong, you can correct me—the U.S. Government pays the United Nations each year roughly \$430 million. Can't we collect that \$7 million by reducing that \$430 million?

Mr. BOEKER. I think that would be mixing two matters that may involve absolutely different parties.

Senator BYRD. It is owed by the United Nations, you testified.

Mr. BOEKER. I read it here in the column as United Nations. In effect, you might say it was furnished to countries that participated under the United Nations Command which is not all members of the United Nations. I believe this matter relates to those forces. This is, in effect, an item that we have not allocated to specific countries participating in the United Nations Command, but it is a debt that arises from that operation.

Senator BYRD. How much does the Soviet Union owe the United Nations?

Mr. BOEKER. I don't have that number, Mr. Chairman. I believe they are still somewhat in arrears on their dues to the United Nations. I can provide the number for the record. I do not have it now.

Senator BYRD. I think it would be well if you would provide it for the record.

[Mr. Boeker subsequently supplied the following information:]

The arrears of the Soviet Union, including the Soviet republics of Byelorussia and the Ukraine, owed to the United Nations amounted to approximately \$114.1 million as of January 1, 1976.

Senator BYRD. Have you explored the possibility of getting paid by the United Nations that \$7 million by reducing the appropriation, the amount of money that you give the United Nations?

Mr. BOEKER. We have not, Mr. Chairman. I think our effort would be to settle all of these outstanding claims for the logistical support on the same basis. We are examining what that basis should be.

Senator BYRD. That is 24 years.

Mr. BOEKER. That's right. As I mentioned, a House committee looked into the Korean Conflict question and had come to the conclusion that, in effect, these should not be further carried as obligations due the United States. The administration has not yet come to that conclusion.

Senator BYRD. What efforts have been made to collect the \$96 million from China?

Mr. BOEKER. As you know, we do not have diplomatic relations with China. When and if we get to that point, our position would be the same as in the case of other countries that we would expect regularization of outstanding indebtedness and claims to be a part of that process.

Senator BYRD. Do you have to have diplomatic relations in order to try to collect a debt?

Mr. BOEKER. We do not have to, but I think our record in collecting debts from countries with which we do not have diplomatic relations has not been good. Our position remains that the debt is valid and we try to collect it. Needless to say, our influence and leverage, our ability to bring pressure to bear on the collection of the debt is infinitely less.

Senator BYRD. What interest rate does that entail?

Mr. BOEKER. There are several transactions involved there. The interest rates vary. It includes credits of the Export-Import Bank. I believe it includes lend-lease and surplus property transactions. The interest rate accumulating would be the interest rate specified in the initial credit agreements. And those would be roughly what prevailing interest rates were at the time, roughly in the 1944-45 period.

Senator BYRD. Why is it that you have not collected the debt from Iran? Is Iran in bad shape economically?

Mr. BOEKER. They are emphatically not, Mr. Chairman. We have tried, with increasing intensity, to collect this lend-lease debt from Iran, with only very modest success so far.

In 1974 the Government of Iran paid us \$750,000, which eliminated the balance on one of several lend-lease and surplus property agreements outstanding. In response to repeated representations at a very high level from us over the last 2 years, they paid another \$1.8 million on account in effect last year. That still leaves however, a balance of over \$30 million outstanding for lend-lease and surplus property transferred to Iran in the postwar period.

We have repeatedly made clear to the Government of Iran that we see no reason why it should not be paid. But it has not been paid in full.

Senator BYRD. Is any economic or military aid going to Iran?

Mr. BOEKER. We do not to my knowledge have any economic aid going from the United States to Iran. We have military sales agreements with them.

Senator BYRD. What effort has been made to collect the arrearage owed by India?

Mr. BOEKER. The arrearage owed by India has been steadily declining. The number I gave you was actually the number at the end of 1975, \$17 million. That is now down in our records to about \$8 million, and our anticipation is that some are nothing more than technical delays which should be corrected very shortly.

Senator HANSEN. Would you yield?

Senator BYRD. I yield to Senator Hansen.

Senator HANSEN. Is it right that the arrearage and the amount of debt owned by India, for example, would not take into account at all any direct aid that may have been granted by the Congress and implemented by the administration? Would this be right if we participated in the relief program or foreign aid program? Isn't it true that lots of times we just sent money abroad without any repayment being asked for or expected?

Mr. BOEKER. We have some grant programs, but this arrearage would not be related to that.

Senator HANSEN. No. The point I was making was that the figures you have been giving us would not reflect at all any outright grants of aid that have been made.

