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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

MAR 26 1975

Date: March 26, 1975

Time: 4:30 pm

FOR ACTION: NSC/S
Max Friedersdorf
Ken Lazarus
Richard Parsons

cc (for information): Warren Hendriks
Jack Marsh
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: March 26

Time: 5:30pm

SUBJECT:

Enrolled Bill H.R. 4592-Foreign Assistance and
Related Program Appropriation Act, 1975

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

D - This is an excellent summary - please keep

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren M. Hendriks
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 26 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN *Chen*

SUBJECT: Enrolled bill H.R. 4592, the Foreign
Assistance and Related Programs
Appropriations Act, 1975

It is important that this enrolled bill be signed
today, March 26.

Until the Act is signed, the Agency for International
Development is without obligational authority. It needs
that authority today so that it can obligate funds for
the evacuation of refugees from Da Nang, South Vietnam.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 26 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 4592 - Foreign Assistance and
Related Program Appropriation Act, 1975
Sponsor - Representative Passman (D), Louisiana

Last Day for Action: April 7, 1975

Activities Affected: Foreign assistance programs.

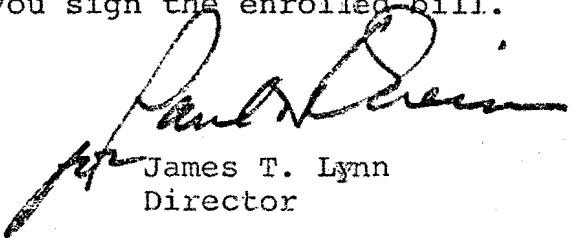
<u>Appropriations Requested:</u> (in millions)	<u>Budget</u> <u>Estimate</u>	<u>Enrolled</u> <u>Bill</u>	<u>Congressional</u> <u>Change</u>
	5,946	3,674	-2,272

Outlay Effect: FY 1975: -\$666 million; FY 1976: -\$502 million.

Highlights:

- Military assistance grants are reduced by \$732 million from the requested \$1,207 million. Foreign military credit sales are reduced by \$255 million from the requested \$555 million.
- Indochina postwar reconstruction is reduced by \$500 million from the requested \$940 million.
- The full \$660 million request for supporting assistance is provided.
- AID development programs are reduced by \$299 million from the requested \$873 million.
- U.S. contributions to the International Financial Institutions are reduced by \$371 million from the requested \$991 million.

Recommendation: That you sign the enrolled bill.


James T. Lynn
Director

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 26 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

Oheim

SUBJECT: Enrolled Bill H.R. 4592 - Foreign Assistance
and Related Programs Appropriations Act, 1975
Sponsor: Representative Passman (D) Louisiana

Last Day for Action

April 7, 1975 - We recommend that you sign this bill as soon as possible because the applicability of the continuing resolution to these activities expired Tuesday, March 25, 1975.

Purpose

The bill appropriates for fiscal year 1975 a total of \$3,674,346,982 for foreign assistance and related programs.

Agency Recommendation

Office of Management and Budget

Approval

Affected agencies

Approval
(informally)

Discussion

The total appropriations provided in H.R. 4592 for foreign assistance and related programs are \$2,272 million less than the \$5,946 million budget request. The changes are detailed in the attached table. The following are the major changes from the budget request. The effect of the congressional changes will be to reduce the 1975 outlays by \$666 million and 1976 outlays by \$502 million.

Military Assistance

Military assistance grants are reduced by \$732 million from the requested \$1,207 million requiring substantial cuts in

almost all country programs. (This total includes deletion of the additional \$222 million requested for Cambodia.) The foreign military credit sales appropriation is reduced by \$255 million to \$300 million but the full program of \$872.5 million can be carried out by maximum use of guarantees of private financing. Of the total credit sales program, \$300 million is earmarked for Israel, of which \$100 million is to be forgiven. The bill also limits to twenty the number of general or flag military officers assigned or detailed to military missions overseas or performing duties primarily related to military assistance or foreign military sales programs. The intent of this provision, which is effective May 1, 1975, is to reduce the number of general officers involved in these programs by about one-third.

Indochina Postwar Reconstruction

Indochina postwar reconstruction is reduced by \$500 million from the \$940 million requested. Economic aid to Vietnam will be cut to an estimated \$300 million in comparison to the request level of \$750 million. This reduction will place severe strains on the Vietnamese economy and will hinder provision of relief to refugees. More adequate levels of assistance are available for Laos and Cambodia under the bill.

Supporting Assistance

The \$660 million appropriation for supporting assistance provides the entire amount requested and authorized, with an earmarking of all but \$8 million of the appropriation, as follows: Israel - \$324.5 million, Egypt - \$250 million, and Jordan - \$77.5 million. Although this earmarking is substantially along the lines indicated by the Administration in its amended budget request, the earmarking will prevent adjustment among the three countries or between them and other potential supporting assistance needs.

Contingency Fund and Famine or Disaster Relief

The \$1.8 million appropriation for the contingency fund, compared to a request of \$30 million, provides funds sufficient only to reimburse the Department of Defense for expenses associated with the Sadat helicopter gift. It eliminates the Administration's ability to respond to

emergencies which may occur before the end of the current fiscal year except for those arising out of disasters. In addition, \$25 million of the \$35 million famine or disaster relief appropriation was specifically earmarked for Cyprus, resulting in an availability of only \$10 million for all non-Cyprus disasters.

Aid Development Programs

Almost 80 percent (\$299 million) of the overall \$379 million reduction in development assistance is applied to AID's five development accounts (agriculture, population, education, selected problems, and selected countries), which constitute the core of the bilateral development program. The \$574 million appropriation for these accounts--versus a request of \$873 million--will result in a program level approximately equal to the 1974 level. However, this reduced appropriation will curtail the ability to emphasize agricultural production and population control, as requested by the Administration.

International Organizations and Programs

The Administration's request of \$178.6 million for U.S. voluntary contributions to international organizations and programs is reduced to \$139.2 million. This reduction adversely affects the U.S. contribution to the United Nations Development Program (UNDP). The U.S. pledged \$90 million for calendar year 1974 and had planned to pledge \$100 million for 1975. The reduced appropriations for voluntary contributions will force the cessation of additional U.S. contributions to the UNDP for calendar year 1974 (\$70.8 million has already been paid) and limit the 1975 contribution to \$77.9 million, or a total of \$41.3 million below the U.S. pledges for these two years.

International Financial Institutions

The \$991 million request for three international financial institutions is reduced by \$371 million, with \$96 million of the reduction applied to the Asian Development Bank (ADB) and \$275 million to the Inter-American Development Bank (IDB). The full \$320 million request for the International Development Association was appropriated.

Accompanying the \$225 million appropriation for the IDB is a first-time earmarking of \$50 million for cooperatives (\$25 million), credit unions (\$10 million), and savings and loan associations (\$15 million). This \$50 million earmarking is a serious problem as it establishes an undesirable precedent which will tend to encourage future additional earmarkings by the Congress as well as other donors to the various development banks. There is some question as to whether the IDB can legally accept or should accept a U.S. contribution which has been so earmarked.

In appropriating \$74 million to the ADB for paid-in ordinary capital and for special fund capital the Congress declined to provide funds for callable capital which constitute the principal basis for U.S. subscriptions to the capital stock of the development banks.

International Narcotics Control

The appropriation for international narcotics control is reduced \$25 million below the \$42.5 million request. This appropriation will result in a severe curtailment of the program level which has obtained over the last two years.

Recommendation: That you sign the enrolled bill.

Attachment

1975
 Foreign Assistance and Related Programs
 Appropriation Act
 (in millions of dollars)

	<u>Appropriation Request</u>	<u>Appropriation</u>	<u>Difference</u>
<u>Development Assistance</u>	<u>1216.8</u>	<u>837.3</u>	<u>-379.5</u>
AID development programs	873.3	574.0	
Int'l. organizations and programs	178.6	139.2	
Famine or disaster relief	40.0	35.0	
Other AID programs	94.9	87.3	
Contingency fund	30.0	1.8	
<u>Middle East special requirements fund</u>	<u>100.0</u>	<u>100.0</u>	--
<u>Supporting assistance</u>	<u>660.0</u>	<u>660.0</u>	--
<u>Indochina postwar reconstruction</u>	<u>939.8</u>	<u>440.0</u>	<u>-499.8</u>
<u>International financial institutions</u>	<u>990.6</u>	<u>619.1</u>	<u>-371.5</u>
Asian Development Bank	170.6	74.1	
Inter-American Development Bank	500.0	225.0	
Int'l Development Association	320.0	320.0	
<u>Military Assistance</u>	<u>1762.0</u>	<u>775.0</u>	<u>-987.0</u>
Grants	1207.0	475.0	
Foreign military credit sales	555.0	300.0	
<u>Other Appropriations</u>	<u>277.3</u>	<u>242.9</u>	<u>- 34.4</u>
Peace Corps	82.3	77.0	
Aid to Cuban refugees in the U.S.	78.0	90.0	
Soviet refugee aid	40.0	40.0	
Palestinian refugee aid	--	10.0	
Migration & refugee assistance	9.5	8.4	
International narcotics control	42.5	17.5	
Overseas Private Investment Corp.	25.0	--	
TOTAL APPROPRIATIONS	<u>5946.5</u>	<u>3674.3</u>	<u>-2272.2</u>
<u>Program Limitations</u>			
Export-Import Bank	(6403.0)	(6403.0)	--
Inter-American Foundation	(10.0)	(10.0)	--

THE WHITE HOUSE
WASHINGTON

R -

Take a
look at this
today & give me
your thoughts.

THE WHITE HOUSE
WASHINGTON

AUG 7 1975

due: 8/9
10:00

ACTION MEMORANDUM

LOG NO.:

Date: August 7, 1975

Time:



FOR ACTION: Max Friedersdorf
Jack Marsh
Brent Scowcroft
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Saturday, August 9

Time: 10 A.M.

SUBJECT:

OMB Memo to the President re
1976 Foreign Aid Budget Amendments

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

CONFIDENTIAL - GDS

AUG 7 - 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: PAUL H. O'NEILL *Ohion*
SUBJECT: 1976 Foreign Aid Budget Amendments

The attached decision memorandum presents a number of proposed budget amendments for foreign military and economic assistance. Although each of the proposals is a special case, we have reviewed them in the context of the overall congressional situation.

The amendments stem in part from the desire to reallocate the Indochina "savings", even though the Congress has already deleted these funds from its planning. Efforts to increase the remaining programs by up to \$616 million could, therefore, make it more difficult to sustain vetoes on domestic spending programs. More importantly, Congress may be unwilling to actually increase the total amount appropriated for foreign aid.

Military Assistance. The proposed increase in grant MAP risks undermining even the current request. An increase in grant MAP runs directly counter to the recently enacted congressional directive to plan a phase down of grant MAP (Section 17, Foreign Assistance Act). A budget amendment which ignores this sentiment risks provoking Congress to take arbitrary steps for earlier termination of grant MAP, with adverse foreign policy consequences.

In light of the congressional problem, OMB suggests that increased assistance could be provided in the form of FMS credit sales rather than grant MAP. Congress has been much more willing to provide credits than grants, and therefore, the alternative approach probably has a much better chance of congressional approval, especially for the problem case of Greece and Turkey.

Economic Supporting Assistance. These programs would provide economic aid to politically important countries: Zaire, Cyprus and Portugal. Aid to Portugal will be particularly difficult to defend publicly unless the communists loosen their control of the government.

CONFIDENTIAL - GDS DAD 7/9/86

Development Assistance. Several of the proposed programs have merit although they do not have high priority for 1976 funding. Despite some support in the authorizing committees, the appropriations committees are unlikely to increase the total made available for foreign aid. Thus, other programs are likely to be decreased by an amount equivalent to any increases finally approved, particularly if funding will be sought for the International Fund for Agricultural Development which has not yet even been formed.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 7 - 1975

CONFIDENTIAL - GDS

MEMORANDUM FOR: THE PRESIDENT
FROM: PAUL H. O'NEILL *Phinn*
SUBJECT: Foreign Aid Budget Amendments

State and AID are proposing a number of 1976 program and budget amendments for foreign aid (attached). These amendments include all anticipated increases in foreign aid except for those that will result from the Middle East reassessment.

You should decide on these amendments soon (preferably before August 15) in order to give State, AID, and Defense time to prepare congressional presentation materials for hearings early in September. The committees are anxious to begin hearings soon after the recess.

Analysis of the Request

The fall of Vietnam and Cambodia resulted in substantial savings from foreign assistance requests in the January budget:

- military aid to Cambodia and Laos	\$ 470M
- economic aid to Vietnam and Cambodia	<u>952</u>
Total	\$1,422M

Because State and AID wanted to use these savings as offsets against the anticipated increases, we have not yet amended the budget downward. Congress, however, has deleted these funds in its budget committee estimates and from the continuing resolution. Thus, State's proposed amendments will be viewed by Congress as budget add-ons, especially when combined with the forthcoming increase for the Middle East.

There are several technical amendments not requiring your review, which when added to the already approved amendment for Zaire, will offset the Indochina savings by \$52 million.

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BAO, 19/86

The State Department proposals discussed below would reallocate an additional \$416 million of the \$1,422 million originally proposed for Indochina to other programs as shown below. The proposed OMB alternative would reallocate \$201 million primarily in the form of FMS credits rather than MAP grant funds.

(\$ millions)

	<u>State/AID Request</u>	<u>OMB Alternative</u>
Grant MAP	+161	-62
FMS Credit	<u>+100</u>	<u>+238</u>
Subtotal, military	+261	+176
Supporting Assistance	+75	+25
Development Assistance	<u>+80</u>	<u>-</u>
Subtotal, economic	+155	+25
Total requested	<u>+416</u>	<u>+201</u>
Agricultural Development Fund*	+200*	

*Not yet formally requested by State or AID

Secretary Kissinger believes that additional foreign aid is needed for compelling foreign policy reasons, particularly to reassure a number of our friends and allies. While I concur in the need for many of these increases, I believe that the budget provided adequate amounts of military and economic aid for most requirements, that some of the new requirements can be met more economically through increased credits rather than grant aid, and that the same hold-the-line approach should generally be taken on foreign aid as with the domestic programs which have been vetoed.

A. Military Assistance

Since the December budget decisions, Congress has passed Section 17 of the Foreign Assistance Act which expresses the sense of the Congress that (1) the policies and purposes of the existing military assistance program be reexamined and that the program be reduced and terminated as rapidly as feasible, and (2) the President should submit to this session of Congress "a detailed plan for the reduction and eventual

elimination of the present military assistance program." State has initiated a review to respond to the Section 17 requirement in the fall. In the meantime, Congress is likely to question administration proposals for increased grant military assistance to any country.

OMB believes you should consider an alternative approach that would provide increased FMS credits rather than grant MAP wherever possible. I believe we are more likely to obtain additional military assistance in the form of FMS credit and, hence, more likely to meet foreign policy objectives. Greater reliance on credit would also reduce budget authority and outlays at a time when major additions for the Middle East may soon have to be accommodated.

(1) Increases for Asian Countries

The fall of Indochina has raised concerns in surrounding countries about U.S. resolve and has forced them to reconsider their relations with the United States. Additional U.S. assistance is being considered against this general backdrop.

(\$ millions)

	1975	1976		
	<u>Actual</u>	<u>Budget</u>	<u>State/NSC</u>	<u>OMB</u>
<u>Korea</u>	<u>140.2</u>	<u>174.0</u>	<u>200.0</u>	<u>200.0</u>
MAP	(81.2)	(74.0)	(100.0)	(74.0)
FMS	(59.0)	(100.0)	(100.0)	(126.0)
<u>Philippines</u>	<u>34.5</u>	<u>26.6</u>	<u>32.0</u>	<u>32.0</u>
MAP	(20.5)	(19.6)	(25.0)	(19.6)
FMS	(14.0)	(7.0)	(7.0)	(12.4)
<u>Thailand</u>	<u>36.2</u>	<u>43.3</u>	<u>65.0</u>	<u>65.0</u>
MAP	(28.2)	(28.3)	(50.0)	(28.3)
FMS	(8.0)	(15.0)	(15.0)	(36.7)
<u>Indonesia</u>	<u>18.0</u>	<u>31.9</u>	<u>42.5</u>	<u>31.9</u>
MAP	(13.0)	(19.4)	(30.0)	(19.4)
FMS	(5.0)	(12.5)	(12.5)	(12.5)

In addition to providing general reassurances, State is requesting increased assistance on a grant basis to meet particular U.S. interests:

- Korea is experiencing a period of increased tension.
- The Philippines have been actively reassessing their posture on U.S. base rights.
- The Thais are being asked to cooperate on force withdrawals, future access to bases and other facilities, and on refugee problems.
- Indonesia, despite massive oil earnings, is still a poor country with a low per capita GNP and would benefit from grant rather than credit terms.

With the exception of Indonesia, OMB supports the requested increases over the levels in the budget, but suggests that the increases be in FMS credits rather than grant MAP. In addition to the budgetary savings and the greater likelihood of congressional approval, there are specific reasons why increased credits rather than increased grants should suffice:

- it would be more consistent with the planned phase-down of MAP to Korea and might be more acceptable to congressional elements concerned over Korean human rights violations;
- the Philippines should not be given additional grant MAP prior to commencement of base negotiations; they will also be offered a large number of aircraft and naval craft recovered from Indochina;
- the Thais are in a strong economic position and are receiving large quantities of evacuated aircraft and equipment and U.S. ammunition stocks in Thailand which may total over \$60 million; and
- despite the importance of Indonesia, OMB doubts that any increased aid to Indonesia is congressionally defensible in view of massive oil earnings and the likelihood of further OPEC price increases.

Decisions:

	Increase grant MAP budget by \$64M (State/NSC rec.)	Reconfirm MAP budget levels; increases FMS credit by \$53M (OMB rec.)
Korea (+\$26M)	_____	_____
Philippines (+\$5M)	_____	_____
Thailand (+\$22M)	_____	_____
Indonesia* (+\$11M)	_____	_____

*Increase in MAP but not in FMS in view of OPEC price increases

(2) Turkey and Greece

(\$ millions)

	1975	1976			
	Actual	Budget	State	NSC	OMB
<u>Turkey</u>	89.8	177.2	205.0	213.0	175.0
MAP	(14.8)	(62.2)	(90.0)	(98.0)	-
FMS	(75.0)	(115.0)	(115.0)	(115.0)	(175.0)
<u>Greece</u>	86.0	90.0	190.0	190.0	115.0
MAP	-	-	(70.0)	(70.0)	-
FMS	(86.0)	(90.0)	(90.0)	(90.0)	(115.0)
Supporting Assistance	-	-	(30.0)	(30.0)	-

The State/NSC requests would represent a "business-as-usual" approach to aid to Greece and Turkey despite the recent defeat of the House bill. That bill did not even attempt to remove the prohibition against grant MAP to Turkey in Section 620 of the Foreign Assistance Act, but merely sought the resumption of FMS credit and cash sales upon passage of foreign assistance authorizing legislation. Because this compromise formulation was defeated, OMB doubts the feasibility of submitting a budget request which would seek resumption of grant MAP as well as FMS credits and cash sales for Turkey.

Turkey - The OMB alternative would increase FMS credits from \$115 million to \$175 million in order to provide evidence of U.S. concern over Turkish military requirements, without raising the congressional problem of requesting grant MAP in advance of likely progress on Cyprus. This substitution of increased credits in lieu of grant MAP is more consistent with congressional sentiments as reflected in the debate on the House bill, and avoids reintroducing a position which is stronger than that already rejected by the House.

Greece: Military Assistance - The OMB alternative would increase FMS credits to Greece from \$90 million to \$115 million, in lieu of the initiation of a \$70 million grant MAP program recommended by State/NSC (although the State/NSC recommendation recognizes that grant MAP should not be provided to Greece until the Turkey prohibition is lifted). The OMB alternative does not contain grant MAP to Greece because of:

- the poor prospects for congressional approval of a renewed grant MAP program for Turkey;
- the need to maintain an evenhanded approach between the two countries; and
- the undesirability of renewing grant MAP to Greece (phased out in 1973), the termination of which has been frequently cited by Administration witnesses in answering congressional criticisms that the grant programs go on indefinitely.

Greece: Supporting Assistance - State/NSC and AID also recommend a one-time \$30 million economic supporting assistance loan for Greece:

- to help meet short term economic problems; and
- to improve bilateral relations and provide leverage in base rights and Cyprus negotiations.

OMB does not recommend the resumption of economic assistance to Greece at this time:

- it might be viewed as inconsistent with an evenhanded approach towards Turkey (where economic aid is being phased out);
- Greece has a high per capita income and can solve its economic problems through domestic measures; and
- additional U.S. financial assistance can be provided through Eximbank and CCC credits and through U.S. support for loans to Greece by the World Bank.