Mr. BOEKER. No; they would not. There is a relationship in the context of any new credit programs. We make every effort to assure that all arrearages are settled in that process.

Senator BYRD. Senator Hansen makes a very important point. Your figures are dealing only with credit that have been extended, with the understanding that it would be repaid. Now you say there are some grant programs. That is a very conservative statement, "some grant programs." There are grant programs of great magnitude which are not included at all, of course, in these figures we are discussing today. Isn't that correct?

Mr. BOEKER. That is correct.

Senator BYRD. In regard to India, in the February 23, 1976, Barrons Weekly it was reported that the administration will ask \$75 million in economic aid to India for the next 12 months, and still is proposing to give long-term, low-interest credit to India to buy over \$100 million in American grain.

No. 1, is this story correct? And if it is correct, would you give some details?

Mr. BOEKER. I believe the story is basically correct. There is in the Foreign Assistance Act requested funds for a moderate development lending program in India. Needless to say, whether or not the national development loan agreement is signed would be decided by the administration in light of the circumstances during that point in the administration's foreign assistance program. But there is a request outstanding.

Senator BYRD. Why is there a request outstanding?

Mr. BOEKER. There has been, I think, considerable feeling in this country that foreign assistance should involve some special focus concentration on the poorest of the poor. I think in that respect India keeps coming to mind, regardless of what the circumstances are.

Senator BYRD. How much has the United States given and/or loaned in total to India?

Mr. BOEKER. I don't have a total figure for loans and grants to India, Mr. Chairman. Needless to say, it was very considerable in the postwar period. I can shortly get that number and supply it to you.

[Mr. Boeker subsequently supplied the following information:]

Economic assistance to India since 1946 totals approximately \$9.1 billion, of which \$6.9 billion represented loans and \$2.2 billion were in grants.

Senator BYRD. What is your estimate?

Mr. BOEKER. During most of that period it was \$1 billion a year, you might say, until quite recently when, as you know, it has been substantially less. In fact, in the last several years repayments to the United States from India on outstanding credit agreements have exceeded new credit extended by the United States to India.

Senator BYRD. Let's explore that. How much does India now owe the United States?

Mr. BOEKER. A little over \$10 billion, Mr. Chairman.

Senator BYRD. \$10 billion, you say?

Mr. BOEKER. Excuse me, Mr. Chairman. I am sorry, that is to all members of the Indian Consortium. The amount of that which is owed to the United States is about \$4 billion.

Senator BYRD. India owes the United States \$4 billion, exclusive of the rupee debt; is that correct?

Mr. BOEKER. That is dollar indebtedness; yes.

Senator BYRD. That is dollar indebtedness, \$4 billion. What interest is being charged on that \$4 billion?

Mr. BOEKER. It varies. It depends on the rate of interest in the original credit agreements. Much of that is developed and lending under the Foreign Assistance Act which would be at rates of interest between 2 and 4 percent.

Another significant part of it is agricultural sales under Public Law 480. There again the interest rate varies considerably, but it is normally quite low, between 2 and 6 percent, I would say, for most of that outstanding.

Senator BYRD. What interest payments were received from India during 1975?

Mr. BOEKER. Interest payments?

Senator BYRD. Correct.

Mr. BOEKER. We received in debt service from India on U.S. Government credits about \$145 million in 1975. I do not have at the moment a breakdown of that into principal and interest. Most of it was interest.

Senator BYRD. \$145 million is principal and interest?

Mr. BOEKER. Yes.

Senator BYRD. What is the breakdown?

Mr. BOEKER. I don't have that at hand, Mr. Chairman. I will supply it for the record.

[The following was subsequently supplied for the record:]

Past multilateral debt rescheduling exercises for India have been based on the Indian fiscal year which ends March 31. The 1975 multilateral agreement, in which the United States did not participate, covered the period beginning April 1 1975. In the remaining 9 months of 1975, the United States received \$61.1 million principal and \$43.4 million interest in debt payments from India. Data for the first quarter of 1976 is not yet available.

DOLLAR COLLECTIONS RECEIVED BY USG AGENCIES FROM INDIA

(In millions of dollars)

	Principal	Interest	Total
April to June 1975.....	19.6	11.4	31.0
July to September 1975.....	19.2	14.0	33.1
October to December 1975.....	22.3	18.0	40.3
January to March 1976.....	NA	NA	NA

Senator BYRD. That breakdown is of considerable importance. The rupee debt, a large part of that has been written off, has it not?

Mr. BOEKER. It has been provided to India on a grant basis for development purposes.

Senator BYRD. Say that again.

Mr. BOEKER. A significant part of the rupee debt has been prepaid by India and then granted back by the United States to the Government of India for development purposes.

Senator BYRD. What do you mean by "prepaid by India"?

Mr. BOEKER. The way the rupee settlement worked, we in effect brought forward the stream of rupee repayments due to the United States over many future years into one present sum and allocated that sum in several different ways in the Indian rupee settlement agreement.

A significant part of that, as I said, was consistent with the purposes and provisions of the Agricultural Assistance Act granted to India for development purposes. In other words, the agreement dealt not just with the outstanding amount as of February 18, 1974, but with rupees due over coming years under agreements that have been concluded by that date.

Senator BYRD. The rupee debt was how much before it was canceled?

Mr. BOEKER. The total was \$3.3 billion equivalent, the equivalent of \$3.3 billion.

Senator BYRD. The total of the rupees was \$3.3 billion. I am taking this from memory. Of that \$3.3 billion everything was written off except \$1.1 billion. Is that right?

Mr. BOEKER. Written off is not the verb we use.

Senator BYRD. Don't let us mislead the public. As a practical matter, that was written off, was it not?

Mr. BOEKER. The law provided authority to grant those funds back to India for development purposes. That is what we did.

Senator BYRD. The law didn't do that. That was an executive agreement. That was negotiated by Mr. Moynihan. It did not come before the Congress. I want to use the word again and I want to get your response to it.

As a practical matter, the bulk of the Indian rupee debt was written off from \$3.3 billion down to \$1.1 billion. I am taking \$1.1 billion from memory, so you can correct me.

Am I correct in saying that the bulk of the rupee debt was written off?

Mr. BOEKER. Your memory is very good on the numbers. I think there is a distinction between writing it off and disposing of in it a way consistent with the original legislative authority. To me there is a distinction between writing off a debt and granting the funds to the debtor government for agreed development purposes when that disposition was provided for under the initial legislative authority.

Senator BYRD. We will put it another way. That \$2.2 billion was given back to India?

Mr. BOEKER. Correct.

Senator BYRD. You will agree with that interpretation?

Mr. BOEKER. I will, indeed.

Senator BYRD. Now we get to the \$1.1 billion. Can you say what happens to the \$1.1 billion?

Mr. BOEKER. The \$1.1 billion would be used only within India.

Senator BYRD. It can be used only to pay the expenses of our Embassy and Embassy officials in India. Is that correct?

Mr. BOEKER. The \$1.1 billion can also be used for international travel of U.S. Government officials, and to finance aid to Nepal. In addition, \$6.4 million equivalent will be converted annually for a 10-year period by India and paid to the U.S. Treasury.

Senator BYRD. Of that \$1.1 billion how much has been utilized since that rupee debt settlement? And what is the remainder now owed of that \$1.1 billion?

Mr. BOEKER. The \$1.1 billion is at our disposal under the conditions that we have discussed. I don't know exactly how much of it we have drawn down. The anticipation was that that would meet our requirements for rupee expenditures for approximately the next 20 years. So I suspect we are drawing down about 1/20th of that annually.

Senator BYRD. So that is another way of saying that the Embassy's cost is about \$45 million per year.

Mr. BOEKER. There are some other programs involved there in addition to the administrative expenses of our embassies.

Senator BYRD. Some other programs, but not for the benefit of the United States. They are programs that will benefit India?

Mr. BOEKER. They are mutually agreed programs. I assume there is some benefit in them for the United States.

Senator BYRD. I am not fully aware of the details of these programs, but they include such things as educational and cultural exchanges. I should think that, on the basis of an examination that was made at that time, there was some judgment that there would be benefits in such programs to the United States as well as to the Government and the people of India.

Well, with India owing the United States \$4 billion, do you feel that additional aid is warranted to India?

Mr. BOEKER. There is nothing apparently wrong with the fact they owe us \$4 billion. They owe us \$4 billion because we loaned them money with extended repayment terms. India's debt is very large and the service it has to pay on it is very large. I think that does have some implications that it probably means that financing what countries can currently provide to India should be, if they have the development of India at heart, on the most concessional terms possible and there perhaps should be some restraint on lending India medium-term, 8 or 9 percent, money. That is correct.

Senator BYRD. As a matter of curiosity, why in your paper today—this being the latter part of February 1976—did you use year-end figures of 1974?

Mr. BOEKER. We have more recent figures for some items, but not all, and not for all breakdowns. Where I used the end 1974 figures, it was where we had a full breakdown of the total obligation at that point. For some things, such as arrearages, we have more recent data.