Decision:

Increase MAP to Turkey by \$28 million to \$90 million; initiate MAP and supporting assistance to Greece at \$70 million and \$30 million (State recommendation). _____

Increase MAP to Turkey by another \$8 million to \$98 million; same program level as above for Greece (NSC recommendation). _____

Increase FMS to \$175 million for Turkey and to \$125 million for Greece; no MAP or supporting assistance (OMB recommendation). _____

(3) Spain

(\$ millions)

	1975 <u>Actual</u>	<u>Budget</u>	1976 <u>State/OMB/NSC</u>
FMS Credit	-	-	100.0
Supporting Assistance	3.0	3.0	3.0

Secretary Kissinger has authorized Ambassador McCloskey to offer Spain \$100 million in FMS credit and continuation of \$3 million in supporting assistance annually for five years as part of the on-going base negotiations. While there is no agreement yet on the final quid pro quo, a request for the 1976 funds could be included in the amended foreign aid request. State believes that the \$100 million for 1976 should be requested now in order to confirm your offer and to discourage Spanish pressures for a larger quid pro quo. OMB agrees.

In accordance with long-standing procedures requiring that offers of multi-year financial assistance beyond approved budget requests must be approved by the President, your approval is requested.

Decision:

State/NSC/OMB recommendation _____

Other _____

B. Economic Supporting Assistance

State and AID have requested \$95 million in supporting assistance for four countries outside the Middle East which were not included in the original 1976 budget request. These requests will be presented to Congress prior to the request for the Middle East and may attract adverse reaction.

- \$20 million for Zaire which you recently approved;
- \$30 million for Greece which was discussed above;
- \$25 million for refugee relief on Cyprus which is supported by OMB, State, AID, and NSC staffs; and
- \$20 million for Portugal which is discussed below.

State and AID recommend a \$20 million supporting assistance loan for Portugal in 1976, a \$5 million increase over the congressionally initiated 1975 program:

- continuation of U.S. lending in 1976 might help elicit European aid and contribute to a moderation of the ruling Armed Forces Movement's policies; and
- the \$20 million level would merely be an annualization of the \$15 million which was supposed to cover the last three quarters of FY 1975.

OMB recognizes the importance of a non-communist Portugal to the western alliance and would support a program which facilitates this end. However, there is some reason to question the size and timing of the current proposal.

- A \$20 million loan would be insignificant, particularly in comparison with the potential \$500-700 million loan from the EC which is conditional on satisfactory progress toward more democratic processes.
- A significantly larger loan, contingent on political developments in Portugal, would be difficult to structure and present to Congress.
- Even a \$20 million loan will be difficult to justify in the face of continued suppression of democratic processes in Portugal.

The decision on Portugal is difficult and OMB is not confident of the best tactics, but on balance believes that it would be better to await demonstrable progress in Portugal before requesting aid funds.

Decision:

Increase assistance to \$20 million (State/NSC recommendation). _____

Delay any request for Portugal (OMB recommendation). _____

C. Development Assistance

AID, with State Department concurrence, proposes a \$79.5 million increase, nearly 10%, in 1976 functional development assistance programs, its main bilateral aid account. The specific issues are:

(1) Population - AID recommends a \$29.3 million increase to cover a range of population activities, bringing total population spending to \$165 million:

- there is increased interest in such assistance in the wake of last year's World Population Conference; and
- most of the additional funding would expand programs already planned and ready to be implemented.

OMB disagrees with the request because:

- the 1976 budget already provides for a \$23 million increase in population funding, 21% over the level appropriated last year by Congress;
- the appropriations committees may react adversely because previously appropriated funds for population are spending out slowly; and
- most of the proposed activities, many of which you rejected in your 1976 budget decisions, are not of urgent priority and could be implemented in 1977.

Decision:

Increase the budget by \$29.3 million (AID recommendation) _____

No increase (OMB recommendation) _____

(2) Sahelian Africa Assistance - AID proposes a \$25 million contribution for new development projects under UN auspices to assist in the development of the six drought-prone nations of Africa's Sahelian region:

- these countries have worked with the UN Sahelian office to prepare a group of projects for possible implementation;
- although the funds would be under UN auspices, AID would manage the activities as part of its bilateral program; and
- the program would be in line with a congressional legislative write-in encouraging aid to the region.

The Sahelian region will need substantial development aid for many years and there are pressures both here and abroad for U.S. participation in the UN effort. Although it recognizes that there will be projects which will warrant bilateral aid financing, OMB does not support the requested increase in 1976:

- the 1976 budget provides \$24 million for new bilateral aid commitments to Sahelian Africa, which is already receiving disbursements on large prior-year commitments for near-term drought relief;
- some of the proposed activities might be financed within AID's current budget;
- the United States is providing high per capita assistance to these countries of relatively low foreign policy interest to the U.S.;
- the World Bank is currently preparing a regional survey which should provide a better basis to longer-term assistance, but, its work is not complete; and
- other commitments to Sahelian Africa could be deferred until the World Bank study is completed and AID has an opportunity to analyze it, with any warranted increases sought in 1977.

Decision:

A \$25 million special program for the Sahel in 1976 (AID recommendation) _____

Defer additional commitments until 1977 (OMB recommendation) _____

(3) Indonesia - AID recommends \$20 million in development loans for Indonesia in addition to the \$20 million of loans which you recently approved within the 1976 budget, bringing the total 1976 aid to Indonesia to \$80 million (including technical assistance and food aid):

- the increment would demonstrate our continuing interest in this populous and politically important country, such support being seen as especially important after the Indochina collapse; and
- despite its substantial oil export earnings, Indonesia remains a relatively poor country and is embarked on an ambitious and costly development program.

OMB does not support the requested increase:

- given the oil windfall, plus continuing aid from the World Bank and a number of other countries, nearly all of Indonesia's priority near-term funding requirements can be met without additional U.S. assistance;
- this further increase is unlikely to have any measurable political impact; and
- the proposal will attract substantial congressional hostility, particularly if the OPEC countries raise oil prices further in September, possibly even leading to a congressional prohibition on aid to Indonesia.

Decision:

\$20 million increase over the budget (AID recommendation) _____

No increase (OMB recommendation) _____

(4) Other 1976 Requests - An increase of \$5.2 million for health programs in Bolivia and Thailand is also proposed. AID justifies the request as necessary to maintain a proper "balance" between health and population program funds within its functional subaccount titled "population and health." There is no programmatic, diplomatic, or congressional reason for maintaining such a balance by mounting these lower priority programs. OMB recommends against the proposal.

Decision:

\$5.2 million (AID recommendation) _____

No program (OMB recommendation) _____

D. Proposed Contribution to the International Fund for Agriculture and Development (IFAD) of up to \$200 Million

The United States has publicly expressed support and willingness to "participate in the creation of the fund." Your initial decision was that any U.S. contribution should be in the form of attributing the increase over 1974 in already planned bilateral assistance for agricultural development as the appropriate form of U.S. participation.

It now appears that other potential donors are unlikely to contribute to the Fund unless the United States makes a direct contribution of up to \$200 million.

Acting Secretary Ingersoll has asked that you reconsider your earlier decision and seeks your approval for the United States to announce its willingness to make a direct contribution, perhaps as early as 1976 (memo attached). The nature and operations of the fund have not yet been determined and State has not yet decided on a specific amount for the U.S. contribution; thus the announcement would be a general one. Nevertheless, it would constitute a commitment on the part of the Administration to increase the foreign aid budget request in 1976 or add to planning levels for 1977 if the international negotiations on the fund are concluded to our satisfaction.

The primary arguments for increasing your budget for this purpose are:

- a direct U.S. contribution might stimulate as much as \$1 billion from other donors;
- the Fund would be targeted against the high priority problem of increasing LDC food production;
- it would be a concrete demonstration of U.S. concern for the LDC's and is one of the few meaningful steps the United States could announce at the forthcoming special session of the U.N.; and,
- The House International Relations Committee has already written a provision into its foreign aid bill which would authorize a U.S. contribution of \$200 million; the Senate Foreign Relations Committee is likely to support a similar measure.

Recognizing all of these arguments for a direct U.S. contribution to the Fund, OMB still doubts that U.S. participation will be warranted:

- increasing your 1976 budget for this purpose will be difficult in view of vetoes of domestic programs and delaying the contribution for a year will merely compound your 1977 budget problem;
- the fund will constitute a new institution which is not likely to have any clear advantages over existing ones (e.g., the World Bank);

- the United States is likely to have better control and assurance of program effectiveness if existing bilateral and multilateral channels are used;
- the Fund was initially proposed by OPEC and they, rather than the U.S., will ultimately reap most of the credit for it; and
- even if Congress authorizes funds for IFAD, the appropriations committees are likely to cut other priority foreign aid programs to compensate.

In view of these concerns, OMB does not believe that it is prudent to raise foreign expectations about a future direct U.S. contribution unless you believe that the United States may actually want to make a contribution of up to \$200 million. This would constitute a major and visible Administration budget increase if it were provided in 1976.

Decision:

Authorize the State Department to announce in appropriate forums that the U.S. is willing to make a direct contribution, starting in 1976, depending on the final outcome of discussions (State/AID recommendation). _____

Authorize announcement of a possible U.S. contribution, but not in 1976 because of budgetary pressures. _____

Reaffirm your earlier decision to avoid new contributions and increased budget outlays by limiting U.S. participation to the attribution of already planned increases in bilateral aid (OMB recommendation). _____

Attachments

Dec. 19

THE WHITE HOUSE
WASHINGTON

Mr. Marsh --

Nancy Kennedy said you don't
remember seeing Parker's
letter.

Attached is our file copy which
Russ attached a note to and we
gave to you Dec. 16.

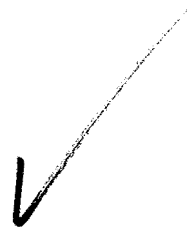
Thanks.

donna

THE WHITE HOUSE

WASHINGTON

December 16, 1975



MEMORANDUM FOR: JACK MARSH

FROM: RUSS ROURKE

A handwritten signature, likely of Russ Rourke, is written over the name 'RUSS ROURKE'.

Parker requests signing ceremony on foreign aid bill.
Copies of his request have already been sent to Max and
Brent.

DEC 13 1975

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

THE ADMINISTRATOR

DEC 12 1975

Honorable John O. Marsh, Jr.
Counsellor to the President
The White House
Washington, D. C. 20500

Dear Jack:

Tuesday the Congress passed and sent to the President the International Development and Food Assistance Act of 1975, H.R. 9005. Its passage is the product of significant cooperation between the Congress and the Executive Branch on the first half of the President's foreign aid program. A signing ceremony at the White House would capitalize on the spirit of cooperation and encourage key Foreign Relations Committee members to continue the same spirit on the security assistance legislation, which is pending in both the House International Relations Committee and the Senate Foreign Relations Committee.

H.R. 9005 is the first separate economic development assistance bill since the Marshall Plan. The House vote on the bill (244-155), the Conference Report (265-150) and the Senate vote on the bill (54-41) indicates strong support for economic foreign assistance. The two-year bill authorizes the President's full request for FY 1976 and the President's projected level for FY 1977.

The bill is in all respects consistent with our development assistance policy. In every instance where a Congressional initiative arose which would have been offensive to the Executive Branch, the leadership on the bill accommodated our concerns and modified provisions which the President would have found unacceptable. Although we did not in every instance "win" our issues, the final provisions do not significantly adversely impact any of our programs.

A signing ceremony would enable the President to compliment the Congressional leaders who have carried the ball for us on this bill. It would also enable the President to use the occasion to encourage accommodation of our interests on the security assistance bill.



We have consulted all affected agencies and we can assure you that no agency will recommend a veto or an adverse comment in a signing statement. I am sending this letter in advance of a formal clearance in the hope that we can obtain approval in principle for a signing ceremony and fix a date as soon as possible.

We would suggest that the President invite the members and the Executive Branch personnel on the enclosed list. An alternative would be to invite the full committees and the public, but this group would be too large and might inhibit effective discussions on the security assistance bill. Another alternative would be to limit the group to the Conferees, but Chairman Morgan and I would like to include key junior members who were helpful on H.R. 9005 and who are active on the security assistance bill.

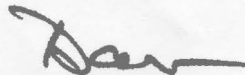
In the alternative, if the President is unable to clear the time for a brief signing ceremony, I would recommend that he send personal letters, with signing pens, to the members who have been active and helpful on this legislation. Those on the list should receive such letters.

Please advise me as soon as possible if either of these options are appropriate. We will prepare a draft signing statement and if the President favors the alternative recommendation, we will prepare draft signing pen letters.

In order to expedite White House consideration of this request, I am sending copies of this letter to Brent Scowcroft and Max Friedersdorf.

Best personal regards,

Sincerely,



Daniel Parker

Enclosure - a/s



Executive Branch Personnel

Secretary Kissinger (if available, or Acting Secretary)
General Scowcroft
Mr. John O. Marsh, Jr., Counsellor to the President
A.I.D. Administrator Parker
Mr. Max L. Friedersdorf, Assistant to the President
Mr. Leslie Janka, National Security Council
A.I.D. Deputy Administrator John E. Murphy
A.I.D. Assistant Administrator Denis M. Neill
Assistant Secretary of State Robert McCloskey
Assistant Secretary of State William Buffum
A.I.D. Assistant Administrator Philip Birnbaum
A.I.D. Assistant Administrator Curtis Farrar
A.I.D. Deputy Assistant Administrator Jean P. Lewis
A.I.D. Deputy Assistant Administrator Alexander Shakow

Members of Congress

House

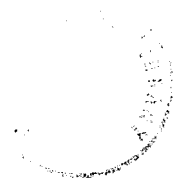
Thomas E. Morgan
Clement J. Zablocki
Wayne L. Hays
Dante B. Fascell
Charles C. Diggs, Jr.
Donald M. Fraser
Lee H. Hamilton
Jonathan B. Bingham
Cardiss Collins
Stephen J. Solarz
Helen S. Meyner
William S. Broomfield
Edward J. Derwinski
Paul Findley
John Buchanan
Pierre S. du Pont
Charles W. Whalen
Edward G. Biester
Larry Winn
Benjamin Gilman

Senate

John J. Sparkman
Hubert H. Humphrey
Gale W. McGee
Herman E. Talmadge
James B. Allen
George McGovern
Dick Clark
Clifford P. Case
Jacob K. Javits
Bob Dole
Henry L. Bellmon

Representatives from Congress

Marian Czarnecki
Richard Moose
Michael McLeod



CONFERENCE REPORT
ON
INTERNATIONAL SECURITY ASSISTANCE AND
ARMS EXPORT CONTROL ACT OF 1976

S. 2662

**TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961 AND
THE FOREIGN MILITARY SALES ACT, AND FOR OTHER
PURPOSES**



APRIL 6, 1976.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

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INTERNATIONAL SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT OF 1976

APRIL 6, 1976.—Ordered to be printed

Mr. MORGAN, from the committee of conference, submitted the
following

CONFERENCE REPORT

[To accompany S. 2662]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2662) to amend the Foreign Assistance Act of 1961 and the Foreign Military Sales Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:
That this Act may be cited as the "International Security Assistance and Arms Export Control Act of 1976".

TITLE I—MILITARY ASSISTANCE PROGRAM

AUTHORIZATION

SEC. 101. Section 504(a) of the Foreign Assistance Act of 1961 is amended to read as follows:

"(a) (1) There is authorized to be appropriated to the President to carry out the purposes of this chapter \$196,700,000 for the fiscal year 1976. Not more than the following amounts of funds available for

(1)

carrying out this chapter may be allocated and made available to each of the following countries for such fiscal year:

Country	Amount
Greece	\$31,000,000
Indonesia	13,000,000
Jordan	50,000,000
Korea	55,000,000
Philippines	17,000,000
Thailand	16,000,000
Turkey	31,000,000
Ethiopia	6,000,000

The amount specified in this paragraph for military assistance to any such country for the fiscal year 1976 may be increased by not more than 10 per centum of such amount if the President deems such increase necessary for the purposes of this chapter.

"(2) Not to exceed \$6,000,000 of the funds made available for fiscal year 1976 to carry out the purposes of this chapter may be used to provide assistance to countries and international organizations which are not designated in paragraph (1).

"(3) Funds made available for assistance under this chapter may not be used to furnish assistance to more than 20 countries (including those countries designated in paragraph (1)) in fiscal year 1976.

"(4) The authority of section 610(a) and of section 614(a) may not be used to increase any amount specified in paragraph (1) or (2). The limitations contained in paragraphs (1), (2), and (3) shall not apply to emergency assistance furnished under section 506(a).

"(5) There is authorized to be appropriated to the President, for administrative and other related expenses incurred in carrying out the purposes of this chapter, \$32,000,000 for the fiscal year 1976.

"(6) None of the funds appropriated under this subsection shall be used to furnish sophisticated weapons systems, such as missile systems or jet aircraft for military purposes, to any less developed country unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress.

"(7) Amounts appropriated under this subsection are authorized to remain available until expended.

"(8) Assistance for Turkey under this chapter shall be subject to the requirements of section 620(x) of this Act."

SPECIAL AUTHORITY

SEC. 102. Section 506(a) of the Foreign Assistance Act of 1961 is amended to read as follows:

"(a) (1) If the President first determines and reports to Congress in accordance with section 652 of this Act—

"(A) that an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization;

"(B) that a failure to respond immediately to that emergency will result in serious harm to vital United States security interests; and

"(C) that the emergency requirement cannot be met under authority of the Arms Export Control Act or any other law except this section;

he may order defense articles from the stocks of the Department of Defense and defense services for the purposes of this part, subject to reimbursement from subsequent appropriations made specifically therefor under subsection (b).

"(2) The total value of defense articles and defense services ordered under this subsection in any fiscal year may not exceed \$67,500,000. The authority contained in this subsection shall be effective in any fiscal year only to the extent provided in an appropriation Act.

"(3) The President shall keep the Congress fully and currently informed of all defense articles and defense services ordered under this subsection."

STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES

SEC. 103. Section 514 of the Foreign Assistance Act of 1961 is amended to read as follows:

"SEC. 514. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES.—(a) No defense article in the inventory of the Department of Defense which is set aside, reserved, or in any way earmarked or intended for future use by any foreign country may be made available to or for use by any foreign country unless such transfer is authorized under this Act or the Arms Export Control Act, or any subsequent corresponding legislation, and the value of such transfer is charged against funds authorized under such legislation or against the limitations specified in such legislation, as appropriate, for the fiscal period in which such defense article is transferred. For purposes of this subsection, 'value' means the acquisition cost plus crating, packing, handling, and transportation costs incurred in carrying out this section.

"(b) (1) The value of defense articles to be set aside, earmarked, reserved, or intended for use as war reserve stocks for allied or other foreign countries (other than for purposes of the North Atlantic Treaty Organization) in stockpiles located in foreign countries may not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for that fiscal year.

"(2) The value of such additions to stockpiles in foreign countries shall not exceed \$75,000,000 for the fiscal year 1976 and shall not exceed \$18,750,000 for the period beginning July 1, 1976, and ending September 30, 1976.

"(c) Except for stockpiles in existence on the date of enactment of the International Security Assistance and Arms Export Control Act of 1976 and for stockpiles located in countries which are members of the North Atlantic Treaty Organization, no stockpile may be located outside the boundaries of a United States military base or a military base used primarily by the United States.

"(d) No defense article transferred from any stockpile which is made available to or for use by any foreign country may be considered an excess defense article for the purpose of determining the value thereof.

"(e) The President shall promptly report to the Congress each new stockpile, or addition to an existing stockpile, described in this section of defense articles valued in excess of \$10,000,000 in any fiscal year."

TERMINATION OF MILITARY ASSISTANCE ADVISORY GROUPS AND MISSIONS

Sec. 104. Section 515 of the Foreign Assistance Act of 1961 is amended—

(1) by striking out "Effective July 1, 1976," and inserting in lieu thereof "(a) During the period beginning July 1, 1976, and ending September 30, 1977,"; and

(2) by adding at the end thereof the following new subsection:

"(b) (1) After September 30, 1977, no military assistance advisory group, military mission, or other organization of United States military personnel performing similar military advisory functions under this Act may operate in any foreign country unless specifically authorized by the Congress.

"(2) The President may assign not more than three members of the Armed Forces of the United States to the Chief of each United States Diplomatic Mission to perform such functions as such Chief of Mission determines necessary with respect to international military education and training provided under chapter 5 of this part, to sales of defense articles and services under the Arms Export Control Act, or to such other international security assistance programs as the President may designate. After September 30, 1977, no such functions or related activities may be performed by any defense attachés assigned, detailed, or attached to the United States Diplomatic Mission in any foreign country.

"(c) After September 30, 1976, the number of military missions, groups, and similar organizations may not exceed 34.

"(d) As used in this section, the term 'military assistance advisory group, military mission, or other organization of United States military personnel performing similar military advisory functions under this Act' does not include regular units of Armed Forces of the United States engaged in routine functions designed to bring about the standardization of military operations and procedures between the Armed Forces of the United States and allies of the United States."

TERMINATION OF AUTHORITY TO FURNISH GRANT MILITARY ASSISTANCE

Sec. 105. Chapter 2 of part II of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 516. TERMINATION OF AUTHORITY.—(a) Except to the extent that the Congress may, subsequent to the enactment of this section, authorize the furnishing of military assistance in accordance with this chapter to specified countries in specified amounts, the authorities contained in this chapter (other than the authorities contained in sections 506, 514, and 515(b)(2)) may not be exercised after September 30, 1977, except that such authorities shall remain available until September 30, 1980, to the extent necessary to carry out obligations incurred under this chapter on or before September 30, 1977.