Senator BYRD. You say there was a delinquent debt of \$652 million as of December 31, 1974. Then you say that this amount has \$145 million decrease since December 31, 1974.

Mr. BOEKER. Right.

Senator BYRD. On October 29, 1973, a State Department witness testified that the total delinquent debt since World War II at that time was \$662 million. Therefore, would you indicate how there can be a decrease of \$145 million?

Mr. BOEKER. What was the date on the \$662 million?

Senator BYRD. October 29, 1973.

Mr. BOEKER. In testimony at that time, that number, \$662 million in arrearages, was for an earlier period.

Senator BYRD. It was as of June 30, 1973?

Mr. BOEKER. June 30, 1973. That must indicate that the arrearage number went up by the end of calendar 1973. The decrease, I believe, was from the end of 1973. This figure has been up and down over the years, Mr. Chairman. I think, currently, it is at a somewhat lower level than it has been for many years.

Senator BYRD. The total indebtedness is up, though?

Mr. BOEKER. That's right. But a percent of that total debt that is in arrears is quite modest and is likely to decline somewhat. It is a little over 1.8 percent of the outstanding indebtedness that is in arrears.

We expect further progress on that, I might add. Some of these items, such as the arrearage for Pakistan, should be settled in full once we have agreement on division of debt between Bangladesh and Pakistan and arrangements to implement that division of indebtedness.

Senator BYRD. Let's get to the Soviet Union's debt. After writing off some—I will say \$8 to \$9 billion of the lend-lease debt—the Soviet Union owed \$2.6 billion. Under the 1972 agreement, how much of that \$2.6 billion was written off and how much has the United States received from that \$2.6 billion?

Mr. BOEKER. There were several phases of this settlement, Mr. Chairman. The material provided to the Soviet Union during hostilities was largely divided on the grant basis.

Senator BYRD. On that \$8 to \$9 billion, let's get down to the \$2.6 billion.

Mr. BOEKER. The payment obligation arises from material that was delivered after the end of hostilities or that was in place of the Soviet Union and usable for civilian purposes. That gave rise to a difficult problem of defining exactly what was the value of such material on the ground in the Soviet Union usable for civilian purposes.

Senator BYRD. That figure has been established. It has been well established and testified to before this committee and before other committees. I will cite page 17 of the committee hearing of October 29, 1973, in which Mr. Weintraub was testifying. I read into the record a statement that he made on February 18, 1972, before the House Subcommittee on Foreign Relations and Government Information. I will read Mr. Weintraub's statement:

In lend-lease settlement negotiations 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.

Mr. WEINTRAUB. I did not.

I went on to say:

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

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

Senator BYRD. Do you contest it or did you not contest?

Mr. BOEKER. My point was a somewhat different one, that the Soviet Union did not accept that figure. And it was a difficult problem of valuing the material on the ground under the circumstances that Mr. Weintraub cited there, that we actually did not have access to it.

Senator BYRD. In your judgment, did the Soviet Union owe the United States \$2.6 billion or not owe the \$2.6 billion?

Mr. BOEKER. I am afraid I would have to say I am not sure. That was our best estimate made at the time.

Senator BYRD. I will rephrase that question and maybe it is a statement. The official statements of our Government have been that the Soviet Union owed the United States \$2.6 billion. Now, unless you can give evidence that those statements of our Government are not correct, then let's proceed and assume that they did owe us \$2.6 billion.

How much have we received of that?

Mr. BOEKER. In discussions with the Soviet Union which extended over a long period, in which one of the central questions was this of evaluation, what was the evaluation of the inventories in the Soviet Union at the time hostilities ceased—the Soviet Union's figure, as I am sure you know, was a very, very low one.

In negotiations extending into the 1950's, we ourselves modified that figure.

Senator BYRD. Mr. Boeker, Mr. Weintraub, and others have testified before this subcommittee and have testified before the House committees it is an accepted fact that they owned \$2.6 billion. Unless you have evidence that they don't owe that, I would be glad if you would put such evidence in the record. Otherwise I wish you would address yourself to how much of that \$2.6 billion has been paid by the Soviet Union.

[The following was subsequently submitted for the record by Mr. Boeker:]

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 \$216 billion. In reaching agreement with our other World War II allies, we settled for a percentage of the value of the "civilian-type" equipment. The United States Government therefore made specific settlement offers to the Soviet Union of \$1.3 billion and finally \$800 million in 1952. Both these offers were rejected by the Soviets and the negotiations broke down in 1952.