"(b) Funds available to carry out this chapter shall be available notwithstanding the limitations contained in paragraphs (2) and (3) of section 504(a) of this Act—

"(1) for the winding up of military assistance programs under this chapter, including payment of the costs of packing, crating, handling, and transporting defense articles furnished under this chapter and of related administrative costs; and

"(2) for costs incurred under section 503(c) with respect to defense articles on loan to countries no longer eligible under section 504(a) for military assistance."

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Sec. 106. (a) Part II of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new chapter:

"CHAPTER 5—INTERNATIONAL MILITARY EDUCATION AND TRAINING

"SEC. 541. GENERAL AUTHORITY.—The President is authorized to furnish, on such terms and conditions consistent with this Act as the President may determine (but whenever feasible on a reimbursable basis), military education and training to military and related civilian personnel of foreign countries. Such training and education may be provided through—

"(1) attendance at military educational and training facilities in the United States (other than Service academies) and abroad; and

"(2) attendance in special courses of instruction at schools and institutions of learning or research in the United States and abroad; and

"(3) observation and orientation visits to military facilities and related activities in the United States and abroad.

"SEC. 542. AUTHORIZATION.—There are authorized to be appropriated to the President to carry out the purposes of this chapter \$27,000,000 for the fiscal year 1976. After June 30, 1976, no training under this section may be conducted outside the United States unless the President has reported and justified such training to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

"SEC. 543. PURPOSES.—Education and training activities conducted under this chapter shall be designed—

"(1) to encourage effective and mutually beneficial relations and increased understanding between the United States and foreign countries, in furtherance of the goals of international peace and security; and

"(2) to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the United States, with maximum effectiveness, thereby contributing to greater self-reliance by such countries."

(b) *The Foreign Assistance Act of 1961 is amended as follows:*

(1) *Section 510 is repealed.*

(2) *Section 622 is amended—*

(A) *in subsection (b) by inserting “and military education and training” immediately after “(including civic action)”;*
and

(B) *by amending subsection (c) to read as follows:*

“(c) *Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance, military assistance, and military education and training programs, including but not limited to determining whether there shall be a military assistance (including civic action) or a military education and training program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby.*”

(3) *Section 623 is amended—*

(A) *in subsection (a) (4) by inserting “and related civilian” immediately after “military”;* and

(B) *in subsection (a) (6) by inserting “, education and training” immediately after “assistance”.*

(4) *Section 632 is amended—*

(A) *in subsections (a) and (e) by inserting “, military education and training” immediately after “articles” whenever it appears; and*

(B) *in subsection (b) by striking out “and defense articles” and inserting in lieu thereof “, defense articles, or military education and training”.*

(5) *Section 636 is amended—*

(A) *in subsection (g) (1) by inserting “, military education and training” immediately after “articles”;* and

(B) *in subsection (g) (2) and in subsection (g) (3) by striking out “personnel” and inserting in lieu thereof “and related civilian personnel”.*

(6) *Section 644 is amended—*

(A) *by amending subsection (f) to read as follows:*

“(f) *‘Defense service’ includes any service, test, inspection, repair, publication, or technical or other assistance or defense information used for the purposes of furnishing military assistance, but does not include military educational and training activities under chapter 5 of part II.*” and

(B) *by adding at the end thereof the following new subsection:*

“(n) *‘Military education and training’ includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation, and military advice to foreign military units and forces.*”

(c) *Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken or entered into under*

authority of any provision of law amended or repealed by this section shall continue in full force and effect until modified, revoked or superseded by appropriate authority.

(d) *Funds made available pursuant to other provisions of law for foreign military educational and training activities shall remain available for obligation and expenditure for their original purposes in accordance with the provisions of law originally applicable to those purposes or in accordance with the provisions of law currently applicable to those purposes.*

TITLE II—ARMS EXPORT CONTROLS

CHANGE IN TITLE

SEC. 201. (a) *The first section of the Foreign Military Sales Act is amended by striking out “The Foreign Military Sales Act” and inserting in lieu thereof “the ‘Arms Export Control Act’.*

(b) *Any reference to the Foreign Military Sales Act shall be deemed to be a reference to the Arms Export Control Act.*

SALES ARMS POLICY

SEC. 202. (a) *Section 1 of the Foreign Military Sales Act is amended by striking out the last paragraph and inserting in lieu thereof the following new paragraphs:*

“*It shall be the policy of the United States to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war and to lessen the danger of outbreak of regional conflict and the burdens of armaments. United States programs for or procedures governing the export, sale, and grant of defense articles and defense services to foreign countries and international organizations shall be administered in a manner which will carry out this policy.*

“*It is the sense of the Congress that the President should seek to initiate multilateral discussions for the purpose of reaching agreements among the principal arms suppliers and arms purchasers and other countries with respect to the control of the international trade in armaments. It is further the sense of Congress that the President should work actively with all nations to check and control the international sale and distribution of conventional weapons of death and destruction and to encourage regional arms control arrangements. In furtherance of this policy, the President should undertake a concerted effort to convene an international conference of major arms-supplying and arms-purchasing nations which shall consider measures to limit conventional arms transfers in the interest of international peace and stability.*”

(b) (1) *The President shall conduct a comprehensive study of the arms sales policies and practices of the United States Government, including policies and practices with respect to commercial arms sales, in order to determine whether such policies and practices should be changed. Such study shall examine the rationale for arms sales to foreign countries, the benefits to the United States of such arms sales, the risks to world peace as a result of such arms sales, trends in arms sales*

by the United States and other countries, and steps which might be taken by the United States to provide for limitations on arms sales. In addition, such study shall include an evaluation of the impact of United States arms sales policies on the economic and social development of foreign countries and consideration of steps which might be taken by the United States to encourage the maximum use of the resources of the developing countries for economic and social development purposes.

(2) Not later than the end of the one-year period beginning on the date of enactment of this section, the President shall submit to the Congress a report setting forth in detail (A) the findings made and conclusions reached as a result of the study conducted pursuant to paragraph (1) of this subsection, together with such recommendations for legislation as the President deems appropriate, (B) the efforts made by the United States during the five years immediately preceding the submission of such report to initiate and otherwise encourage arms sales limitations, and (C) the efforts being made by the United States at the time of the submission of such report to initiate and otherwise encourage arms sales limitations in accordance with the policies stated in the amendment made by subsection (a) of this section.

TRANSFER OF DEFENSE SERVICES

SEC. 203. (a) Section 3(a)(2) of the Foreign Military Sales Act is amended, effective July 1, 1976, by inserting immediately after "article" each time it appears "or related training or other defense service".

(b) Section 505(a) of the Foreign Assistance Act of 1961 is amended, effective July 1, 1976, by inserting immediately after "articles" each time it appears "or related training or other defense service".

APPROVAL FOR TRANSFER OF DEFENSE ARTICLES

SEC. 204. (a) Section 3 of the Foreign Military Sales Act is amended by adding at the end thereof the following new subsections:

"(e) The President may not give his consent under paragraph (2) of subsection (a) or under the third sentence of such subsection to a transfer of a defense article, or related training or other defense service, sold under this Act and may not give his consent to such a transfer under section 505(a)(1) or 505(a)(4) of the Foreign Assistance Act of 1961 unless—

"(1) the President submits to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate, on the same day, a written certification with respect to such proposed transfer containing—

"(A) the name of the country or international organization proposing to make such transfer,

"(B) a description of the defense article or related training or other defense service proposed to be transferred, including the original acquisition cost of such defense article or related training or other defense service,

"(C) the name of the proposed recipient of such defense article or related training or other defense service,

"(D) the reasons for such proposed transfer, and

"(E) the date on which such transfer is proposed to be made; and

"(2) either—

"(A) the Congress does not adopt a concurrent resolution disapproving the proposed transfer within the first period of thirty calendar days after the date on which such certification is submitted, or

"(B) the President certifies in his certification that an emergency exists which requires such transfer in the national security interests of the United States.

Any certification submitted to Congress pursuant to this subsection shall be unclassified, except that information regarding the dollar value and number of defense articles, or related training or other defense services, proposed to be transferred may be classified if public disclosure thereof would be clearly detrimental to the security of the United States. A resolution of disapproval under paragraph (2)(A) shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

"(f) If the President receives any information that a transfer of any defense article, or related training or other defense service, has been made without his consent as required under this section or under section 505 of the Foreign Assistance Act of 1961, he shall report such information immediately to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate."

(b)(1) The second sentence of subsection (a) of section 3 of the Foreign Military Sales Act is amended by striking out ", and prior" and all that follows thereafter through "transferred" the second time it appears.

(2) The first sentence of section 505(e) of the Foreign Assistance Act of 1961 is amended by striking out ", and prior" and all that follows thereafter through "transferred" the second time it appears.

SALES FROM STOCKS

SEC. 205. Section 21 of the Foreign Military Sales Act is amended to read as follows:

"SEC. 21. SALES FROM STOCKS.—(a) The President may sell defense articles and defense services from the stocks of the Department of Defense to any eligible country or international organization if such country or international organization agrees to pay in United States dollars—

"(1) in the case of a defense article not intended to be replaced at the time such agreement is entered into, not less than the actual value thereof;

"(2) in the case of a defense article intended to be replaced at the time such agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or

"(3) in the case of the sale of a defense service, the full cost to the United States Government of furnishing such service.

"(b) Except as provided by subsection (d) of this subsection, payment shall be made in advance or, if the President determines it to be in the national interest, upon delivery of the defense article or rendering of the defense service.

"(c) Personnel performing defense services sold under this Act may not perform any duties of a combatant nature, including any duties related to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of those defense services.

"(d) If the President determines it to be in the national interest pursuant to subsection (b) of this section, billings for sales made under letters of offer issued under this section after the enactment of this subsection may be dated and issued upon delivery of the defense article or rendering of the defense service and shall be due and payable upon receipt thereof by the purchasing country or international organization. Interest shall be charged on any net amount due and payable which is not paid within sixty days after the date of such billing. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the billing and shall be computed from the date of billing. The President may extend such sixty-day period to one hundred and twenty days if he determines that emergency requirements of the purchaser for acquisition of such defense articles or defense services exceed the ready availability to the purchaser of funds sufficient to pay the United States in full for them within such sixty-day period and submits that determination to the Congress together with a special emergency request for the authorization and appropriation of additional funds to finance such purchases under this Act.

"(e) (1) After September 30, 1976, letters of offer for the sale of defense articles or for the sale of defense services that are issued pursuant to this section or pursuant to section 22 of this Act shall include appropriate charges for—

"(A) administrative services, calculated on an average percentage basis to recover the full estimated costs of administration of sales made under this Act to all purchasers of such articles and services;

"(B) any use of plant and production equipment in connection with such defense articles; and

"(C) a proportionate amount of any nonrecurring costs of research, development, and production of major defense equipment.

"(2) The President may reduce or waive the charge or charges which would otherwise be considered appropriate under subparagraphs (1)(B) and (1)(C) for particular sales that would, if made, significantly advance United States Government interests in North Atlantic Treaty Organization standardization, or foreign procurement in the United States under coproduction arrangements.

"(f) Any contracts entered into between the United States and a foreign country under the authority of this section or section 22 of this Act shall be prepared in a manner which will permit them to be made

available for public inspection to the fullest extent possible consistent with the national security of the United States.

"(g) In carrying out section 814 of the Act of October 7, 1975 (Public Law 94-106), the President may enter into North Atlantic Treaty Organization standardization agreements for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each such agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate."

SALES FROM STOCKS AFFECTING UNITED STATES COMBAT READINESS

SEC. 206. Section 21 of the Foreign Military Sales Act, as amended by section 205 of this Act, is further amended by adding at the end thereof the following new subsection:

"(h) (1) Sales of defense articles and defense services which could have significant adverse effect on the combat readiness of the Armed Forces of the United States shall be kept to an absolute minimum. The President shall transmit to the Speaker of the House of Representatives and the Committees on Armed Services and Foreign Relations of the Senate on the same day a written statement giving a complete explanation with respect to any proposal to sell, under this section, any defense articles or defense services if such sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States. Each such statement shall be unclassified except to the extent that public disclosure of any item of information contained therein would be clearly detrimental to the security of the United States. Any necessarily classified information shall be confined to a supplemental report. Each such statement shall include an explanation relating to only one such proposal to sell and shall set forth—

"(A) the country or international organization to which the sale is proposed to be made;

"(B) the amount of the proposed sale;

"(C) a description of the defense article or service proposed to be sold;

"(D) a full description of the impact which the proposed sale will have on the Armed Forces of the United States; and

"(E) a justification for such proposed sale, including a certification that such sale is important to the security of the United States.

A certification described in subparagraph (E) shall take effect on the date on which such certification is transmitted and shall remain in effect for not to exceed one year.

"(2) No delivery may be made under any sale which is required to be reported under paragraph (1) of this subsection unless the certification required to be transmitted by paragraph (E) of paragraph (1) is in effect."

PROCUREMENT FOR CASH SALES

SEC. 207. (a) Section 22(a) of the Foreign Military Sales Act is amended by adding at the end thereof the following: "Interest shall be charged on any net amount by which any such country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings, considered collectively. The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage."

(b) Section 22(b) of the Foreign Military Sales Act is amended by striking out the first sentence and inserting in lieu thereof the following: "The President may, if he determines it to be in the national interest, issue letters of offer under this section which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within one hundred and twenty days after the date of billing. This authority may be exercised, however, only if the President also determines that the emergency requirements of the purchaser for acquisition of such defense articles and services exceed the ready availability to the purchaser of funds sufficient to make payments on a dependable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under this Act."

EXTENSION OF PAYMENT PERIOD FOR CREDIT SALES

SEC. 208. (a) Paragraph (1) of section 23 of the Foreign Military Sales Act is amended by striking out "ten years" and inserting in lieu thereof "twelve years".

(b) The amendment made by subsection (a) shall apply with respect to financing under agreements entered into on or after the date of enactment of this Act for the procurement of defense articles to be delivered, or defense services to be rendered, after such date.

ANNUAL ESTIMATE AND JUSTIFICATION FOR SALES PROGRAM

SEC. 209. (a) Immediately after section 24 of the Foreign Military Sales Act, add the following new section:

"SEC. 25. ANNUAL ESTIMATE AND JUSTIFICATION FOR SALES PROGRAM.—(a) The President shall transmit to the Congress, as a part of the presentation materials for security assistance programs proposed for each fiscal year, a report which sets forth—

"(1) an estimate of the amount of sales expected to be made to each country under sections 21 and 22 of this Act, including a detailed explanation of the foreign policy and United States national security considerations involved in expected sales to each country;

"(2) an estimate of the amount of credits and guaranties expected to be extended to each country under sections 23 and 24 of this Act;

"(3) a list of all findings which are in effect on the date of such transmission made by the President pursuant to section 3(a)(1) of this Act, together with a full and complete justification for each such finding, explaining how sales to each country with respect to which such finding has been made will strengthen the security of the United States and promote world peace; and

"(4) an arms control impact statement for each purchasing country prepared by the Director of the Arms Control and Disarmament Agency, including (A) an analysis of the relationship between expected sales to each country and arms control efforts relating to that country, and (B) the impact of such expected sales on the stability of the region that includes the purchasing country.

"(b) Not later than thirty days following the receipt of a request made by the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives for additional information with respect to any estimate submitted pursuant to subsection (a), the President shall submit such information to such committee.

"(c) The President shall make every effort to submit all of the information required by this section wholly in unclassified form. In the event the President submits any such information in classified form, he shall submit such classified information in an addendum and shall also submit simultaneously a detailed summary, in unclassified form, of such classified information."

(b) Section 634(d) of the Foreign Assistance Act of 1961 is amended by striking out "and military sales under this or any other Act" in the fourth sentence.

MILITARY SALES AUTHORIZATION

SEC. 210. (a) Section 31(a) of the Foreign Military Sales Act is amended by striking out "not to exceed \$405,000,000 for the fiscal year 1975" and inserting in lieu thereof "not to exceed \$1,039,000,000 for the fiscal year 1976".

(b) Section 31(b) of such Act is amended to read as follows:

"(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act and of the principal amount of loans guaranteed pursuant to section 24(a) shall not exceed \$2,374,700,000 for the fiscal year 1976, of which not less than \$1,500,000,000 shall be available only for Israel."

(c) (1) Section 31 of such Act is further amended by adding at the end thereof the following new subsections:

"(c) Funds made available for the fiscal year 1976 under subsection (a) of this section shall be obligated to finance the procurement of defense articles and defense services by Israel on a long-term repayment basis either by the extension of credits, without regard to the limitations contained in section 23, or by the issuance of guaranties under section 24. Repayment shall be in not less than twenty years, following a grace period of ten years on repayment of principal. Israel shall be released from one-half of its contractual liability to repay the United States Government with respect to defense articles and defense services so financed.

"(d) The aggregate acquisition cost to the United States of excess defense articles ordered by the President in any fiscal year after fiscal year 1976 for delivery to foreign countries or international organizations under the authority of chapter 2 of part II of the Foreign Assistance Act of 1961 or pursuant to sales under this Act may not exceed \$100,000,000."

(2) Subsections (a), (b), (c), and (e) of section 8 of the Act entitled "An Act to amend the Foreign Military Sales Act, and for other purposes", approved January 12, 1971 (Public Law 91-672; 84 Stat. 2053), are repealed effective July 1, 1976. All funds in the suspense account referred to in subsection (a) of such section on July 1, 1976, shall be transferred to the general fund of the Treasury.

REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS;
CONGRESSIONAL ACTION

SEC. 211. (a) Section 36 of the Foreign Military Sales Act is amended to read as follows:

SEC. 36. REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS; CONGRESSIONAL ACTION.—(a) The President shall transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate not more than thirty days after the end of each quarter an unclassified report (except that any material which was transmitted in classified form under subsection (b)(1) of this section may be contained in a classified addendum to such report, and any letter of offer referred to in paragraph (1) of this subsection may be listed in such addendum unless such letter of offer has been the subject of an unclassified certification pursuant to subsection (b)(1) of this section) containing—

"(1) a listing of all letters of offer to sell any major defense equipment to be sold for \$1,000,000 or more under this Act to each foreign country and international organization, by category, if such letters of offer have not been accepted or canceled;

"(2) a listing of all such letters of offer that have been accepted during the fiscal year in which such report is submitted, together with the total value of all defense articles and defense services sold to each foreign country and international organization during such fiscal year;

"(3) the cumulative dollar amounts, by foreign country and international organization, of sales credit agreements under section 23 and guaranty agreements under section 24 made during the fiscal year in which such report is submitted;

"(4) a numbered listing of all licenses and approvals for the export to each foreign country and international organization during such fiscal year of commercially sold major defense equipment, by category, sold for \$1,000,000 or more, together with the total value of all defense articles and defense services so licensed for each foreign country and international organization, setting forth with respect to the listed major defense equipment—

"(A) the items to be exported under the license,

"(B) the quantity and contract price of each such item to be furnished, and

"(C) the name and address of the ultimate user of each such item;

"(5) projections of the dollar amounts, by foreign country and international organization, of cash sales expected to be made under sections 21 and 22, credits to be extended under section 23, and guaranty agreements to be made under section 24 in the quarter of the fiscal year immediately following the quarter for which such report is submitted;

"(6) a projection with respect to all cash sales expected to be made and credits expected to be extended to each country and organization for the remainder of the fiscal year in which such report is transmitted;

"(7) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of sales and commercial exports under this Act; and

"(8) an analysis and description of the services being performed by officers and employees of the United States Government under section 21(a) of this Act, including the number of personnel so employed.

For each letter of offer to sell under paragraphs (1) and (2), the report shall specify (i) the foreign country or international organization to which the defense article or service is offered or was sold, as the case may be; (ii) the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold, as the case may be; (iii) a description of the defense article or service offered or sold, as the case may be; and (iv) the United States Armed Force or other agency of the United States which is making the offer to sell or the sale, as the case may be.

"(b)(1) In the case of any letter of offer to sell any defense articles or services under this Act for \$25,000,000 or more, or any major defense equipment for \$7,000,000 or more, before such letter of offer is issued, the President shall submit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a numbered certification with respect to such offer to sell containing the information specified in clauses (i) through (iv) of subsection (a). In addition, the President shall, upon the request of such committee or the Committee on International Relations of the House of Representatives, transmit promptly to both such committees a statement setting forth, to the extent specified in such request—

"(A) a detailed description of the defense articles or services to be offered, including a brief description of the capabilities of any defense article to be offered;

"(B) an estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

"(C) the name of each contractor expected to provide the defense article or defense service proposed to be sold (if known on the date of transmittal of such report);

"(D) an analysis of the arms control impact pertinent to such offer to sell, prepared in consultation with the Secretary of Defense;

"(E) the reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles or services which are the subject of such sale and a description of how such country or organization intends to use such defense articles or services;

"(F) an analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

"(G) the reasons why the proposed sale is in the national interest of the United States;

"(H) an analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

"(I) an analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles or services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles or services;

"(J) an estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles or services proposed to be sold;

"(K) an analysis of the extent to which comparable kinds and amounts of defense articles or services are available from other countries; and

"(L) an analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles or services which are the subject of such sale would be delivered.