Mr. BOEKER. The 1972 settlement reached with the Soviet Union provided for total payments of \$921 million, including some payments made earlier, and \$722 million which the Soviet Union agreed to pay as a result of the 1972 agreement.

Under that agreement they have paid to date \$48 million since 1972. Those were the three payments due through July of 1975.

Senator BYRD. So they have paid a total of \$48 million?

Mr. BOEKER. They paid close to \$200 million at an earlier point, before that October 1972 agreement. That is the difference between

the \$921 million total and the \$722 million specified in the 1972 agreement. So you could say that, in effect, they have paid \$248 million.

Senator BYRD. Give me the dates of the \$200 million.

Mr. BOEKER. I am sorry. I don't have those dates. I will get them for the record.

[Mr. Boeker subsequently supplied the following information:]

In an agreement signed in October, 1945, the Soviet Union agreed to pay \$225.5 million for "pipeline" deliveries (deliveries requisitioned or en route at the close of the war) in 22 annual payments at an interest rate of 2½ percent per annum. The Soviet Union made annual payments on the "pipeline" account from July 1, 1954 through July 1, 1971, totaling \$199 million. The overall lend-lease settlement of October 18, 1972, incorporated this 1945 "pipeline" agreement.

Senator BYRD. That is a new element. At the time of the 1972 settlement our Government contended that the Soviet Union owed \$2.6 billion. How much of that \$2.6 billion has been paid?

Your statement is that \$48 million has been paid, which was my understanding and which I feel is the correct figure. Is that your understanding also?

Mr. BOEKER. No. More has been paid. The Soviet Union had made payments continuously over this period, on the pipeline account, totaling about \$200 million. So we were receiving payments from the Soviet Union throughout this period, payments which we, in effect, took on account since they referred to an amount on which agreement had been reached. These had been received by the United States before the 1972 settlement.

Senator BYRD. I would like some detailed statement of those millions of dollars, as to when they were paid, what they were to apply to.

That brings up a point, what interest has been paid. You can answer that now.

Mr. BOEKER. The interest paid was the rate specified.

Senator BYRD. What was the rate specified?

Mr. BOEKER. I am afraid I don't have that.

Senator BYRD. Was any interest paid?

Mr. BOEKER. Yes; interest was paid.

Senator BYRD. On what sum and in what amount?

Mr. BOEKER. The interest rate apparently was 2½ percent on the goods in the pipeline at that time. This was based upon an amount of \$225 million.

Senator BYRD. No interest was paid on the other \$2.4 billion?

Mr. BOEKER. Not on the disputed amount; no.

Senator BYRD. How much in dollars and how much interest in dollars has the United States received?

Mr. BOEKER. We have received in dollars 2½ percent on that agreed amount of \$222 million, so-called pipeline account.

Senator BYRD. That is an annual interest rate. How much have we received in dollars?

Mr. Boeker. I would like to have that provided for the record as the amount that the U.S. Government has received in dollars during the past 25 years on the Russian debt.

[Mr. Boeker subsequently supplied the following information:]

Interest paid by the Soviet Union on the 1945 "pipeline" agreement totaled \$122,884,424.60 as of September 30, 1972. Under the terms of the October 18, 1972 overall lend-lease agreement, the Soviets have paid a total of \$48 million (\$12 million on October 18, 1972, \$24 million on July 1, 1973, and \$12 million on July 1, 1975.)

Senator BYRD. To get back to the 1972 settlement, the U.S. Government has received only \$48 million. Is that correct?

Mr. BOEKER. Correct.

Senator BYRD. In regard to that settlement, the Soviets agreed to how much additional payment, \$600-some million, was it not?

Mr. BOEKER. \$674 million.

Senator BYRD. What has happened to that?

Mr. BOEKER. Under the 1972 agreement payments after July 1975, by the Soviet Union, were made conditional upon granting by the United States of most-favored-nation trading status.

Senator BYRD. And long-term credits.

Mr. BOEKER. I don't believe that was specified in the agreement, Mr. Chairman. The agreement specified the Soviet Union's desire that these further payments be conditional upon granting most-favored-nation trading status.

Senator BYRD. So the agreement provided that they wouldn't pay their debts unless we provide them most-favored-nation trading status?

Mr. BOEKER. Those payments after July 1975; yes.

Senator BYRD. So on a debt that our Government considered to be \$2.6 billion, we received \$48 million and we had the hope of receiving an additional \$674 million provided we gave them something in return for paying that debt; namely, a most-favored-nation trade status. Is that correct?