A certification transmitted pursuant to this subsection shall be unclassified, except that the information specified in clause (ii) and the details of the description specified in clause (iii) of subsection (a) may be classified if the public disclosure thereof would be clearly detrimental to the security of the United States. The letter of offer shall not be issued if the Congress, within thirty calendar days after receiving such certification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the United States.

"(2) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601 (b) of the International Security Assistance and Arms Export Control Act of 1976.

"(3) For the purpose of expediting the consideration and adoption of concurrent resolutions under this subsection, a motion to proceed to the consideration of any such resolution after it has been reported by the appropriate committee shall be treated as highly privileged in the House of Representatives.

"(c) (1) In the case of an application by a person (other than with regard to a sale under section 21 or section 22 of this Act) for a license for the export of any major defense equipment sold under a contract in the amount of \$7,000,000 or more or of defense articles or defense services sold under a contract in the amount of \$25,000,000 or more, before issuing such license the President shall transmit to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate an unclassified numbered certification with respect to such application specifying (A) the foreign country or international organization to which such export will be made, (B) the dollar amount of the items to be exported, and (C) a description of the items to be exported. In addition, the President shall, upon the request of such committee or the Committee on International Relations of the House of Representatives, transmit promptly to both such committees a statement setting forth, to the extent specified in such request, a description of the capabilities of the items to be exported, an estimate of the total number of United States personnel expected to be needed in the foreign country concerned in connection with the items to be exported, and an analysis of the arms control impact pertinent to such application, prepared in consultation with the Secretary of Defense. A certification transmitted pursuant to this subsection shall be unclassified, except that the information specified in subparagraph (B) and the details of the description specified in subparagraph (C) may be classified if the public disclosure thereof would be clearly detrimental to the security of the United States. No license for the export of any major defense equipment sold for \$7,000,000 or more may be issued if the Congress, within thirty calendar days after receiving the certification with respect to such license, adopts a concurrent resolution stating that it objects to the issuance of such license, unless the President states in his certification that an emergency exists which requires the issuance of such license in the national security interests of the United States.

"(2) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601 (b) of the International Security Assistance and Arms Export Control Act of 1976.

"(3) For the purpose of expediting the consideration and adoption of concurrent resolutions under this section, a motion to proceed to the consideration of any such resolution after it has been reported by the appropriate committee shall be treated as highly privileged in the House of Representatives.

"(d) In the case of an approval under section 38 of this Act of a United States commercial technical assistance or manufacturing licensing agreement for or in a country not a member of the North Atlantic Treaty Organization which involves the manufacture abroad of any item of significant combat equipment on the United States Munitions List, before such approval is given, the President shall submit a certification with respect to such proposed commercial agreement in a manner similar to the certification required under paragraph (1) of subsection (c) containing comparable information."

(b) The amendment made by subsection (a) of this section shall apply with respect to letters of offer for which a certification is transmitted pursuant to section 36 (b) of the Arms Export Control Act on

or after the date of enactment of this Act and to export licenses for which an application is filed under section 38 of such Act on or after such date.

CONTROL OF LICENSES WITH RESPECT TO ARMS EXPORTS AND IMPORTS

SEC. 212. (a) (1) Chapter 3 of the Foreign Military Sales Act is amended by adding at the end thereof the following new section:

"SEC. 38. CONTROL OF ARMS EXPORTS AND IMPORTS.—(a) (1) In furtherance of world peace and the security and foreign policy of the United States, the President is authorized to control the import and the export of defense articles and defense services and to provide foreign policy guidance to persons of the United States involved in the export and import of such articles and services. The President is authorized to designate those items which shall be considered as defense articles and defense services for the purposes of this section and to promulgate regulations for the import and export of such articles and services. The items so designated shall constitute the United States Munitions List.

"(2) Decisions on issuing export licenses under this section shall be made in coordination with the Director of the United States Arms Control and Disarmament Agency and shall take into account the Director's opinion as to whether the export of an article will contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

"(b) (1) As prescribed in regulations issued under this section, every person (other than an officer or employee of the United States Government acting in an official capacity) who engages in the business of manufacturing, exporting, or importing any defense articles or defense services designated by the President under subsection (a) (1) shall register with the United States Government agency charged with the administration of this section, and shall pay a registration fee which shall be prescribed by such regulations. Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State or local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

"(2) Except as otherwise specifically provided in regulations issued under subsection (a) (1), no defense articles or defense services designated by the President under subsection (a) (1) may be exported or imported without a license for such export or import, issued in accordance with this Act and regulations issued under this Act, except that no license shall be required for exports or imports made by or for an agency of the United States Government (A) for official use by a de-

partment or agency of the United States Government, or (B) for carrying out any foreign assistance or sales program authorized by law and subject to the control of the President by other means.

"(3) No license may be issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this Act.

"(c) Any person who willfully violates any provision of this section or section 36(f), or any rule or regulation issued under either section, or who willfully, in a registration or license application or required report, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$100,000 or imprisoned not more than two years, or both.

"(d) This section applies to and within the Canal Zone.

"(e) In carrying out functions under this section with respect to the export of defense articles and defense services, the President is authorized to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by sections 6(c), (d), (e), and (f) and 7(a) and (c) of the Export Administration Act of 1969, subject to the same terms and conditions as are applicable to such powers under such Act. Nothing in this subsection shall be construed as authorizing the withholding of information from the Congress."

(2) Section 2(b) of the Foreign Military Sales Act is amended—

(A) by inserting "and exports" immediately after "sales" both times it appears; and

(B) by inserting "and whether there shall be delivery or other performance under such sale or export," immediately after "thereof".

(b) (1) Section 414 of the Mutual Security Act of 1954 is repealed. Any reference to such section shall be deemed to be a reference to section 39 of the Arms Export Control Act and any reference to licenses issued under section 38 of the Arms Export Control Act shall be deemed to include a reference to licenses issued under section 414 of the Mutual Security Act of 1954.

(2) All determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under section 414 of the Mutual Security Act of 1954 shall continue in full force and effect until modified, revoked, or superseded by appropriate authority.

ANNUAL CEILING ON ARMS SALES

SEC. 213. (a) Chapter 3 of the Foreign Military Sales Act, as amended by section 212 of this Act, is further amended by adding at the end thereof the following new section:

"SEC. 39. ANNUAL CEILING ON ARMS SALES.—(a) The aggregate value of defense articles and defense services—

"(1) which are sold under section 21 or section 22 of this Act; or

"(2) which are licensed or approved for export under section 38 of this Act to, for the use, or for benefit of the armed forces, police, intelligence, or other internal security forces of a foreign country or international organization under a commercial sales contract;

may not exceed \$9,000,000,000, in any fiscal year in constant 1975 dollars, which ceiling shall be calculated by the President quarterly to conform to changes in the Unit Value Index of United States domestic exports of finished manufactures and reported to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate. The President may waive such limitation with respect to such defense articles and services as he determines and certifies to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate are required to be furnished in the national security interests of the United States. Such determinations and certifications shall be made on a case-by-case basis. For the purposes of this subsection, the value of defense articles and defense services is the contract price for such articles or services as of the date on which the contract under which they are sold is entered into in the case of a contract of sale under this Act or as of the date of licensing or approval for export in the case of a commercial sales contract.

"(b) In implementing the requirements of subsection (a), the President may, subject to such requirements as the Congress may by law prescribe, establish such arms sales quotas for countries and regions, and for sales under this Act and commercial exports licensed or approved under this Act, as he deems appropriate.

"(c) In computing the aggregate value of defense articles and defense services sold or licensed or approved in a fiscal year for purposes of the ceiling established by subsection (a) of this section and for purposes of any quotas established under subsection (b) of this section, the following shall be excluded:

"(1) The value of any defense articles or defense services which are not actually furnished.

"(2) The value of any defense articles or defense services which are the subject of a replacement sales contract which is entered into in substitution for a contract described in subsection (a) (1) of this section, or in substitution for a contract for which there was a license or approval described in subsection (a) (2) of this section, to the extent that such value was previously included in the computations under this section.

"(d) Any person who, with intent to avoid a limitation or prohibition with respect to a ceiling or quota established by or under this section, exports or attempts to export any defense article or defense service without a license or approval required under section 38 of this Act, shall, in addition to any penalty prescribed under section 38, upon conviction be fined not more than \$25,000 or imprisoned not more than two years, or both."

(b) The amendment made by subsection (a) shall take effect on October 1, 1976, and shall apply with respect to fiscal year 1977 and each fiscal year thereafter.

CANCELLATION AND SUSPENSION OF LICENSES AND CONTRACTS

SEC. 214. Section 42 of the Foreign Military Sales Act is amended by adding at the end thereof the following new subsection:

"(e) (1) Each contract for sale entered into under sections 21 and 22 of this Act shall provide that such contract may be canceled in whole or in part, or its execution suspended, by the United States at any time under unusual or compelling circumstances if the national interest so requires.

"(2) (A) Each export license issued under section 38 of this Act shall provide that such license may be revoked, suspended, or amended by the Secretary of State, without prior notice, whenever the Secretary deems such action to be advisable.

"(B) Nothing in this paragraph may be construed as limiting the regulatory authority of the President under this Act.

"(3) There are authorized to be appropriated from time to time such sums as may be necessary (A) to refund moneys received from purchasers under contracts of sale entered into under sections 21 and 22 of this Act that are canceled or suspended under this subsection to the extent such moneys have previously been disbursed to private contractors and United States Government agencies for work in progress, and (B) to pay such damages and costs that accrue from the corresponding cancellation or suspension of the existing procurement contracts or United States Government agency work orders involved."

ADMINISTRATIVE EXPENSES

SEC. 215. (a) Section 43 of the Foreign Military Sales Act is amended by designating the present section as subsection (a) and by adding at the end thereof the following new subsection:

"(b) Administrative expenses incurred by any department or agency of the United States Government (including any mission or group) in carrying out functions under this Act which are primarily for the benefit of any foreign country shall be fully reimbursed from amounts received for sales under sections 21 and 22."

DEFINITIONS

SEC. 216. Section 47 of the Foreign Military Sales Act is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon; and

(3) by adding immediately after paragraph (2) the following new paragraphs:

"(3) 'Defense article', except as provided in paragraph (7) of this section, includes—

"(A) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war,

"(B) any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance,

"(C) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, proc-

essing, repair, servicing, storage, construction, transportation, operation, or use of any article listed in this paragraph, and

“(D) any component or part of any article listed in this paragraph,

but does not include merchant vessels or (as defined by the Atomic Energy Act of 1954) source material, byproduct material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data;

“(4) ‘defense service’, except as provided in paragraph (7) of this section, includes any service, test, inspection, repair, training, publication, technical or other assistance, or defense information (as defined in section 644(e) of the Foreign Assistance Act of 1961), used for the purposes of furnishing military assistance;

“(5) ‘training’ includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, or contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces;

“(6) ‘major defense equipment’ means any item of significant combat equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000; and

“(7) ‘defense articles and defense services’ means, with respect to commercial exports subject to the provisions of section 38 of this Act, those items designated by the President pursuant to subsection (a) (1) of such section.”

ANNUAL FOREIGN SALES REPORT

SEC. 217. Section 657 of the Foreign Assistance Act of 1961 is amended as follows:

(1) The section caption is amended by inserting “AND MILITARY EXPORTS” after “FOREIGN ASSISTANCE”.

(2) Paragraph (1) of subsection (a) is amended to read as follows:

“(1) the aggregate dollar value of all foreign assistance (including military education and training), foreign military sales, sales credits, and guaranties provided or made by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance, sales, sales credits, and guaranties, by category, provided or made by the United States Government to or for each such country or organization during that fiscal year;”

(3) Paragraph (3) of subsection (a) is amended to read as follows:

“(3) the aggregate dollar value and quantity of defense articles and defense services, and of military education and training, exported to each foreign country and international organization, by category, specifying whether the export was made by grant under chapter 2 or chapter 5 of part II of this Act, by sale under

chapter 2 of the Arms Export Control Act, by commercial sale licensed under chapter 3 of that Act, or by other authority; and”.

(4) Paragraph (4) of subsection (a) is repealed.

(5) Paragraph (5) of subsection (a) is amended—

(A) by redesignating such paragraph as paragraph (4), and

(B) by striking out “(4)” and inserting in lieu thereof “(3)”.

REPORT OF SALES OF EXCESS DEFENSE ARTICLES

SEC. 218. Not later than February 28, 1977, the President shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate a full and complete report regarding all sales made under the Arms Export Control Act during the period July 1, 1976, through December 31, 1976, of excess defense articles to foreign governments and international organizations (other than any such articles sold solely for scrap). Such report shall set forth—

(1) the number of such sales;

(2) the total acquisition costs of the articles sold;

(3) the total gross price paid for such articles exclusive of administrative surcharges and costs of repairing, rehabilitating, or modifying such articles;

(4) the data set forth under paragraphs (1), (2), and (3) totaled separately for those sales made at less than 33 $\frac{1}{3}$ per centum of the acquisition costs thereof; and

(5) the estimated total proceeds of sales of articles included under paragraph (4) if such articles had been sold instead through United States Government surplus property disposal operations and the percentage thereof that would have been paid out of such proceeds to meet direct expenses incurred in connection with such dispositions pursuant to law.

TITLE III—GENERAL LIMITATIONS

HUMAN RIGHTS

SEC. 301. (a) Section 502B of the Foreign Assistance Act of 1961 is amended to read as follows:

“SEC. 502B. HUMAN RIGHTS.—(a) (1) It is the policy of the United States, in accordance with its international obligations as set forth in the Charter of the United Nations and in keeping with the constitutional heritage and traditions of the United States, to promote and encourage increased respect for human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion. To this end, a principal goal of the foreign policy of the United States is to promote the increased observance of internationally recognized human rights by all countries.

“(2) In furtherance of the foregoing policy the President is directed to formulate and conduct international security assistance programs of the United States in a manner which will promote and advance

human rights and avoid identification of the United States, through such programs, with governments which deny to their people internationally recognized human rights and fundamental freedoms, in violation of international law or in contravention of the policy of the United States as expressed in this section or otherwise.

"(3) Except under circumstances specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights.

"(b) The Secretary of State shall transmit to the Congress, as part of the presentation materials for security assistance programs proposed for each fiscal year beginning with the fiscal year 1977, a full and complete report, prepared with the assistance of the Coordinator for Human Rights, with respect to practices regarding the observance of and respect for internationally recognized human rights in each country proposed as a recipient of security assistance. In determining whether a government falls within the provisions of subsection (a) (3) and in the preparation of any report or statement required under this section, consideration shall be given to—

"(1) the relevant findings of appropriate international organizations, including nongovernmental organizations, such as the International Committee of the Red Cross; and

"(2) the extent of cooperation by such government in permitting an unimpeded investigation by any such organization of alleged violations of internationally recognized human rights.

"(c) (1) Upon the request of the Senate or the House of Representatives by resolution of either such House, or upon the request of the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives, the Secretary of State shall, within thirty days after receipt of such request, transmit to both such committees a statement, prepared with the assistance of the Coordinator for Human Rights, with respect to the country designated in such request, setting forth—

"(A) all the available information about observance of and respect for human rights and fundamental freedom in that country, and a detailed description of practices by the recipient government with respect thereto;

"(B) the steps the United States has taken to—

"(i) promote respect for and observance of human rights in that country and discourage any practices which are inimical to internationally recognized human rights, and

"(ii) publicly or privately call attention to, and disassociate the United States and any security assistance provided for such country from, such practices;

"(C) whether, in the opinion of the Secretary of State, notwithstanding any such practices—

"(i) extraordinary circumstances exist which necessitate a continuation of security assistance for such country, and, if so, a description of such circumstances and the extent to which such assistance should be continued (subject to such conditions as Congress may impose under this section), and

"(ii) on all the facts it is in the national interest of the United States to provide such assistance; and

"(D) such other information as such committee or such House may request.

"(2) (A) A resolution of request under paragraph (1) of this subsection shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

"(B) The term 'certification', as used in section 601(b) of such Act, means, for the purposes of this subsection, a resolution of request of either House under paragraph (1) of this subsection.

"(3) In the event a statement with respect to a country is requested pursuant to paragraph (1) of this subsection but is not transmitted in accordance therewith within thirty days after receipt of such request, no security assistance shall be delivered to such country except as may be specifically authorized by law for such country unless and until such statement is transmitted.

"(4) (A) In the event a statement with respect to a country is transmitted under paragraph (1) of this subsection, the Congress may, within the first period of ninety days of continuous session after such report is transmitted, adopt a concurrent resolution terminating, restricting, or continuing security assistance for such country. In the event such a concurrent resolution is adopted, such assistance shall be so terminated, so restricted, or so continued, as the case may be.

"(B) Any such resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

"(C) The term 'certification', as used in section 601 of such Act, means, for the purposes of this paragraph, a statement transmitted under paragraph (1) of this subsection.

"(d) For the purposes of this section—

"(1) the term 'gross violations of internationally recognized human rights' includes torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges and trial, and other flagrant denial of the right to life, liberty, or the security of person; and

"(2) the term 'security assistance' means—

"(A) assistance under chapter 2 (military assistance) or chapter 4 (security supporting assistance) or chapter 5 (military education and training) of this part or part VI (assistance to the Middle East) of this Act;

"(B) sales of defense articles or services, extensions of credits (including participations in credits), and guarantees of loans under the Arms Export Control Act; or

"(C) any license in effect with respect to the export of defense articles or defense services to or for the armed forces, police, intelligence, or other internal security forces of a foreign country under section 38 of the Arms Export Control Act."

(b) Section 624 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsection:

"(f) (1) There is established in the Department of State a Coordinator for Human Rights. The Coordinator shall be appointed by the President with the advice and consent of the Senate. He shall be responsible to the Secretary of State for matters pertaining to human

rights in the conduct of foreign policy. The Secretary of State shall carry out his responsibility under section 502B of this Act through the Coordinator for Human Rights.

"(2) The Coordinator for Human Rights shall maintain continuous observation and review of all matters pertaining to human rights in the conduct of foreign policy including—

"(A) gathering detailed information regarding the observance of and respect for internationally recognized human rights in each country to which requirements of sections 116 and 502B of this Act are relevant;

"(B) preparing the statements and reports to Congress required under this section;

"(C) making recommendations to the Secretary of State and the Administrator of the Agency for International Development regarding compliance with sections 116 and 502B of this Act; and

"(D) performing other responsibilities which serve to promote increased observance of internationally recognized human rights by all countries."

PROHIBITION AGAINST DISCRIMINATION

SEC. 302. (a) Section 505 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsection:

"(g) (1) It is the policy of the United States that no assistance under this chapter should be furnished to any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this chapter on the basis of race, religion, national origin, or sex.

"(2) (A) No agency performing functions under this chapter shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

"(B) Each contract entered into by any such agency for the performance of any function under this chapter shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

"(3) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any transaction in which any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the furnishing of assistance under this chapter, or edu-

cation and training under chapter 5, to any foreign country. Such reports shall include (A) a description of the facts and circumstances of any such discrimination, (B) the response thereto on the part of the United States or any agency or employee thereof, and (C) the result of such response, if any.

"(4) If the discrimination by a foreign government reported pursuant to paragraph (3) of this subsection continues so that such person would be prevented from participating in the furnishing of such military assistance transaction, or military education or training transaction, under the provisions of this Act on account of the race, religion, national origin, or sex of such person (or, in the case of a partnership, corporation, association, or other entity, any officer, employee, agent, director, or owner thereof), then the President shall immediately terminate such assistance or training transaction, as the case may be, except that the President may waive such termination requirement if he determines, and so reports to the Congress, that such termination would have a significant adverse impact on the security of the United States."

(b) Chapter 1 of the Foreign Military Sales Act is amended by adding at the end thereof the following new section:

"SEC. 5. PROHIBITION AGAINST DISCRIMINATION.—(a) It is the policy of the United States that no sales should be made, and no credits (including participation in credits) or guarantees extended to or for any foreign country, the laws, regulations, official policies, or governmental practices of which prevent any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) from participating in the furnishing of defense articles or defense services under this Act on the basis of race, religion, national origin, or sex.

"(b) (1) No agency performing functions under this Act shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

"(2) Each contract entered into by any such agency for the performance of any function under this Act shall contain a provision to the effect that no person, partnership, corporation, or other entity performing functions pursuant to such contract, shall, in employing or assigning personnel to participate in the performance of any such function, whether in the United States or abroad, take into account the exclusionary policies or practices of any foreign government where such policies or practices are based upon race, religion, national origin, or sex.

"(c) The President shall promptly transmit reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate concerning any instance in which any United States person (as defined in section 7701(a)(30) of the Internal Revenue Code of 1954) is prevented by a foreign government on the basis of race, religion, national origin, or sex, from participating in the performance of any sale or licensed transaction under this Act. Such reports shall include (1) a description of the facts and circumstances of any such discrimination, (2) the response thereto on the

part of the United States or any agency or employee thereof, and (3) the result of such response, if any.

"(d) If the discrimination by a foreign government reported pursuant to subsection (c) continues so that such person would be prevented from participating in the performance of any sale or licensed transaction under the provisions of this Act on account of the race, religion, national origin, or sex of such person (or, in the case of a partnership, corporation, or other entity, of any officer, employee, agent, director or owner of such partnership, corporation, or other entity), then the President shall immediately cancel such sale or suspend such license, as the case may be; except that the President may waive such cancellation or suspension requirement if he determines, and so reports to the Congress, that such cancellation or suspension would have a significant adverse impact on the security of the United States."

INELIGIBILITY

SEC. 303. (a) Section 505(d) of the Foreign Assistance Act of 1961 is amended to read as follows:

"(d) (1) Assistance and deliveries of assistance under this chapter to any country shall be terminated as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, the Mutual Security Act of 1954, or any predecessor Foreign Assistance Act, in substantial violation (either in terms of quantities or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act (A) by using such articles or services for a purpose not authorized under section 502 or, if such agreement provides that such articles or services may only be used for purposes more limited than those authorized under section 502, for a purpose not authorized under such agreement; (B) by transferring such articles or services to, or permitting any use of such articles or services by, anyone not an officer, employee, or agent of the recipient country without the consent of the President; or (C) by failing to maintain the security of such articles or services.

"(2) (A) Assistance and deliveries of assistance shall be terminated pursuant to paragraph (1) of this subsection if the President so determines and so states in writing to the Congress, or if the Congress so finds by concurrent resolution.

"(B) The President shall report to the Congress promptly upon the receipt of information that a violation described in paragraph (1) of this subsection may have occurred.

"(3) Assistance to a country shall remain terminated in accordance with paragraph (1) of this subsection until such time as—

"(A) the President determines that the violation has ceased; and

"(B) the country concerned has given assurances satisfactory to the President that such violation will not recur.

"(4) The authority contained in section 614(a) of this Act may not be used to waive the provisions of this section with respect to further assistance under this chapter."

(b) (1) Section 3(c) of the Foreign Military Sales Act is amended to read as follows:

"(c) (1) (A) No credits (including participations in credits) may be issued and no guaranties may be extended for any foreign country under this Act as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, or any predecessor Act, in substantial violation (either in terms of quantities or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act (i) by using such articles or services for a purpose not authorized under section 4 or, if such agreement provides that such articles or services may only be used for purposes more limited than those authorized under section 4, for a purpose not authorized under such agreement; (ii) by transferring such articles or services to, or permitting any use of such articles or services by, anyone not an officer, employee, or agent of the recipient country without the consent of the President; or (iii) by failing to maintain the security of such articles or services.

"(B) No cash sales or deliveries pursuant to previous sales may be made with respect to any foreign country under this Act as hereinafter provided, if such country uses defense articles or defense services furnished under this Act, or any predecessor Act, in substantial violation (either in terms of quantity or in terms of the gravity of the consequences regardless of the quantities involved) of any agreement entered into pursuant to any such Act by using such articles or services for a purpose not authorized under section 4 or, if such agreement provides that such articles or services may only be used for purposes more limited than those authorized under section 4, for a purpose not authorized under such agreement.

"(2) The President shall report to the Congress promptly upon the receipt of information that a violation described in paragraph (1) of this subsection may have occurred.

"(3) (A) A country shall be deemed to be ineligible under subparagraph (A) of paragraph (1) of this subsection, or both subparagraphs (A) and (B) of such paragraph in the case of a violation described in both such paragraphs, if the President so determines and so reports in writing to the Congress, or if the Congress so determines by concurrent resolution.

"(B) Notwithstanding a determination by the President of ineligibility under subparagraph (B) of paragraph (1) of this subsection, cash sales and deliveries pursuant to previous sales may be made if the President certifies in writing to the Congress that a termination thereof would have significant adverse impact on United States security, unless the Congress adopts or has adopted a concurrent resolution pursuant to subparagraph (A) of this paragraph with respect to such ineligibility.

"(4) A country shall remain ineligible in accordance with paragraph (1) of this subsection until such time as—

"(A) the President determines that the violation has ceased; and

"(B) the country concerned has given assurances satisfactory to the President that such violation will not recur."

(2) Section 3(d) of the Foreign Military Sales Act is repealed and subsection (e) of such section, as added by section 204 of this Act, is redesignated as subsection (d).

PROHIBITION OF ASSISTANCE TO COUNTRIES GRANTING SANCTUARY TO
INTERNATIONAL TERRORISTS

SEC. 304. Chapter 1 of part III of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 620A. PROHIBITION AGAINST FURNISHING ASSISTANCE TO COUNTRIES WHICH GRANT SANCTUARY TO INTERNATIONAL TERRORISTS.—(a) Except where the President finds national security to require otherwise, the President shall terminate all assistance under this Act to any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism and the President may not thereafter furnish assistance to such government until the end of the one year period beginning on the date of such termination, except that if during its period of ineligibility for assistance under this section such government aids or abets, by granting sanctuary from prosecution to, any other individual or group which has committed an act of international terrorism, such government's period of ineligibility shall be extended for an additional year for each such individual or group.

"(b) If the President finds that national security justifies a continuation of assistance to any government described in subsection (a), he shall report such finding to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. Assistance may be furnished to such government unless the Congress, within thirty calendar days of receiving such report, adopts a concurrent resolution stating that it does not find that the national security justifies assistance to such government."

TITLE IV—PROVISIONS RELATING TO SPECIFIC
REGIONS OR COUNTRIES

MIDDLE EAST POLICY STATEMENT

SEC. 401. Section 901 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new paragraph:

"It is the sense of Congress that the United States will continue to determine Middle East Policy as circumstances may require and that the authority contained in the joint resolution entitled 'Joint resolution to implement the United States proposal for the early-warning system in Sinai', approved October 13, 1975 (Public Law 94-110), and the authorizations contained in the amendments made by the International Security Assistance and Arms Export Control Act of 1976 do not, and shall not in any way be construed to, constitute congressional approval, acceptance, or endorsement (1) of any oral or written commitment, understanding, assurance, promise, or agreement, whether expressed or implied, or any other expression, oral or written (other than the 'United States Proposal for the Early Warning System in Sinai'), made by any official of the United States which Israel, Egypt, or any other nation or organization might construe or interpret as a basis on which it could rely or act, or (2) of any characterization of any such commitment, understanding, assurance, promise, or agreement, or other expression, as constituting a 'codification' of existing, congressionally approved United States policy."

AID FOR CYPRIOT REFUGEES

SEC. 402. Section 495 of the Foreign Assistance Act of 1961 is amended by striking out "\$30,000,000" and inserting in lieu thereof "\$40,000,000".

ASSISTANCE TO TURKEY

SEC. 403. Section 620(x) (1) of the Foreign Assistance Act of 1961, as amended by section 2(c) of the Act of October 6, 1975 (Public Law 94-104), is amended by striking out "Provided," and all that follows through the end of paragraph (1) and inserting in lieu thereof the following: "Provided, that for the fiscal year 1976 and the period beginning July 1, 1976, and ending September 30, 1976, the President may suspend the provisions of this subsection and of section 3(c) of the Arms Export Control Act with respect to cash sales and extensions of credits and guaranties under such Act for the procurement of such defense articles and defense services as the President determines are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization, except that during the fiscal year 1976 and the period beginning July 1, 1976, and ending September 30, 1976, the total value of defense articles and defense services sold to Turkey under such Act, either for cash or financed by credits and guaranties, shall not exceed \$125,000,000. Any such suspension shall be effective only so long as Turkey observes the cease-fire on Cyprus, does not increase its military forces or its civilian population on Cyprus, and does not transfer to Cyprus any United States supplied arms, ammunition, or implements of war. The determination required by the proviso in the first sentence of this paragraph shall be made, on a case-by-case basis, with respect to each cash sale, each approval for use of credits, and each approval for use of a guaranty for Turkey. Each such determination shall be reported to the Congress and shall be accompanied by a full and complete statement of the reasons supporting the President's determination and a statement containing the information specified in clauses (A) through (D) of section 2(c) (4) of the Act of October 6, 1975 (Public Law 94-104). In any case involving the sale of significant combat equipment on the United States Munitions List in which the congressional review provisions of section 36(b) of the Arms Export Control Act do not apply, the President may not issue the letter of offer or approve the use of the credits or guaranty, as the case may be, until the end of the thirty-day period beginning on the date on which the report required by the preceding sentence is submitted to the Congress."

LIMITATION ON CERTAIN ASSISTANCE TO AND ACTIVITIES IN ANGOLA

SEC. 404. (a) It is the sense of Congress that—

(1) the people of Angola should be allowed to determine their own political future without military interference from any foreign country;

(2) the Congress supports efforts by the Organization of African Unity to achieve a settlement of the conflict in Angola and calls upon all countries to terminate any military assistance such

countries may be giving to any group, organization, movement, or individual in Angola;

(3) a disengagement by such countries would be a welcome reaffirmation of the spirit of detente, both throughout the world and in Africa; and

(4) the President should do his utmost to seek an agreement among the various parties involved in hostilities or in the support of such hostilities in Angola to terminate such hostilities or such support.

(b) (1) Notwithstanding any other provision of law, no assistance of any kind may be provided for the purpose, or which would have the effect, of promoting or augmenting, directly or indirectly, the capacity of any nation, group, organization, movement, or individual to conduct military or paramilitary operations in Angola unless and until the Congress expressly authorizes such assistance by law enacted after the date of enactment of this section.

(2) If the President determines that assistance prohibited by paragraph (1) of this subsection should be furnished in the national security interests of the United States, he shall submit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate a report containing—

(A) a statement by the President that his efforts to obtain the agreement described in paragraph (4) of subsection (a) have not been successful;

(B) a description of the amounts and categories of assistance which he recommends to be authorized and the identity of the proposed recipients of such assistance; and

(C) a certification that he has determined that the furnishing of such assistance is important to the national security interests of the United States and a detailed statement, in unclassified form, of the reasons supporting such determination.

(3) The prohibition contained in paragraph (1) does not apply with respect to assistance which is furnished solely for humanitarian purposes.

(4) The provisions of this section may not be waived under any other provision of law.

(5) The President shall report to the Congress on the implementation of this section within sixty days after the date of enactment of this section and every thirty days thereafter until such time as both the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate have adopted resolutions stating that such reports are no longer necessary.

SOVIET INTERVENTION IN ANGOLA

SEC. 405. The Congress views the large-scale and continuing Soviet intervention in Angola, including active sponsorship and support of Cuban armed forces in Angola, as being completely inconsistent with any reasonably defined policy of detente, as well as with Articles 1 and 2 of the United Nations Charter, the principle of noninterference in the affairs of other countries agreed to at Helsinki in 1975, and with the spirit of recent bilateral agreements between the United States and

the Union of Soviet Socialist Republics. Such intervention should be taken explicitly into account in United States foreign policy planning and negotiations.

PROHIBITION AGAINST MILITARY ASSISTANCE AND SALES CREDITS TO CHILE

SEC. 406. (a) No military or security supporting assistance may be furnished under the Foreign Assistance Act of 1961; and no credits (including participations in credits) may be extended, and no loan may be guaranteed, under the Arms Export Control Act with respect to Chile.

(b) No deliveries of any such assistance may be made to Chile on and after the date of enactment of this section.

CONTROL OF MILITARY FORCES IN THE INDIAN OCEAN

SEC. 407. (a) It is the sense of Congress that the President should undertake to enter into negotiations with the Soviet Union intended to achieve an agreement limiting the deployment of naval, air, and land forces of the Soviet Union and the United States in the Indian Ocean and littoral countries. Such negotiations should be convened as soon as possible and should consider, among other things, limitations with respect to—

(1) the establishment or use of facilities for naval, air, or land forces in the Indian Ocean and littoral countries;

(2) the number of naval vessels which may be deployed in the Indian Ocean, or the number of "ship-days" allowed therein; and

(3) the type and number of military forces and facilities allowed therein.

(b) Not later than December 1, 1976, the President shall transmit a report to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate with respect to steps he has taken to carry out the provisions of this section.

UNITED STATES CITIZENS IMPRISONED IN MEXICO

SEC. 408. (a) The Congress, while sharing the concern of the President over the urgent need for international cooperation to restrict traffic in dangerous drugs, is convinced that such efforts must be consistent with respect for fundamental human rights. The Congress, therefore, calls upon the President to take steps to insure that United States efforts to secure stringent international law enforcement measures are combined with efforts to secure fair and humane treatment for citizens of all countries.

(b) (1) The Congress requests that the President communicate directly to the President and Government of the Republic of Mexico, a nation with which we have friendly and cooperative relations, the continuing desire of the United States for such relations between our two countries and the concern of the United States over treatment of United States citizens arrested in Mexico.

(2) The Secretary of State shall report to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate within one hundred and twenty days after the date of enact-

ment of this section, and every one hundred and twenty days thereafter, on progress toward full respect for the human and legal rights of all United States citizens detained in Mexico.

EMERGENCY FOOD NEEDS OF PORTUGAL

SEC. 409. It is the sense of the Congress that the President should undertake immediately an evaluation of the emergency food needs of Portugal. It is further the sense of the Congress that the President should take timely action to alleviate such emergency by providing Portugal with food commodities under the provisions of pertinent statutes.

STRIFE IN LEBANON

SEC. 410. It is the sense of the Congress that the situation in Lebanon, a nation traditionally friendly to the United States, poses a danger to peace in the Middle East. The Congress deplors the armed civil strife and the continuing erosion of national institutions which threaten to destroy the political and economic fabric of Lebanon with such tragic impact on all its people. The Congress views with grave concern any outside efforts to exploit the current strife with the purpose of transforming Lebanon into a radical state in confrontation with Israel. The Congress requests that the President use his good offices to secure an end to the civil strife and national discord in Lebanon and to preserve the traditional friendly attitude of Lebanon toward the United States.

REPORT ON KOREA

SEC. 411. Chapter 3 of part III of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 668. REPORT ON KOREA.—Within ninety days after the enactment of this section, and at least once during each of the next five years, the President shall transmit to the Speaker of the House of Representatives and to the Committees on Foreign Relations and Armed Services of the Senate a report which (1) reviews the progress made under the announced program of the Republic of Korea to modernize its armed forces so as to achieve military self-sufficiency by 1980, (2) reports on the role of the United States in mutual security efforts in the Republic of Korea, and (3) reports on prospects for or implementation of phased reduction of United States armed forces assigned to duty in the Republic of Korea, in coordination with the timetable of the Republic of Korea for military self-sufficiency."

REPEAL OF INDOCHINA ASSISTANCE

SEC. 412. (a) Part V of the Foreign Assistance Act of 1961 and sections 34, 35, 36, 37, 38, 39, and 40 of the Foreign Assistance Act of 1974 are repealed. All determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law repealed by this section shall continue in full force and effect until modified, revoked, or superseded by appropriate authority.

(b) Subject to the availability of appropriations therefor, the President is authorized to adopt as a contract of the United States Government, and assume any liabilities arising thereunder (in whole or in part), any contract which had been funded or approved for funding by the Agency for International Development prior to June 30, 1975, for financing with funds made available under the Foreign Assistance Act of 1961 or the Foreign Assistance Act of 1974, or any equitable claim based upon a letter of intent issued prior to April 30, 1975, in which the Agency had expressed its intention to finance a transaction subject to the availability of funds, between the former Governments of Vietnam or Cambodia (including any of their agencies) or the Government of Laos (or any of its agencies) and any person and to apply with respect to any such contract the authorities of the Foreign Assistance Act of 1961.

(c) Funds made available for the purposes of part V of the Foreign Assistance Act of 1961 and of section 36 of the Foreign Assistance Act of 1974 (including amounts certified pursuant to section 1311 of the Supplemental Appropriation Act, 1955 (31 U.S.C. 200), as having been obligated against appropriations heretofore made) are authorized to be appropriated, and thereafter, to remain available until expended, to meet necessary expenses arising from the actions authorized by subsection (b) of this section and such funds are authorized to remain available until expended to meet necessary expenses arising from the termination of assistance programs authorized by such part and such section 36, which expenses may include but need not be limited to the settlement of claims and associated personnel costs.

TRADE WITH VIETNAM

SEC. 413. (a) It is the purpose of this section to encourage, promote, and facilitate (1) a prompt accounting of American prisoners and missing in action and repatriation of American war dead, military and civilian, (2) prompt reclamation of, or full and just compensation for, American investments and property remaining in Vietnam, and (3) mutual cooperation leading toward improved relations between the Governments of North and South Vietnam and the Government of the United States, by removing all prohibitions or restrictions relating to exports from the United States or to transactions involving foreign assets which are applicable with respect to North or South Vietnam but are not also applicable with respect to the People's Republic of China, or which are applicable with respect to dealings between North or South Vietnam and the People's Republic of China.

(b) Notwithstanding any other provision of law—

(1) any restriction on or prohibition of exports from the United States to North or South Vietnam shall be limited (A) to export controls the President determines are necessary (i) to protect the domestic economy from excessive drain of scarce materials and to reduce the serious inflationary impact of foreign demand, or (ii) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security of the United States, and (B) to export controls over goods and technology which would make a significant contribution to the military potential of North or South Vietnam;

(2) for purposes of administering the Export Administration Act of 1969, the policies applicable to countries in Country Group Y of the Export Administration Regulations of the United States (15 C.F.R. 368-399) shall apply to North and South Vietnam;

(3) any restriction on or prohibition of transactions involving assets of North and South Vietnam or assets in which any national of North or South Vietnam has an interest shall be limited to (A) those assets over which the United States has jurisdiction on the date of enactment of this section, and (B) income derived from such assets which accrues on or after such date; and

(4) any restriction on or prohibition of activities by persons bearing a United States passport who are traveling in North or South Vietnam shall be limited to activities with respect to exports or transactions the restriction or prohibition of which is permitted under paragraph (1), (2), or (3).

(c) The limitations contained in this section shall expire at the end of the one-hundred-and-eighty-day period beginning on the date of enactment of this section, unless prior to the end of such period the President certifies to the Congress that the Governments of North and South Vietnam have accounted for a substantial number of the American prisoners and missing in action in Vietnam and have returned the remains of a substantial number of American war dead that they have been able to identify in Vietnam.

TITLE V—MISCELLANEOUS AUTHORIZATIONS

SECURITY SUPPORTING ASSISTANCE

SEC. 501. Section 532 of the Foreign Assistance Act of 1961 is amended to read as follows:

"SEC. 532. AUTHORIZATION.—There is authorized to be appropriated to the President to carry out the purposes of this chapter for the fiscal year 1976 \$1,766,200,000, of which not less than \$65,000,000 shall be available only for Greece, \$730,000,000 shall be available only for Israel, and \$705,000,000 shall be available only for Egypt. Amounts appropriated under this section are authorized to remain available until expended."

MIDDLE EAST SPECIAL REQUIREMENT FUND

SEC. 502. Section 903 of the Foreign Assistance Act of 1961 is amended—

(1) in subsection (a), by striking out "for the fiscal year 1975 not to exceed \$100,000,000" and inserting in lieu thereof "for the fiscal year 1976 not to exceed \$50,000,000"; and

(2) by striking out subsection (c) and inserting in lieu thereof the following:

"(c) Funds appropriated under subsection (a) shall be available to assist the Governments of Egypt and Israel in carrying out activities under the Agreement of October 10, 1975, and to pay the costs of implementing the United States proposal for the early warning system in Sinai. Such funds may be obligated without regard to the

provisions of subsection (b) of this section to the extent that the proposed obligation has been justified to the Congress prior to the enactment of this subsection.

"(d) Of the amount authorized to be appropriated in subsection (a), not less than \$12,000,000 shall constitute a contribution by the United States toward the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East, if the President determines that a reasonable number of other countries will contribute a fair share toward the settlement of such deficit within a reasonable period of time after the date of enactment of the International Security Assistance and Arms Export Control Act of 1976. In determining such fair share, the President shall take into consideration the economic position of each such country. Such \$12,000,000 shall be in addition to any other contribution to such Agency by the United States pursuant to any other provision of law."

CONTINGENCY FUND

SEC. 503. Chapter 5 of part I of the Foreign Assistance Act of 1961 is amended—

(1) in the chapter heading, by striking out "DISASTER RELIEF" and inserting in lieu thereof "CONTINGENCY FUND"; and

(2) in section 451(a)—

(A) by striking out "1975" and inserting in lieu thereof "1976";

(B) by striking out "or by section 639"; and

(C) by adding at the end thereof the following new sentence: "Amounts appropriated under this section are authorized to remain available until expended."

INTERNATIONAL NARCOTICS CONTROL

SEC. 504. (a) Section 482 of the Foreign Assistance Act of 1961 is amended by inserting "and \$40,000,000 for the fiscal year 1976, no part of which may be obligated for or on behalf of any country where illegal traffic in opiates has been a significant problem unless and until the President determines and certifies in writing to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate that assistance furnished to such country pursuant to the authority in this chapter is significantly reducing the amount of illegal opiates entering the international market" immediately after "1975".