Mr. BOEKER. Yes.

Senator BYRD. You mentioned the Export-Import Bank in your statement at various places. How much has the Soviet Union borrowed from the Export-Import Bank, which is entirely separate, is it not, from what you and I are talking about?

Mr. BOEKER. Yes. As of June 30, 1975, the Soviet Union has an indebtedness to the Export-Import Bank of \$120.5 million. That would be on Export-Import Bank credits extended and disbursed at that point.

Senator BYRD. What are the interest rates on those?

Mr. BOEKER. They are 6 percent. The Export-Import Bank has approved additional credits to the Soviet Union which would not show up in that total of disbursed debt. Those total \$468.9 million.

Senator BYRD. The total additional is how much?

Mr. BOEKER. The total would be \$468.9 million in direct credits to the Soviet Union.

Senator BYRD. That is in addition to the \$120 million owed?

Mr. BOEKER. No; the \$120 million is that portion of it that has been disbursed as of June 30, 1974.

Senator BYRD. In other words, the total approved is \$468 million?

Mr. BOEKER. \$468.9 million; right.

Senator BYRD. Both the trade bill and the Export-Import Bank Extension Act carried the Byrd amendment which limits Export-Import Bank loans to Russia to \$300 million. Does this exceed this \$468.9 million?

It would appear to exceed that \$300 million limit.

Mr. BOEKER. The \$468.9 million includes credit extended in 1973 and 1974. Therefore, the total was greater than \$300 million prior to the enactment of the amendment. The effect of the amendment, therefore, is to prohibit any new credits until repayments bring this

down to below \$300 million, but the total was reached prior to the amendment.

Senator BYRD. In other words, as I understand it, the \$120 million, which is now outstanding, could not be added beyond bringing the total to \$300 million, even though \$468.9 million has been approved. Is that right?

Mr. BOEKER. Your question is whether the \$300 million in your amendment applies to amounts disbursed or credits extended? I am afraid I don't know the precise answer to that question.

Senator BYRD. In any case, the total actually extended has been \$120 million, although a greater amount has been authorized, as I understand it.

Mr. BOEKER. That is the amount actually disbursed; right. It would be somewhat more now. The \$120 million figure was as of July 30, 1975.

Senator BYRD. When was the first Export-Import Bank loan made to Russia?

Mr. BOEKER. In 1973, I believe.

Senator BYRD. This is all a part of this so-called détente?

Mr. BOEKER. Yes; it is our belief that normalization of trading relationships between the U.S.S.R. and the United States contributes to the objectives of détente.

Senator BYRD. What was the date of the last Export-Import Bank's actual loan?

Mr. BOEKER. It was authorized in 1974, Mr. Chairman. I don't have the exact date.

Senator BYRD. Secretary Kissinger, of course, vigorously opposed the Byrd amendment, both on the Export-Import Bank bill and on the trade bill. I had it put on two bills so if one got vetoed, we would have two shots at it. I was pleased to note that, in his testimony before the Senate Finance Committee 2 weeks ago this past Friday, he stated that the State Department will make no effort to change that ceiling because of the Russian attitude in Angola.

So maybe the Senate and the Congress have been very helpful to the State Department by writing this ceiling into the bill.

I know it has been helpful to the taxpayers and I think it has been helpful maybe to the State Department, judging by Secretary Kissinger's testimony 2 weeks ago. Otherwise, these credits would have been gone.

You wouldn't have any leverage. In any case, it is in two bills and if the State Department wants to get it out, they are going to have to get it out of two different bills.

Mr. Lowenstein, let's get to the French debt, if we may.

The United States contended that France owed \$376 million, is that correct?

Mr. LOWENSTEIN. \$378 million, sir.

Senator BYRD. Other than the \$378 million, we agreed to accept \$100 million minus \$36 million?

Mr. LOWENSTEIN. That is correct, sir.

Senator BYRD. So we agreed to accept \$64 million to settle the claim of \$378 million?

Mr. LOWENSTEIN. That is correct.

Senator BYRD. France also owes NATO and NATO, in turn, owes a part of that to the United States. Is that correct?

Mr. LOWENSTEIN. That is correct, sir.

Senator BYRD. What is the status of that debt?

Mr. LOWENSTEIN. The status of that debt is that the French have done nothing to settle it. They have indicated to us that they intend, first, to settle the two bilateral things, the one with us and the one with Canada.

NATO continues to press the claim, but there has been no reaction by the French Government.

Senator BYRD. What has your Department done in that regard?

Mr. LOWENSTEIN. We have simply made our interest known to NATO and considered it was up to them to press the claim. As an interested party, we have continued to express that opinion.

Senator BYRD. The United States has a very major role in NATO. Who in NATO would handle this matter?

Mr. LOWENSTEIN. That was handled by an agreement in NATO by the senior permanent representative at NATO, who was the Belgian permanent representative.

Senator BYRD. Is there any record of what effort has been made? Does the Department have any information on it?

Mr. LOWENSTEIN. Yes, we do have a record, Senator. We will be glad to provide that in detail to you.

[The document referred to follows:]

The first step in presentation of the multilateral NATO claim to France was made in February 1968, when the Chairman of the Group of Fourteen handed to the French Permanent Representative to NATO a very general statement containing essentially an invitation by the Fourteen to the French to begin discussions on the financial consequences of the French actions.

The French indicated informally that they would prefer to put the whole matter off at least until that summer. Meanwhile the United States reached agreement with other members of the Group of Fourteen on a detailed statement to be given to France regarding the legal basis and financial magnitude of the NATO claim.

In the fall of 1968 and at the beginning of 1969 the United States presented its bilateral claim to France, followed by a computation of the claim. The Chairman of the Group of Fourteen presented to the French Permanent Representative in May 1969 a memorandum setting forth the basis and computation of the NATO claim against France for the financial consequences of the French measures of March 1966. The French took this under study.

During the period since 1969 the Chairman of the Group of Fourteen has kept in touch with the U.S. Permanent Representative to learn of progress in the settlement of the bilateral claim against France, since it was apparent that France would turn to the NATO claim only after it had reached a financial settlement of the bilateral claim. While the NATO spokesman has reminded the French from time to time of a continuing interest in reaching a settlement of the multilateral claim, no specific French proposal has yet been made to do so.

Senator BYRD. But nothing has been accomplished?

Mr. Lowenstein. That is correct.

Senator BYRD. Do you anticipate any accomplishment in the near future?

Mr. LOWENSTEIN. I think we would—no, I think in the near future I would say “No.” because I don’t see any progress on the Canadian debt. I think that will be the next step.

Senator BYRD. The Canadian debt is entirely separate from the NATO debt, is it not?

Mr. LOWENSTEIN. Yes, it is, but the French have never recognized this as a debt. They have settled with us on a political basis as a political settlement.

Senator BYRD. What do the French owe NATO?

Mr. LOWENSTEIN. That figure is classified, Senator. We will provide it to the committee. It is classified at NATO’s request, not at our request. It is in excess of the amount that the French agreed to reimburse to the United States.

Senator BYRD. If it is not classified, what percent of that total NATO figure would be due the United States?

Mr. LOWENSTEIN. It is classified, but it is about a third, Senator.

Senator BYRD. You mentioned that the Freloc agreement amounts to a political settlement rather than the recognition of a legal obligation. Given the fact that NATO countries are showing less political unity these days and in some cases even severing relationships with each other, is the agreement of political rather than a legal settlement a good precedent?

Mr. LOWENSTEIN. It was considered the only practical way of recovering any amount of money by Secretary Laird and by Secretary Rogers. They took due account of the precedential importance of approaching the problem this way. But my understanding is it was concluded that it would be better to recover something than to continue to argue about a claim which they had no confidence the French would recognize.

Senator BYRD. Thank you.

Mr. Boeker, in your statement you say, in October, the Iranians paid \$1.8 million “to clear the air”. What do you mean by “clear the air”?

Mr. BOEKER. Those were their words, not ours. Those are the words they used in paying this. We consider it just in payment on account toward a debt they still owe us.

Senator BYRD. Then in your statement you say, “The matter of the Korean conflict claims is being intensively reviewed within the U.S. Government at this time.”

Would you give a little more detail on that?

Mr. BOEKER. Yes. We have tried several things there. We have, first, tried to get the Department of Defense to clarify its own records on these claims, as to what their status is and what agreements or dissent, if any, to pay on the part of these countries exists. We have been pressing the Department of Defense to get clarification on all of these points, and their legal adviser has this research in hand. We hope to get a conclusive result from them shortly.

We have also, through our embassies, tried to clarify the status of these claims with the six countries involved, with various results. Some of them claim that, as I indicated, they never agreed to pay. Some even claimed that there were explicit understandings of some kind that they would not pay. But it is a murky area, Senator.

Senator BYRD. When did this intensive review begin?

Mr. BOEKER. It began in response to interest in this from the former Moorhead subcommittee in the House. We intensified our efforts about 10 months ago. The main delay has been getting clarification from the Department of Defense as to their own records.