(b) Section 481 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsection:

"(c) (1) Notwithstanding any other provision of law, no officer or employee of the United States may engage or participate in any direct police arrest action in any foreign country with respect to narcotics control efforts.

"(2) The President shall carry out a study with respect to methods through which United States narcotics control programs in foreign countries might be placed under the auspices of international or regional organizations. The results of such study shall be transmitted

to the Speaker of the House of Representatives and the President of the Senate not later than June 30, 1977.”

AUTHORIZATION FOR INTERNATIONAL ATOMIC ENERGY AGENCY

SEC. 505. Section 302 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsection:

“(i) In addition to amounts otherwise available under this section, there are authorized to be appropriated for fiscal year 1976 and to remain available until expended \$1,000,000 to be available only for the International Atomic Energy Agency to be used for the purpose of strengthening safeguards and inspections relating to nuclear fissile facilities and materials.”

INTERIM QUARTER AUTHORIZATIONS

SEC. 506. (a) Any authorization of appropriations in this Act, or in any amendment to any other law made by this Act, for the fiscal year 1976, shall be deemed to include an additional authorization of appropriations for the period beginning July 1, 1976, and ending September 30, 1976, in amounts which equal one-fourth of any amount authorized for the fiscal year 1976 and in accordance with the authorities applicable to operations and activities authorized under this Act or such other law, unless appropriations for the same purpose are specifically authorized in a law hereinafter enacted.

(b) The aggregate total of credits, including participations in credits, extended pursuant to the Arms Export Control Act and of the principal amount of loans guaranteed pursuant to section 24(a) of such Act during the period beginning July 1, 1976, and ending September 30, 1976, may not exceed an amount equal to one-fourth of the amount authorized by section 31(b) of such Act to be extended and guaranteed for the fiscal year 1976.

TITLE VI—MISCELLANEOUS PROVISIONS

EXPEDITED PROCEDURE IN THE SENATE

SEC. 601. (a) (1) The provisions of subsection (b) of this section shall apply with respect to the consideration in the Senate of any resolution required by law to be considered in accordance with such provisions.

(2) Any such law shall—

(A) state whether the term “resolution” as used in subsection

(b) of this section, means, for the purposes of such law—

(i) a resolution of either House of Congress; or

(ii) a concurrent resolution; and

(B) specify the certification to which such resolution shall apply.

(b) (1) For purposes of any such law, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of

an adjournment of more than three days to a day certain are excluded in the computation of the period indicated.

(2) Paragraphs (3) and (4) of this subsection are enacted—

(A) as an exercise of the rule-making power of the Senate and as such they are deemed a part of the rules of the Senate, but applicable only with respect to the procedure to be followed in the Senate in the case of resolutions described by subsection

(a) (1) of this section; and they supersede other rules of the Senate only to the extent that they are inconsistent therewith; and

(B) with full recognition of the constitutional right of the Senate to change such rules at any time, in the same manner and to the same extent as in the case of any other rule of the Senate.

(3) (A) If the committee of the Senate to which has been referred a resolution relating to a certification has not reported such resolution at the end of 10 calendar days after its introduction, not counting any day which is excluded under paragraph (1) of this subsection, it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution introduced with respect to the same certification which has been referred to the committee, except that no motion to discharge shall be in order after the committee has reported a resolution with respect to the same certification.

(B) A motion to discharge under subparagraph (A) of this paragraph may be made only by a Senator favoring the resolution, is privileged, and debate thereon shall be limited to not more than 1 hour, to be divided equally between those favoring and those opposing the resolution, the time to be divided equally between, and controlled by, the majority leader and the minority leader or their designees. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(4) (A) A motion in the Senate to proceed to the consideration of a resolution shall be privileged. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(B) Debate in the Senate on a resolution, and all debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(C) Debate in the Senate on any debatable motion or appeal in connection with a resolution shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, except that in the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control on the passage of a resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal.

(D) A motion in the Senate to further limit debate on a resolution, debatable motion, or appeal is not debatable. No amendment to, or motion to recommit, a resolution is in order in the Senate.

PROCUREMENTS FROM SMALL BUSINESSES

SEC. 602. In order to encourage procurements from small business concerns under chapter 4 of the Foreign Assistance Act of 1961, the Administrator of the Agency for International Development shall report to the Congress every six months on the extent to which small businesses have participated in procurements under such chapter and on what efforts the Agency has made to foster such procurements from small business concerns. The Small Business Administration shall lend all available assistance to the Agency for the purposes of carrying out this section.

PAYMENT OF CONSULTANTS

SEC. 603. Section 626 (a) of the Foreign Assistance Act of 1961 is amended by striking out "\$100 per diem" and inserting in lieu thereof "the daily equivalent of the highest rate which may be paid to an employee under the General Schedule established by section 5332 of title 5, United States Code".

FEES OF MILITARY SALES AGENTS AND OTHER PAYMENTS

SEC. 604. (a) Section 36 of the Foreign Military Sales Act, as amended by section 211 of this Act, is further amended as follows:

(1) In subsection (a)—

(A) strike out "and" at the end of paragraph (7);

(B) redesignate paragraph (8) as paragraph (9); and

(C) insert the following new paragraph immediately after paragraph (7):

"(8) a description of each payment, contribution, gift, commission or fee reported to the Secretary of State under subsection (f), including (A) the name of the person who made such payment, contribution, gift, commission or fee; (B) the name of any sales agent or other person to whom such payment, contribution, gift, commission or fee was paid; (C) the date and amount of such payment, contribution, gift, commission or fee; (D) a description of the sale in connection with which such payment, contribution, gift, commission or fee was paid; and (E) the identification of any business information considered confidential by the person submitting it which is included in the report; and".

(2) In the first sentence of subsection (b), insert immediately before the period "and a description, containing the information specified in paragraph (8) of subsection (a), of any contribution, gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such letter or offer."

(3) Add the following new subsection at the end of such section:

"(f)(1) In accordance with such regulations as he may prescribe, the Secretary of State shall require adequate and timely reporting on political contributions, gifts, commissions and fees paid, or offered or agreed to be paid, by any person in connection with—

"(A) sales of defense articles or defense services under section 22 of this Act; or

"(B) commercial sales of defense articles or defense services licensed or approved under section 38 of this Act; to or for the armed forces of a foreign country or international organization in order to solicit, promote, or otherwise to secure the conclusion of such sales. Such regulations shall specify the amounts and the kinds of payments, offers, and agreements to be reported, and the form and timing of reports, and shall require reports on the names of sales agents and other persons receiving such payments. The Secretary of State shall by regulation require such recordkeeping as he determines is necessary.

"(2) The President may, by regulation, prohibit, limit, or prescribe conditions with respect to such contributions, gifts, commissions, and fees as he determines will be in furtherance of the purposes of this Act.

"(3) No such contribution, gift, commission, or fee may be included, in whole or in part, in the amount paid under any procurement contract entered into under section 22 of this Act, unless the amount thereof is reasonable, allocable to such contract, and not made to a person who has solicited, promoted, or otherwise secured such sale, or has held himself out as being able to do so, through improper influence. For the purposes of this subsection, 'improper influence' means influence, direct or indirect, which induces or attempts to induce consideration or action by any employee or officer of a purchasing foreign government or international organization with respect to such purchase on any basis other than such consideration of merit as are involved in comparable United States procurements.

"(4) (A) All information reported to the Secretary of State and all records maintained by any person pursuant to regulations prescribed under this subsection shall be available, upon request, to any standing committee of the Congress or any subcommittee thereof and to any agency of the United States Government authorized by law to have access to the books and records of the person required to submit reports or to maintain records under this subsection.

"(B) Access by an agency of the United States Government to records maintained under this subsection shall be on the same terms and conditions which govern the access by such agency to the books and records of the person concerned."

(b) The amendments made by this section shall take effect sixty days after the date of enactment of this Act.

USE OF PERSONNEL

SEC. 605. (a) Nothing in this Act is intended to authorize any additional military or civilian personnel for the Department of Defense for the purposes of this or any other Act. Personnel levels authorized in statutes authorizing appropriations for military and civilian personnel of the Department of Defense shall be controlling over all military and civilian personnel of the Department of Defense assigned to carry out functions under the Arms Export Control Act and the Foreign Assistance Act of 1961.

(b) Section 42 of the Foreign Military Sales Act, as amended by section 214 of this Act, is further amended by adding at the end thereof the following new subsection:

"(f) The President shall, to the maximum extent possible and consistent with the purposes of this Act, use civilian contract personnel in any foreign country to perform defense services sold under this Act."

And the House agree to the same.

THOMAS E. MORGAN,
CLEMENT J. ZABLOCKI,
WAYNE L. HAYS,
DANTE B. FASCELL,
LEE H. HAMILTON,
WM S. BROOMFIELD,
EDWARD J. DERWINSKI,

Managers on the part of the House.

JOHN SPARKMAN,
HUBERT H. HUMPHREY,
GALE W. MCGEE,
GEORGE MCGOVERN,
FRANK CHURCH,
STUART SYMINGTON,
CLIFFORD P. CASE,
JACOB K. JAVITS,
HUGH SCOTT,
CHARLES H. PERCY,

Managers on the part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2662), to amend the Foreign Assistance Act of 1961 and the Foreign Military Sales Act, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House struck out all of the Senate bill after the enacting clause and inserted a substitute amendment.

The committee of conference recommends a substitute for both the Senate bill and the House amendment to the text of the Senate bill.

Except for clarifying, clerical, and necessary conforming changes, the differences between the two Houses and the adjustments made in the committee of conference are noted below.

The committee of conference agreement contained authorizations for international security assistance for fiscal year 1976 of \$3,166,900,000 which represents a reduction of \$293,050,000 in the House figure, an increase of \$116,500,000 in the Senate figure, and a reduction of \$298,400,000 in the amount requested by the executive branch.

The amounts approved by the committee of conference compared to the amounts requested by the executive branch and recommended by the House and Senate follow:

FUNDS AUTHORIZED FOR FISCAL YEAR 1976 BY S. 2662

[In millions of dollars]

	Executive request	House recommendation	Senate recommendation	Conference substitute
Grant military assistance.....	394.5	334.0	180.9	¹ 196.7
Grant military assistance administration.....	(²)	32.0	32.0	32.0
Foreign military education and training.....	30.0	28.15	25.0	27.0
Foreign military sales credits.....	1,065.0	1,065.0	1,014.5	1,039.0
Contingency fund.....	10.0	5.0	5.0	5.0
Narcotics control.....	42.5	42.5	37.5	40.0
Security supporting assistance.....	1,873.3	1,883.3	1,705.0	1,766.2
Middle East Special Requirements Fund.....	50.0	50.0	50.0	50.0
Aid to Cypriot refugees.....		³ 20.0		10.0
International Atomic Energy Agency.....			1.0	1.0
Total.....	3,465.3	3,459.95	3,050.4	3,166.9

¹ In addition to the amount authorized to be appropriated for grant military assistance programs, \$28,300,000 in recoupments and reimbursements are authorized to be made available for such programs.

² The executive request included \$37,000,000 for general costs in its overall request for grant military assistance.

³ The \$20,000,000 authorized in the House amendment for aid to Cypriot refugees is in addition to the \$30,000,000 authorization for such purpose contained in H.R. 9005 (Public Law 94-161).

ALLOCATIONS

Grant military assistance (MAP)

The Senate bill amended section 504(a) of the Foreign Assistance Act to authorize \$180,900,000 for MAP in fiscal year 1976. Such sum, plus recoupments, was allocated among eight specified recipients, with not to exceed \$5,200,000 made available for fiscal year 1976 for unspecified countries and international organizations.

The House amendment authorized \$334 million for MAP in fiscal year 1976 and provided allocations for the same eight specified recipients, although in different amounts, with not to exceed \$25 million of the appropriation to be available for unspecified countries and international organizations.

The committee of conference agreed to a substitute MAP authorization of \$196,700,000 and to MAP allocations as follows:

[In millions of dollars]

Recipient	Senate bill	House amendment	Conference substitute
Greece.....	25.0	50.0	31
Indonesia.....	13.0	19.4	13
Jordan.....	50.0	70.0	50
Korea.....	54.0	65.0	55
Philippines.....	17.0	19.6	17
Thailand.....	15.0	25.0	16
Turkey.....	25.0	50.0	31
Ethiopia.....	5.0	10.0	6
Unspecified countries.....	5.2	25.0	6
Total.....	1 209.2	1 334.0	1 225

¹ The allocations in the Senate bill included \$28,300,000 in recoupments and reimbursements. The committee of conference agreed to include recoupment, and reimbursements in the allocations.

Security supporting assistance

The Senate bill amended section 532 of the Foreign Assistance Act to authorize \$1,705 million for fiscal year 1976 security supporting assistance programs of which \$725 million would be available only for Israel. The Senate bill also allocated certain amounts of the remainder of the funds authorized for fiscal year 1976 for specific countries and purposes.

The House amendment authorized a total of \$1,883,300,000 for fiscal year 1976 of which not less than \$90 million was earmarked for Greece. The House amendment placed a ceiling of not to exceed \$1,657,500,000 of the total authorization for furnishing assistance to Middle East countries and earmarked not less than \$755 million of that amount for Israel and not less than \$750 million for Egypt.

The committee of conference agreed to a substitute authorization of \$1,766,200,000 of which not less than the following amounts will be available for the following countries:

Israel.....	\$730,000,000
Egypt.....	705,000,000
Greece.....	65,000,000

It is the intent of the committee of conference that the remainder of the funds authorized for security supporting assistance for fiscal year 1976 be allocated as follows:

Jordan.....	\$72,500,000
Syria.....	80,000,000
Bahrain.....	600,000
Malta.....	9,500,000
Portugal.....	52,500,000
United Nations	
Force in Cyprus.....	9,600,000
Zaire.....	18,900,000
Operating Expenses.....	22,600,000

FOREIGN MILITARY SALES CREDITS (FMS)

Authorization

The Senate bill amended section 31(a) of the Foreign Military Sales Act to authorize \$1,014,500,000 for FMS financing for fiscal year 1976.

The House amendment authorized \$1,065 million for fiscal year 1976.

The committee of conference adopted a substitute authorization level of \$1,039 million.

Aggregate ceiling

The Senate bill amended section 31(b) of the Foreign Military Sales Act by setting a ceiling of \$2,324,700,000 on the aggregate total of FMS credits or participation in credits, extended under section 23 of the act, and of the principal amounts of loans guaranteed under section 24 of the act, during fiscal year 1976.

The House amendment established an aggregate ceiling of \$2,374,700,000 for fiscal year 1976.

The committee of conference agreed to an aggregate ceiling of \$2,374,700,000.

FMS repayment period for Israel

The Senate bill specified that, with respect to the long-term repayments mandated for FMS financing provided to Israel, "repayment shall be in not less than 20 years following a grace period of 10 years on repayment of principal."

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

The Senate bill authorized the appropriation of \$50 million for the Middle East Special Requirements Fund for fiscal year 1976.

The House amendment contained an identical authorization but earmarked \$12 million for use as a U.S. contribution toward the settlement of the deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Middle East.

The committee of conference adopted the House provision.

INTERIM QUARTER AUTHORIZATIONS

The Senate bill authorized, for the period beginning July 1, 1976, and ending September 30, 1976, the appropriation of one-fourth of any amount authorized for fiscal year 1976 by this act or by any amendment thereto in accordance with the authorities applicable to operations and activities authorized under this act, unless appropriations for the same purpose are specifically authorized in subsequently enacted legislation.

The Senate bill also provided that the aggregate total of foreign military sales credits extended during such period may not exceed an amount equal to one-fourth of the amount authorized for such purpose for fiscal year 1976.

The House amendment authorized, for such period, such sums as may be necessary but not to exceed one-fourth of the amounts authorized for fiscal year 1976.

The committee of conference adopted the Senate provision.

SHORT TITLE

The short title of the Senate bill was the "International Security Assistance and Arms Export Control Act of 1976."

The short title of the House amendment was the "International Security Assistance Act of 1976."

The committee of conference adopted the Senate title.

GRANT MILITARY ASSISTANCE PROGRAM (MAP)

Ceiling on number of MAP recipients

The Senate bill reduced the ceiling in section 504(a) of the Foreign Assistance Act on the maximum number of countries receiving grant military assistance from 31 to 20 for fiscal year 1976.

The House amendment reduced the ceiling to 17 countries for fiscal year 1976.

The committee of conference adopted the Senate provision.

MAP administrative expenses

The Senate bill provided a specific authorization for "administrative and related expenses" of the grant military assistance program.

The House amendment contained a specific authorization for "administrative expenses."

The committee of conference adopted the Senate provision. This authorization is in lieu of the executive branch request for \$37 million which were included in general costs within the program authorization request.

Sophisticated weapons systems

The Senate bill created an exemption for countries specified in the bill as MAP recipients from the existing prohibition on the use of MAP funds to furnish sophisticated weapons systems without a Presidential determination that the furnishing of such weapons systems is important to the national security. The determination has to be reported to Congress.

The House amendment restated existing law.

The committee of conference adopted the House provision.

Special drawdown authority

The Senate bill amended section 506(a) of the Foreign Assistance Act so as to continue the President's emergency authority to draw on Department of Defense stocks and services for military assistance purposes, subject to reimbursement from subsequent appropriations. As amended this authority would be applicable only in an unforeseen emergency requiring immediate action where vital U.S. security interests are at stake and the emergency requirement cannot be met under any other authority. The President's authority under this section would be reduced from \$150 million to \$75 million in any fiscal year. The Senate bill also required current reporting to Congress on the use of such authority.

The House amendment also continued the President's use of such authority in emergency situations where it was determined to be in the security interests of the United States but reduced such authority to \$50 million in any fiscal year.

The committee of conference adopted the Senate version with an amendment reducing such authority to \$67,500,000 in any fiscal year.

Stockpiling of defense articles for foreign countries

The Senate bill amended section 514 of the Foreign Assistance Act—

(1) to define the term "value", for purposes of determining the amount to be charged against appropriations and limitations when stockpiled items are transferred, as "acquisition cost plus crating, packing, handling, and transportation costs";

(2) to stipulate that defense articles placed in stockpiles located in foreign countries for use by foreign countries (except for NATO purposes) may not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for such fiscal year (the Senate bill made no such specific authorization for fiscal year 1976 or the transition quarter);

(3) to provide that, except for existing stockpiles and those located in NATO countries, no stockpile may be located outside a U.S. military base; and

(4) to provide that no stockpiled defense article transferred to a foreign country may be considered "excess" for valuation purposes.

The House amendment amended section 514—

(1) to permit new stockpiles or additions to stockpiles located in foreign countries of not to exceed \$150 million in fiscal year 1976 and not to exceed one-fourth of that amount during the transition quarter (July 1–September 30, 1976); and

(2) to require a report on each new stockpile and each addition to an existing stockpile having a value in excess of \$10 million in any fiscal year.

The committee of conference adopted a substitute which (1) retains the Senate bill's definition of "value"; (2) permits new stockpiles or additions to existing stockpiles of not to exceed \$75 million in fiscal year 1976 and not to exceed \$18,750,000 during the transition quarter; (3) retains the Senate bill's prohibition on locating future stockpiles outside U.S. military bases (except for stockpiles located in NATO countries); (4) stipulates that stockpiled defense articles transferred to a foreign country may not be considered "excess" for valuation

purposes; and (5) retains the House amendment's reporting requirement for each new stockpile or addition to an existing stockpile having a value in excess of \$10 million. It is intended that the reports to Congress required by subsection (e) of this section be made to the House Committee on International Relations and the Senate Committee on Foreign Relations, as well as to the House and Senate Armed Services Committees.

Termination of military assistance advisory groups and missions (MAAG's)

The Senate bill amended section 515 of the Foreign Assistance Act to provide that (1) after September 30, 1977, no U.S. military group or mission performing military assistance advisory group functions under the act may operate in a foreign country unless specifically authorized by Congress; (2) where such groups or missions are terminated, the President may assign no more than three U.S. military personnel to the Chief of the U.S. Mission in question to perform such military advisory functions as the Chief of Mission determines necessary; and (3) after June 30, 1976, the number of such groups or missions may not exceed 34 and the number of personnel assigned thereto may not exceed 1,400. The Senate bill defines "military assistance advisory group" so as to exclude regular units of the Armed Forces engaged in routine function, to bring about standardization with allies.

The House amendment (1) provided that after September 30, 1977, no U.S. military assistance advisory group or mission may operate in a foreign country unless specifically authorized by Congress; (2) authorized up to three U.S. military personnel that may be assigned to the Chief of each U.S. Mission to perform security assistance functions with \$2,500,000 authorized for fiscal year 1978 and each subsequent fiscal year for such purpose; (3) prohibited the use of waiver authority to increase the \$2,500,000; and (4) provided that security assistance functions may not be performed by defense attaches assigned to U.S. missions.

The committee of conference adopted a substitute which (1) prohibits the performance of security assistance functions by defense attaches after September 30, 1977; (2) places a ceiling of 34 on military assistance advisory groups and missions effective September 30, 1976; (3) excludes regular U.S. Armed Forces units designed to bring about U.S.-allied procedural and operational standardization from the definition of MAAG's; and (4) permits the assignment of up to three U.S. military personnel to each Chief of a U.S. Mission to perform security assistance functions, regardless of the prior existence of a MAAG in that country. Further, such military personnel may be assigned to replace MAAG's as they are phased out, in accordance with the requirements of this act. The sale of services previously performed by MAAG's is dealt with in subsequent sections of the bill.

Termination of grant military assistance programs

The Senate bill amended chapter 2 of part II of the act by adding thereto a new section 516 which provides that after September 30, 1977, and except to the extent that Congress may subsequently authorize, the authorities contained in chapter 2, other than authorities

contained in sections 506 and 515, may no longer be exercised. Those authorities would remain available until September 30, 1980 to the extent necessary to carry out obligations incurred under chapter 2 prior to September 30, 1977. The Senate bill also would make MAP funds available for winding up the assistance program notwithstanding the limitations contained in section 504(a) (2) and (3) of the act.

The House amendment was virtually identical with the Senate version except that it did not make explicit that funds are to be available for winding up assistance notwithstanding limitations found in section 504(a) (2). The House amendment also stipulated that the authorities contained in section 514 of the act are not affected by the termination.

The committee of conference adopted a substitute which makes (MAP) funds available for winding up MAP programs notwithstanding the limitations contained in section 504(a) (2) of the Foreign Assistance Act and exempts the authorities contained in section 514 of the act relating to stockpiling of defense articles for foreign countries from the termination requirement.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Reimbursement

The House amendment provided that military education and training shall be provided, whenever feasible, on a reimbursable basis.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision.

It is the intent of the committee of conference that this provision shall not preclude the sale of defense services under the Foreign Military Sales Act.

Applicability of Foreign Assistance Act requirements

The Senate bill provided that the authority to furnish military education and training must be exercised consistent with the requirements of the Foreign Assistance Act.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision.

Eligible recipients

The Senate bill permitted military education and training for "friendly foreign countries and international organizations."

The House amendment permitted such training for "foreign countries."

The committee of conference adopted the House provision.

Authorization of funds

The Senate bill authorized an appropriation of \$25 million for military education and training in fiscal year 1976.

The House amendment authorized an appropriation of \$28,150,000.

The committee of conference adopted a substitute authorization of \$27 million.

Training outside United States

The Senate bill provided that military education and training programs conducted outside the United States must be justified to the Speaker of the House and the Senate Foreign Relations Committee.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision with the understanding that such justification will be included in the annual presentation to Congress.

Limitation on certain types of training

The Senate bill provided that military training may not be associated with the operation of certain major weapons systems of U.S. origin.

The House amendment contained no comparable provision.

The committee of conference agreed to the House position.

Repeal of limitation on number of foreign military trainees in the United States

The House amendment repealed section 510 of the Foreign Assistance Act which limits the number of foreign military trainees in the United States in any fiscal year to the number of civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961, in the previous fiscal year.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision.

Availability of funds

The Senate bill permitted funds previously appropriated for military education and training purposes to be available for obligation and expenditure in accordance with provisions of law currently applicable.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision.

SPECIAL AUTHORITIES

The Senate bill repealed sections 614(b), relating to the use of funds for West Berlin, and section 614(c), which authorizes the use of up to \$50 million cumulatively of funds appropriated under the authority of the Foreign Assistance Act without specifying the purpose of such use.

The House amendment contained no comparable provision.

The committee of conference agreed to the House position.

ANNUAL FOREIGN ASSISTANCE REPORT

Additional information required

The Senate bill amended section 657(a) (1) and (3) relating to the annual foreign assistance report. The amendment to section 657(a) (1) required more detailed information with respect to foreign military sales, credits, and guaranties. The amendment to section 657(a) (2) required that the report specify whether exported military equipment was sold by the U.S. Government or was sold commercially.

The House amendment contained no comparable provisions.

The committee of conference adopted a substitute which contains the Senate amendment to section 657(a) (1) and also contains a substitute for the Senate amendment to section 657(a) (3) which elimi-

nates duplicative reporting requirements for arms sales which would have resulted from adoption of the Senate amendment.

Classification of information

The Senate bill amended section 657(b) of the Foreign Assistance Act so as to repeal the President's authority under the statute to classify specific items in the Annual Foreign Assistance Report if he determines their publication would be detrimental to the security of the United States.

The House amendment contained no comparable provision.

The committee of conference agreed to retain the President's authority to classify such information. However, it is the intent of the committee of conference that the requirement of existing law that each such classified item be accompanied by a justification therefor be rigorously adhered to by the President.

CHANGE OF FOREIGN MILITARY SALES ACT TITLE

The Senate bill changed the title of the Foreign Military Sales Act to the "Arms Export Control Act."

The House amendment retained the existing title.

The committee of conference adopted the Senate provision.

GOVERNMENT VERSUS COMMERCIAL ARMS SALES POLICY STATEMENT

The Senate bill amended the last paragraph of section 1 of the Foreign Military Sales Act, which calls for a reduction in the role of the U.S. Government in arms sales and a return of such sales to commercial channels by adding an exception in the case of major defense equipment, valued in excess of \$25 million.

The House amendment repealed the last paragraph of section 1 of the Foreign Military Sales Act.

The committee of conference adopted the House provision.

STATEMENT OF ARMS SALES POLICY

Statement of policy

The Senate bill amended section 1 of the Foreign Military Sales Act by adding new paragraphs thereto containing a statement of policy on arms sales. It provided that the President should undertake multilateral discussions for the purpose of reducing the international trade in arms and lessening the dangers of regional conflict. It further provided that the President shall report to Congress not later than June 30, 1976, and thereafter, on steps taken to carry out the policy.

The House amendment added a similar policy statement at a different place in the Foreign Military Sales Act.

The committee of conference adopted the statement of policy contained in the Senate bill but deleted the requirement for a report as unnecessary in view of the requirement placed upon the President to review United States arms sales policies in another part of the Act.

Review of arms sales policy

The House amendment added a new section 48 to the Foreign Military Sales Act which requires the President to conduct a compre-

hensive study of U.S. arms sales policies to determine whether such policies should be changed, and to report the results of such study to Congress along with an account of steps taken to encourage arms limitations not later than the end of the 1-year period beginning on the date of enactment of the amendment.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision.

ANNUAL CEILING ON ARMS SALES

The House amendment added a new section to the Foreign Military Sales Act, setting an annual ceiling of \$9 billion on the value of all U.S. arms sales contracts (both government-to-government and commercial), with any foreign country or international organization, such ceiling to apply to fiscal year 1977 and each fiscal year thereafter.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision with the following changes.

Scope of ceiling

The committee of conference adopted an amendment providing that the aggregate value of defense articles and defense services which are sold under the Foreign Military Sales Act or which are licensed or approved for export in connection with commercial sales for the use or for the benefit of the armed forces, police, intelligence, or other internal security forces of a foreign country or international organization in connection with commercial sales contracts, shall not exceed \$9 billion in any fiscal year.

Subceiling on combat equipment

The House amendment established a subceiling, equal to 40 percent of the overall ceiling, on aggregate U.S. sales of combat equipment in any year.

The committee of conference agreed to delete this provision.

Waiver authority

The House amendment permitted the President to waive the limitations on aggregate arms sales "to the extent necessary to allow defense articles and services to be furnished on an emergency basis if he determined and certified to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate that an emergency exists which requires the furnishing of such defense articles and services in the national security interests of the United States."

The committee of conference adopted a substitute provision which permits the President to waive the limitations on annual aggregate arms sales without declaring that an emergency exists if he determines that the national security interests so require. Such determinations are to be made on a case-by-case basis.

Enforcement procedures

The House amendment required U.S. arms manufacturers to submit proposed commercial arms export contracts to the Secretary of Defense to insure that the proposed sales were consistent with quotas

established by the President, and provided criminal penalties for wilful violations.

The Senate bill contained no comparable provision.

The committee of conference adopted a substitute provision which provides criminal penalties for any person who, with intent to avoid the application of the arms sales ceiling, exports or attempts to export any defense article or defense service without a license or approval as required.

TRANSFER OF DEFENSE SERVICES

The Senate bill amended section 3(a)(2) of the Foreign Military Sales Act and section 505(a) of the Foreign Assistance Act to provide that the requirement in existing law under which recipient countries must agree in advance not to transfer U.S.-supplied defense articles to a third country without prior U.S. consent shall also apply to related training and other defense services.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision.

APPROVAL FOR THIRD COUNTRY ARMS TRANSFERS

Transfer disapproval procedure

The Senate bill amended section 3 of the Foreign Military Sales Act to prohibit the President from consenting to any transfer of defense articles worth \$25 million or more, or any major defense equipment, or of training related to such articles or equipment, if it was sold or licensed for export under the act, or was furnished as grant military assistance under the Foreign Assistance Act. Such prohibition could be waived (1) if the President certified such proposed transfers to the Congress and the Congress did not adopt a concurrent resolution of disapproval within 30 calendar days, or (2) if the President stated that an emergency existed which required such transfer in the national security interests of the United States.

The House amendment also amended section 3 of the Foreign Military Sales Act by adding a similar prohibition on arms transfers and providing similar Presidential certification waiver and congressional disapproval procedures. Such prohibition, however, was applicable to all defense articles, but not to related training. The House amendment also provided that Congress could disapprove such transfers within a period of 30 days of continuous session.

The committee of conference adopted the House provision with an amendment providing for congressional disapproval of proposed arms transfers within a period of 30 calendar days.

Expedited procedure for resolutions of disapproval

The Senate bill contained a provision permitting, in either House, a motion to discharge the committee to which a resolution of disapproval was referred if such resolution is not reported by such committee at the end of 10 calendar days after its introduction.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision, but made it applicable only in the Senate.

Classification of information

The Senate bill contained a provision which required that the Presidential report to the Congress with respect to a proposed transfer must be unclassified unless the publication of such report would be detrimental to U.S. security.

The House amendment contained no comparable provision. The committee of conference adopted the Senate provision.

EXTENSION OF PAYMENT PERIOD FOR CREDIT SALES

The House amendment amended section 23 of the Foreign Military Sales Act to provide that the payment period for credit sales under the act shall not exceed 12 years after the delivery or rendering of the articles or services involved. The House amendment further provided that the 12-year payment period would apply to financing under agreements entered into on or after the date of enactment of the amendment.

The Senate bill contained no comparable provision. The committee of conference adopted the House provision.

USE OF DEPARTMENT OF DEFENSE (DOD) PERSONNEL

The Senate bill stated that nothing in this act is intended to authorize any additional military or civilian personnel for the purpose of the act and that both military and civilian personnel assigned to the Defense Department and carrying out functions under the act (even if funded by other than DOD appropriations) fall under military and civilian manpower ceilings imposed by the DOD authorizing legislation. The Senate bill also added to the Foreign Military Sales Act the injunction to maximize the use of civilian contractor personnel to perform defense services overseas, if consistent with the purposes of the act.

The House amendment contained no comparable provision. The committee of conference adopted the Senate provision.

SALES FROM STOCKS

The Senate bill amended section 21 of the Foreign Military Sales Act to—

- (1) limit the sale of defense services to nine specified services.
- (2) provide that, with respect to the sale of a defense article which will not be replaced by the United States, the price of such defense article shall be the actual value thereof;
- (3) provide that the price of articles which are intended to be replaced shall be the actual cost of replacement;
- (4) provide that the price of defense services shall be equal to the cost to the United States of such services;
- (5) require that payment for defense articles and services be made in advance, unless the President determines it to be in the national interest to delay such payment, in which case interest is charged on any amount paid more than 60 days after delivery of such article or service (or 120 days if the President finds that an emergency exists);

(6) prohibit personnel performing defense services from performing combat duties;

(7) require that letters of offer include charges for administrative services, plant and production equipment, and for major defense equipment, a proportionate amount of nonrecurring research and development costs, with certain exceptions for standardization and coproduction arrangements with members of the North Atlantic Treaty Organization (NATO);

(8) require contracts made pursuant to sections 21 and 22 of the act be made available for public inspection to the extent possible consistent with the national security of the United States; and to

(9) authorize the President to enter into NATO standardization agreements.

The House amendment contained no comparable provisions. The committee of conference adopted the Senate provisions with an amendment which deletes the provision limiting the sale of defense services to only those nine services as listed in the Senate bill. The committee of conference also deleted the Senate bill's definition of major defense equipment. In addition, the committee of conference also adopted an amendment which specifies that the interest to be charged is not less than the current cost of U.S. Government borrowing.

SALES FROM STOCKS AFFECTING COMBAT READINESS

The Senate bill amended section 21 of the Foreign Military Sales Act to provide that sales of defense articles and services which could have a significant adverse effect on the combat readiness of U.S. Armed Forces shall be kept to a minimum. With regard to any such sale, the President was to transmit to Congress a written statement setting forth the details of the proposed sale, a full description of its impact on U.S. Armed Forces, and a justification and certification that such sale was important to U.S. security. No delivery could be made under any such sale unless the latter certification was in effect. Such certification would remain in effect for 1 year from the date of transmittal, unless Congress adopted a concurrent resolution suspending such delivery within 30 calendar days after transmittal.

The House amendment amended section 657(a) of the Foreign Assistance Act to require inclusion in the annual foreign assistance report a statement describing the impact on U.S. military readiness and capacity to protect U.S. security, and to fulfill mutual defense commitments, of deliveries of defense articles and rendering of defense services under the Foreign Assistance Act and the Foreign Military Sales Act during the year in question.

The committee of conference adopted the Senate provision with an amendment deleting the provision relating to a concurrent resolution of disapproval. The committee of conference notes that congressional authority to disapprove sales of major defense equipment valued in excess of \$7 million, and other congressional controls over arms sales provided elsewhere in this act, will greatly increase the capacity of the Congress to monitor and to minimize the impact of arms sales on U.S. combat readiness.

PROCUREMENT FOR CASH SALES

The Senate bill amended section 22(a) of the Foreign Military Sales Act to require that interest be charged on any net amount by which a country is in arrears, taking all outstanding undertakings collectively. The Senate bill also amended section 22(b) of the act to authorize the President, if he determines that the purchasing country faces an emergency, and that it is in the national interest to provide such a country with certain equipment or services, to allow payment within 120 days after the date of billing.

The House amendment contained no comparable provision.

The committee of conference adopted the Senate provision with an amendment which specifies that the interest to be charged is not less than the current cost of U.S. Government borrowing.

ANNUAL ARMS SALES ESTIMATES

Content and format of estimates

The Senate bill required the President to transmit annually to Congress a report setting forth (1) an estimate of the amount of sales, credits, and guaranties expected for each country for the next fiscal year, (2) findings made under section 3(a) (1) of the Foreign Military Sales Act, and (3) an arms control impact statement for each purchasing country. Such report was to be included in the annual congressional presentation materials.

The House amendment contained a similar provision requiring more detailed information and explanation and also requiring that the arms sales estimates cover the next 2 fiscal years. Such estimates had to be submitted by February 15 of each year.

The committee of conference adopted the Senate provision.

Requests for additional information

The House amendment required that requests by either the House International Relations Committee or the Senate Foreign Relations Committee for additional information on such estimates must be met within 30 days.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision.

Classification of information

The House amendment stipulated that the President should make every effort to keep the estimates in unclassified form.

The Senate bill contained no comparable provision.

The committee of conference adopted the House provision.

CONGRESSIONAL REVIEW PROCEDURES—REPORTS ON COMMERCIAL AND GOVERNMENT MILITARY EXPORTS

Limitations on items which can be sold through commercial channels

The Senate bill required that all sales of "major defense equipment" of \$25 million or more must be made through government channels. The Senate bill defined "major defense equipment" as "a defense equipment or weapons system having a total research and develop-

ment investment for hardware of \$50,000,000 or more, or a total estimated production cost, both recurring and nonrecurring, of \$200,000,000 or more."

The House amendment contained a comparable provision but defined "major defense equipment" as "any item of significant combat equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000."

The committee of conference agreed to a provision which requires that all sales of major defense equipment in excess of \$25 million must be handled on a government-to-government basis, except for sales to members of NATO, to whom sales above that limit can continue to be made through commercial channels.

The committee of conference agreed to define "major defense equipment" as:

Any item of significant combat equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50,000,000 or a total production cost of more than \$200,000,000.

The committee of conference agreed to this definition with the understanding that the designations of "significant combat equipment" on the U.S. Munitions List will be expanded by the Department of State to include electronic equipment, assigned a military designation, which is to be exported for military purposes.

Congressional review of proposed sales and licenses

The Senate bill revised and expanded provisions of existing law which require that all proposed government offers to sell defense articles or defense services of \$25 million or more to a foreign country or international organization be submitted to Congress by the President, with Congress allowed 20 calendar days within which to reject the proposed sale by passage of a concurrent resolution, unless the President, in an emergency situation, waives the waiting requirement.

The Senate bill required that the following proposals be submitted to Congress for possible rejection by concurrent resolution:

Government sales.—(1) All proposed sales of "major defense equipment", regardless of value, and (2) All proposed sales of defense articles or defense services of \$25 million or more.

Commercial sales.—(1) All proposed licenses for the export of "major defense equipment," regardless of value, and (2) All proposed licenses for the export of defense articles and defense services valued in excess of \$25 million.

Congress would have had 30 calendar days within which the proposed sale or license could be rejected by passage of a concurrent resolution. The waiting period could be waived by a certification by the Secretary of State that an emergency exists which required the sale or the issuance of the license in the national security interests of the United States, a provision comparable to existing law.

The House amendment did not contain comparable provisions, with the exception of a provision which extended the waiting period for proposed government sales from 20 to 30 calendar days.

The committee of conference agreed to a substitute provision which requires the President to submit to Congress, for possible rejection by concurrent resolution, the following types of proposals:

Government sales.—(1) All proposed sales of "major defense equipment" of \$7 million or more, and (2) All proposed sales of defense articles or defense services of \$25 million or more.

Commercial sales.—All proposed export licenses pursuant to commercial sale of "major defense equipment" of \$7 million or more (commercial sales of such items sold for more than \$25 million can be made only to NATO countries).

Any such proposed sale or license can be rejected by concurrent resolution within 30 calendar days after the required data is submitted to the Congress.

Data concerning all proposed export licenses pursuant to commercial sales of defense articles or services in excess of \$25 million, regardless of composition, must be submitted to the Congress in advance of issuance of the license but there is no provision for rejection by concurrent resolution unless the articles are major defense equipment.

In agreeing to the revised provisions, the committee of conference expects that there will be no attempt by the executive branch or commercial firms to circumvent the new controls by breaking a large transaction for the sale of major defense equipment into several separate sales in order to avoid the \$7 million trigger for congressional review.

The committee of conference also agreed to waiver provisions allowing the 30 calendar day waiting period to be waived if the President certifies that an emergency exists which requires the sale or the issuance of the license, as the case may be, in the national security interests of the United States.

Data required on submissions to Congress of proposed sales and licenses

The Senate bill required that additional data, beyond that required under existing law, be submitted to Congress with proposals to sell defense articles or defense services on a government-to-government basis. The additional data called for was:

- (a) A brief description of the capabilities of any defense article;
- (b) An estimate of the number of officers and employees of the United States and civilian contract personnel expected to be needed in such country to carry out the contract;
- (c) The name of each contractor expected to provide the defense article or defense service to be sold (if known); and
- (d) An arms control impact statement.

The House amendment also required that additional information be submitted to Congress with such proposals:

- (a) A detailed description of the defense articles or services offered;
- (b) A description of the need for such services by such country and how such country intends to use them;

- (c) An analysis of the impact of the proposed sale on the military preparedness of the United States;

- (d) Reasons why the proposed sale is in the United States national interests;

- (e) The impact of the proposed sale on the military preparedness of the country to which such sale would be made;

- (f) How the proposed sale would affect the relative military strengths of the countries in the region;

- (g) An estimate of the number of trained personnel needed to effectively use the defense articles or services proposed to be sold;

- (h) An estimate of the number of United States personnel whose presence would be required in such country to carry out the sale;

- (i) An analysis of the availability of such articles or services from other countries; and

- (j) An analysis of the impact of the proposed sale on United States relations with other countries in the region.

The committee of conference agreed to language which would require the President to furnish any of the information specified in both the Senate and House versions upon the request of either the House Committee on International Relations or the Senate Committee on Foreign Relations. This listing of specific data which may be requested by either Committee is not to be construed as restricting in any way the right of either Committee to request such other pertinent data on proposed sales or licenses as it deems necessary.

Classification of submissions to Congress of proposed sales and licenses

The Senate bill required that the certification to the Congress by the President which accompanied proposals for sale by the government of defense articles and defense services must be unclassified, except that the dollar amount of the offer to sell and the number of defense articles to be sold could be classified if public disclosure thereof would be clearly detrimental to the security of the United States.

The House amendment contained no comparable provision.