Senator BYRD. The Department of Defense has 1 million employees. I would think they would have adequate people from which to get the information.

Mr. BOEKER. One would think so; yes.

Senator BYRD. Then you say, "The United States participated in multilateral debt renegotiations for only three countries."

What about bilateral negotiations?

Mr. BOEKER. On the Government-to-Government level, we have had none, Senator, during this 2-year period. Individual creditor agencies may have had arrangements with regard to one or more credits, but there have been no Government-to-Government bilateral discussions during the 2-year period.

Senator BYRD. The multilateral debt renegotiations would involve what other countries besides the United States—in one case, Chile, in one case, Pakistan, and in another case, India.

Mr. BOEKER. It would involve all the other creditors of those countries. In each case there was a multilateral negotiation—with Chile by all the creditors involved, with Pakistan by its creditors, and with India by its creditors. The ones with India and Pakistan were in 1974.

The rescheduling agreement with Chile was in 1975.

Senator BYRD. Would you elaborate on this:

While the United States agreed to reschedule one-third of the dollar debt service owed to the United States by India in 1974, India met fully its debt service to us for approximately \$145 million in 1975.

That "met fully its debt service in 1975" after the rescheduling, you mean based on the rescheduling of 1974, I assume?

Mr. BOEKER. Yes, but we did not participate in any rescheduling arrangements for payments due in 1975. There was a multilateral rescheduling agreement regarding India's debts in 1975 by the aid-to-India consortium, but the United States did not participate.

Senator BYRD. You say the executive branch is complying fully with section 4 of the Foreign Disaster Assistance Act of 1974 requiring congressional notification prior to entering any negotiations with any foreign government regarding the—you use the word "cancellation, renegotiations, rescheduling" and so forth.

As far as cancellation is concerned, Mr. Boeker, that is now prohibited by law, isn't it, without congressional approval?

Mr. BOEKER. Under section 620(r) of the Foreign Assistance Act, it is prohibited for debts under the Foreign Assistance Act and other acts cited there, yes.

In the statement we just picked up the language of the amendment itself in the act. That is where the word "cancellation" comes from.

Senator BYRD. But it is correct, is it not, that under existing law passed last year, under the Byrd amendment, no debt now can be renegotiated downward or canceled without the approval of the Congress?

Mr. BOEKER. I believe that is the case. It certainly is the case for all agreements cited by that legislation. The amendment in the Foreign Assistance Act refers to credit agreements concluded under the Foreign Assistance Act which is—

Senator BYRD. What I am trying to establish is, does the State Department?

Mr. BOEKER. Do we think we have authority to cancel such foreign debts? No.

Senator BYRD. Yes, let's put it that way.

Mr. BOEKER. No.

Senator BYRD. Do you feel that you now have as the result of—for want of a better word—the Byrd amendment authority to cancel or settle at less than face value a foreign debt?

Mr. BOEKER. Whether there is any piece of indebtedness that remains uncovered by that prohibition, I am not sure. Our general impression is we do not have such authority under the Foreign Assistance Act, and we certainly would not do so without seeking an act of Congress in any event.

Senator BYRD. That is good. My feeling is that the law does prohibit. If there is any question about it, I could, of course, get it on another piece of legislation. But I prefer not to do it unless it is necessary.

I take it from what you say that the State Department, while it has the authority or doesn't have the authority—and I don't think it does, but even if it does—it would not renegotiate and settle a debt at less than face value without getting congressional approval.

Mr. BOEKER. That is correct. We would not compromise the principal and accumulated interest on any Foreign Assistance Act obligation.

Senator BYRD. That is clearly the intent of the Congress. It may be—and I am not totally clear on this, although I got legislative counsel to check it—when the recent foreign aid bill was before the Senate, it is technically possible that that might expire with the Foreign Assistance Act to which it was put last year. Legislative counsel thinks it carries over to the act, which last year's act amended. But I prefer not to have to get involved in it again and get additional legislation through.

I don't think it is necessary to do it, but I am certain it is not, as you indicate, if the State Department will comply with what obviously is the intent of Congress.

Mr. BOEKER. I think the intent of Congress is absolutely clear on this point, Mr. Chairman.

Senator BYRD. Thank you, sir. I thank both of you gentlemen very much. I may have several questions that I would like to submit for the record. I probably will have several, but not many.

Thank you very much.

Mr. BOEKER. Thank you.

[Whereupon, at 11:10 a.m., the subcommittee adjourned, to reconvene at the call of the Chair.]