The committee of conference agreed to the Senate provision with an amendment which allows the details of the description of the defense article proposed to be sold to be submitted on a classified basis if public release of the detailed description would be clearly detrimental to the security of the United States.

Quarterly reports on sales and exports of defense articles and defense services

The Senate bill revised and expanded provisions in existing law which require the submission to Congress of quarterly reports on government military sales activities and periodic reports on the issuance of certain commercial export licenses. The Senate bill added four additional items to the quarterly report requirement with respect to government sales:

- (a) Projections of the dollar amounts of cash sales expected to be made in the next quarter;

- (b) A projection of cash sales and credits expected for each country and organization for the remainder of the fiscal year;

(c) An estimate of the number of United States personnel present in each country at the end of the quarter who are performing FMS sales and commercial export functions; and

(d) An analysis of the services being performed by United States personnel for foreign countries or international organizations on a sales basis.

The Senate bill also repealed the requirement in existing law for periodic reports on the issuance of commercial export licenses and required that the revised quarterly report contain a cumulative statement regarding all licenses issued during the fiscal year for commercial exports of defense articles and services in excess of \$100,000. All information was to be submitted in unclassified form with the exception of data on certain outstanding government sales offers and material concerning individual sales proposals which had been submitted to Congress on a classified basis.

The House amendment did not require additional data on government sales for the quarterly Foreign Military Sales Act report but did require quarterly report on the following data for commercial sales:

(a) A numbered listing for each foreign country of all licenses issued for the export of significant combat equipment in excess of \$1 million; and

(b) The total number of licenses issued and the total value of all arms, ammunition, and implements of war licenses for export to each foreign country.

The House amendment did not repeal the provision of existing law requiring periodic reports on the issuance of certain commercial export licenses.

The committee of conference agreed to a provision which combined features of both bills.

Under this provision, the following information must be included in the quarterly report:

(1) A listing of all Government offers to sell any major defense equipment valued at \$1 million or more if the offer has not been accepted or canceled;

(2) A listing of all Government offers to sell that have been accepted, together with the total value of all defense articles and defense services sold to each foreign country;

(3) The cumulative dollar amounts, by country, of credits and guaranties of credit extended during the fiscal year in which the report is submitted;

(4) Information concerning all licenses for export to each foreign country of commercially sold major defense equipment, by category, sold for \$1 million or more, together with the total value of all defense articles and defense services licensed for each foreign country;

(5) Projections of the dollar amounts, by country, of cash sales expected to be made on a government basis, and credits and guaranties to be provided, in the next quarter;

(6) A projection of Government cash sales expected to be made and credits expected to be extended to each country for the remainder of the fiscal year;

(7) An estimate of the number of officers and employees of the Government and U.S. civilian contract personnel present in each such country at the end of that quarter for assignments in implementation of Government sales and commercial exports; and

(8) an analysis and description of the services being performed by officers and employees of the United States through Government sales, including the number of personnel so employed.

Reporting of certain commercial technical or manufacturing license agreements

The Senate bill required the Secretary of State to submit to Congress a certification, similar to that required on proposed commercial export licenses, in the case of a proposed export license with respect to certain commercial technical agreements or manufacturing license agreements for all non-NATO member countries. No congressional disapproval procedure was provided for in the provision.

The House amendment did not contain a comparable provision.

The committee of conference agreed to the Senate provision.

Reporting of Government and commercial sales to countries which have not purchased military articles during previous year

The Senate bill required prompt reports to Congress by the Secretary of State regarding—

(A) any letter of offer to sell defense articles or services to any country to which no articles or services were sold during the previous year; and

(B) an application for a license for the export of defense articles or services to a country to which no such articles or services were exported during the previous year.

The House amendment did not contain a comparable provision.

The committee of conference agreed to the House position.

CANCELLATION AND SUSPENSION OF LICENSES AND CONTRACTS

The Senate bill amended section 42 of the Foreign Military Sales Act to require that each contract entered into under sections 21 and 22 of that act provide that the contract may be canceled by the United States under unusual or compelling circumstances if the national interest so required; that each commercial export license provide that it may be revoked, suspended or amended without notice whenever the Department of State deemed it advisable. The provision also required that each contract and export license must provide that, upon cancellation or revocation, deliveries thereunder may be suspended or terminated and authorized the appropriation of funds necessary to refund money disbursed for work in progress under any cancelled or suspended contract entered into under the Foreign Military Sales Act and to pay damages and costs arising from such cancellation or suspension.

The House amendment did not contain a comparable provision.

The committee of conference agreed to adopt the Senate provision with an amendment deleting the requirement that each contract and export license must provide that upon cancellation or revocation, deliveries thereunder may be suspended or terminated.

Under existing munitions control regulations licenses can be revoked, suspended or denied by the Department of State whenever the Department deems such action to be advisable in furtherance of (1) world peace; (2) the security of the United States; (3) the foreign policy of the United States; or (4) whenever the Department has reason to believe that section 414 of the Mutual Security Act of 1954, as amended, or any regulation contained in this subchapter shall have been violated. Similarly, all government military sales contracts contain provisions which reserve to the United States the right to cancel all or part of the order "when in the best interests of the United States."

It is the judgment of the committee of conference that existing regulations and procedures, if vigorously applied, are adequate to protect the security interests and other legitimate concerns of the United States, and that therefore, further legislative authority is unnecessary at this time.

REIMBURSEMENT FOR ADMINISTRATIVE EXPENSES

The Senate bill amended section 43 of the Foreign Military Sales Act to require that the administrative expenses of any U.S. agency resulting from functions under the Act and carried out primarily for the benefit of the foreign country shall be reimbursed from Foreign Military Sales Act sales receipts, or from license or approval fees with respect to commercial sales, as the case may be.

The House amendment did not contain a comparable provision.

The committee of conference agreed to adopt the Senate provision with an amendment deleting the requirement that United States agencies be reimbursed for expenses incurred for the benefit of foreign countries from license or approval fees collected in connection with commercial sales.

REPORTS OF SALES OF EXCESS DEFENSE ARTICLES

The Senate bill required a report of all sales of excess defense articles for the period July 1, 1976 to December 31, 1976.

The House provision did not contain a comparable provision.

The committee of conference adopted the Senate provision.

DEFINITIONS

Defense articles

The House amendment defined "defense articles" for purposes of the Foreign Military Sales Act.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House definition with a clarification to ensure against any conflict with the designation of defense articles for purposes of commercial export controls.

Defense services

The House amendment defined "defense services" for purposes of the Foreign Military Sales Act.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House definition with a clarification similar to that contained in the definition of defense article.

Training

The House amendment defined "training" for purposes of the Foreign Military Sales Act.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House definition for sales under the Foreign Military Sales Act. The term "defense article and defense service" for commercial export license purposes means those items designated by the President.

Major defense equipment

The Senate bill defined "major defense equipment" as any defense equipment or weapons system having a total research and development cost of \$50 million or more, or a total estimated production cost of \$200 million or more.

The House amendment contained two definitions of "major defense equipment":

(1) a weapons system which costs, over the life of its development, testing and engineering, in excess of \$50 million or procurement in excess of \$200 million, and

(2) any item of significant combat equipment on the United States Munition List having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million.

The committee of conference agreed to define "major defense equipment" to mean any item of significant combat equipment on the United States Munition List having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million. It is the intention of the committee of conference that this definition apply throughout the act.

Major defense services

The House amendment defined "major defense service" to mean any defense service which materially increases the military capability of the country or international organization to which it is rendered.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the Senate position.

CONTROL OF LICENSES WITH RESPECT TO ARMS EXPORTS AND IMPORTS

The Senate bill repealed section 414 of the Mutual Security Act of 1954, replaced it with a new section 38 of the Foreign Military Sales Act and made several changes in existing law to:

(1) Give the Secretary of State, instead of the President, statutory jurisdiction over commercial export licenses;

(2) Direct the President to give foreign policy guidance to persons involved in the export and import of defense articles and defense services;

(3) Give the President explicit authority to promulgate regulations for the export or import of defense articles or defense

services, including authority to designate items as defense articles and defense services;

(4) Make commercial sales and the transfer of defense articles and defense services subject to the eligibility, transfer, use and other provisions of sections 3 and 4 of the Foreign Military Sales Act;

(5) Require that every private person or firm engaged in manufacturing or exporting defense articles and defense services register with the Department of State and with the President if importing such articles or services;

(6) Make an export license in connection with commercial sales mandatory; and

(7) Make a willful violation of requirements of this section or of the export regulations promulgated thereto punishable by a fine of up to \$100,000 and/or 2 years imprisonment and authorize the President to exercise the same powers concerning violations and enforcement which are conferred upon departments, agencies and officials by certain sections of the Export Administration Act of 1969.

The House amendment retained existing law with an amendment that authorized the President to exercise the same powers concerning violations and enforcement by certain sections of the Export Administration Act of 1969.

The committee of conference agreed to adopt the Senate provision with two amendments to give statutory jurisdiction over commercial arms exports to the President and to delete the requirement that the provisions of sections 3 and 4 of the Foreign Military Sales Act applied to commercial sales and the transfer of defense articles and defense services to third countries. It is the intent of the committee of conference, that, the President should apply the eligibility, transfer, use and other provisions of sections 3 and 4 of the Foreign Military Sales Act in promulgating regulations for the commercial export of defense articles and defense services or when giving approval for the transfer of defense articles or defense services from one country to another.

In using the term "defense articles and defense services" in this section, the committee of conference intends to include within its meaning such items as may be designated by the President. No change is intended by this change in terminology from the President's authority to designate items as "arms, ammunition and implements of war, including technical data relating thereto."

REMOVAL OF REGIONAL CEILINGS

The House amendment repealed section 33 of the Foreign Military Sales Act which places a \$40 million annual ceiling on military assistance, credits, and guaranties for African countries.

The Senate bill did not contain a comparable provision.

The committee of conference agreed to the Senate position.

INELIGIBILITY—GRANT MILITARY ASSISTANCE TERMINATION

The Senate bill revised section 505 of the Foreign Assistance Act to require the termination of grant assistance, including deliveries, to any

country which uses such assistance in substantial violation of an applicable agreement with the United States by using United States furnished defense articles or defense services for a purpose not authorized by United States law, by transferring such articles without United States consent or by failing to maintain the security of such articles or services.

Under the Senate bill, ineligibility for military assistance would occur if the President determined that a country had committed a substantial violation and so stated in writing to the Congress, or if the Congress, by concurrent resolution, found a country to be ineligible.

The Senate bill also required the President to make a determination and transmit a statement of ineligibility to the Congress promptly upon receipt of information that a violation had occurred thus making the termination of assistance automatic.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision with an amendment that requires the President to report to the Congress information indicating that a substantial violation may have occurred. The conference substitute does not require the President to make an immediate determination of ineligibility. The information in the report could, however, constitute the basis for either a Presidential or a Congressional determination of ineligibility.

The committee of conference also adopted a technical amendment to make clear that a violation of either the purposes for which assistance is provided (as specified in the Act) or of the terms of the sales/grant agreement, constitutes grounds for ineligibility.

Restoration of eligibility

The Senate bill allowed the restoration of eligibility and the resumption of military assistance when the President determined that the violation had ceased and the country concerned had given assurances satisfactory to the President that such a violation would not reoccur.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision.

Waiver authority

The Senate bill removed the President's authority to use the waiver authority of section 614(a) of the Foreign Assistance Act in the case of ineligibility, except with respect to defense articles in the pipeline.

The House amendment did not contain comparable provision.

The committee of conference adopted the Senate provision.

INELIGIBILITY—FOREIGN MILITARY SALES

Termination of assistance; waiver of authority

The Senate bill amended section 3(c) of the Foreign Military Sales Act to prohibit credits and guaranties to any country which uses defense articles or defense services furnished under the Foreign Military Sales Act in substantial violation of any agreement entered into under the act by using such articles or services for a purpose not authorized by U.S. law, by transferring them without U.S. consent or by failing to maintain the security of such articles or services. This provision also

prohibited cash sales or deliveries to any country committing a substantial violation by using defense articles or defense services for a purpose not authorized by U.S. law.

Ineligibility for military sales, credits, or guaranties occurred if the President so determined and stated in writing to the Congress, or if the Congress found a country to be ineligible by concurrent resolution.

The Senate also required the President to make a determination and to transmit a statement of ineligibility to the Congress promptly upon receipt of information that a substantial violation had occurred, thus making the termination of sales, credits, and guaranties automatic.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision with an amendment that requires the President to report to the Congress information indicating that a substantial violation may have occurred. The conference substitute does not require the President to make an immediate determination of ineligibility. The information in the report could, however, constitute the basis for either a Presidential or a congressional determination of ineligibility.

The committee of conference also adopted a technical amendment to make clear that a violation of either the purpose for which assistance is provided as specified in the Act or of the terms of the agreement itself, constitutes grounds for ineligibility.

The conference substitute also permits the President to waive the termination requirements of this section with respect to cash sales and deliveries if he finds that a termination would have a significant adverse impact on U.S. security. The waiver authority may not be used if Congress has adopted or subsequently adopts a concurrent resolution declaring a country ineligible for such sales.

Restoration of eligibility

The Senate bill allowed the restoration of eligibility and the resumption of sales, credits, or guaranties when the President determined that the violation had ceased and the country concerned had given assurances satisfactory to the President that such a violation would not recur.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision.

HUMAN RIGHTS

The Senate bill provided that it is the policy of the United States that except under certain conditions no security assistance may be provided to any country, the government of which engages in a consistent pattern of gross violations of internationally recognized human rights. The conditions referred to are as follows: (1) exceptional circumstances exist requiring such assistance; and (2) the United States is taking steps to discourage any practices which are inimical to internationally recognized human rights and is publicly or privately calling attention to, and disassociating any assistance provided under the Foreign Assistance Act from, such practices. Security assistance is defined to mean grant military assistance, security supporting assistance, military education and training, assistance for Middle East; cash or credit sales under the Foreign Military Sales Act; and licenses for

the export of commercially sold defense articles or services. Internationally recognized human rights were defined to include particularly the right to life, liberty, and the security of person, and the right not to be subjected to torture or cruel, inhuman, or degrading treatment or punishment, or prolonged detention without charges.

In addition to the area of security assistance, the Senate bill enunciated as a principal goal of U.S. foreign policy the promotion of increased observance of internationally recognized human rights by all countries.

The Senate bill required the Director of the Office of Human Rights, Department of State, to submit as part of the presentation materials for security assistance for each fiscal year, a full and complete report with respect to the status of human rights in each country which is proposed to be a recipient of security assistance. The report was to take into account the relevant findings of international organizations and the extent of cooperation by the government concerned in permitting an unimpeded investigation of alleged violations of human rights.

Under the Senate bill, the Senate, the House of Representatives, the Senate Foreign Relations Committee, or the House Committee on International Relations could request the Director of the Office of Human Rights to provide the following information within 30 days: a detailed description of the human rights practices of the recipient government; the steps the U.S. government has taken to discourage violations of human rights by the recipient government and to publicly or privately call attention to, and disassociate any assistance provided under the Foreign Assistance Act from, such violations; whether in the opinion of the Secretary of State exceptional circumstances require continuation of such assistance and, if so, a description of such circumstances and the extent to which such assistance should be continued; and other information which is requested by the House, Senate, or the above-mentioned committees. Within 90 days of continuous session after each such statement is transmitted, the Congress may under an expedited procedure adopt a concurrent resolution terminating or restricting the provision of security assistance to the recipient government.

Under the Senate bill, an Office of Director of Human Rights was to be established. The Director was to be appointed by the President with the advice and consent of the Senate. The Director would be required to transmit to Congress under section 502B detailed reports on the status of human rights in each country receiving security assistance; to determine whether security and economic assistance is being furnished in compliance with sections 116 and 502B of the Foreign Assistance Act; and to make recommendations to the President, Secretary of State, and the Administrator of the Agency for International Development regarding any deficiencies in such compliance.

The House bill was essentially the same as the Senate bill except for the following differences:

- (1) Whereas the Senate bill stated it is the policy of the United States not to provide security assistance to any government which engages in a consistent pattern of gross violations of internationally recognized human rights, the House bill directed such a prohibition;

(2) The House bill required the President to determine, if so requested by Congress, whether or not there existed in a particular country a serious question of a consistent pattern of gross violations of internationally recognized human rights. The Senate bill did not have such a requirement.

(3) The House bill allowed 90 days of continuous session for the consideration of a concurrent resolution terminating or restricting security assistance to a particular government.

(4) The House bill's reference to the findings of nongovernmental organizations did not include those organizations having consultative status with the United Nations.

(5) The House bill did not provide for a Director of Human Rights. The annual reports on the status of human rights in recipient governments and statements regarding particular recipient governments were to be submitted by the President.

The committee of conference adopted the Senate provision with several amendments, as follows:

(1) It accepted the House bill's language directly stating the prohibition of security assistance to any government which engages in a consistent pattern of gross violations of internationally recognized human rights.

(2) It provided that the expedited procedure would apply only to the Senate; and that the Congress would have 90 days of continuous session to enact a concurrent resolution restricting, terminating or restoring security assistance to a given country.

(3) It required the Secretary of State to file the reports and statements required under section 502B.

(4) It deleted the reference in the Senate bill relating to international organizations having "consultative status" with the United Nations.

(5) It established the position of a Coordinator for Human Rights in the Department of State. The Coordinator is to be appointed by the President, with the advice and consent of the Senate. The Coordinator is to be responsible to the Secretary of State who would carry out his responsibilities under section 502B through the Coordinator. The duties of the Coordinator remain largely the same as specified in the Senate bill for the Director: in addition, he is asked to perform other responsibilities which serve to promote increased observance of internationally recognized human rights by all countries.

It is the understanding the Committee of Conference that the Coordinator for Human Rights would devote full-time to human rights as articulated in this section and in section 116 of the Foreign Assistance Act.

The committee of conference expects the Coordinator for Human Rights to be given sufficient staff to carry out his duties.

POSITIONS TAKEN AT INTERNATIONAL ORGANIZATIONS

The House amendment directed the President to take into account positions taken in international organizations in determining future requests for military and security supporting assistance.

The Senate bill did not contain a comparable provision. The committee of conference agreed to the Senate position.

DISCRIMINATION

The Senate bill added a new subsection (g) to section 505 of the Foreign Assistance Act and a new section 5 to the Foreign Military

Sales Act. The new provision (1) enunciated United States policy not to furnish assistance or to make sales or extend credits or guaranties to governments discriminating against United States nationals or persons, (2) prohibited United States agencies or contractors from acquiescing in such discriminatory practices in their assignment and employment of personnel, (3) required Presidential reports to Congress on any transaction in which a United States person or corporation is prevented, due to such discrimination, from participating either in the furnishing of assistance or in any sale or commercial license transaction under the Foreign Military Sales Act, and (4) if the discrimination persisted, required the immediate termination of the assistance transaction, the immediate cancellation of the sale, or the immediate suspension of the license in question.

The House amendment was comparable but did not require the mandatory termination of the assistance, sale, credit, or guaranty or the cancellation of the license if the country continued to discriminate against United States citizens.

The committee of conference adopted the Senate provision with an amendment which permits the President to waive the requirement to suspend the assistance, sale, credit, guaranty, or to cancel the license, if he determines and certifies to the Congress that termination of such assistance, sale, credit, guaranty, or the cancellation of the export license, would have a significant adverse impact on the security of the United States.

PROHIBITION AGAINST ASSISTANCE TO COUNTRIES WHICH AID OR ABET INTERNATIONAL TERRORISTS

The Senate bill prohibited assistance of any kind under the Foreign Assistance Act for a period of one year to any country which aids or abets an individual or group that has committed an act of international terrorism. The prohibition could be waived if the President determined that the security of the United States required it, but such a determination could be disapproved within 30 days by the passage by the Congress of a concurrent resolution.

The House amendment prohibited assistance to any country which granted sanctuary from prosecution to any individual or group that had committed an act of international terrorism. The prohibition could be waived if the President determined and reported to Congress that extraordinary circumstances existed which justified continuation of assistance and if the Congress did not reject such a determination within 30 days by the passage of a concurrent resolution.

The committee of conference adopted the Senate version with an amendment to include the House provision by requiring termination of assistance to any country which aids or abets by granting sanctuary

from prosecution to any individual or group that has committed an act of international terrorism.

AID FOR CYPRIOT REFUGEES

The House amendment contained a provision increasing the authorization for assistance for the refugees in Cyprus from \$30 million to \$50 million.

The Senate bill did not contain a comparable provision.

The committee of conference agreed to an authorization of \$40 million for the refugees in Cyprus.

ASSISTANCE FOR ANGOLA

Policy statement and reporting requirement

The Senate bill contained a policy statement urging the President to seek agreement among the various factions in Angola. The President was required to report to Congress within 30 days on steps taken to reach such an agreement and on military aid being provided by foreign governments to Angola.

The House amendment contained a policy statement calling upon the President to seek an end to the fighting in Angola. This provision also required the President to report to the Congress within 60 days after enactment and every 30 days thereafter until the reporting requirement was suspended by the concerned committees of the Congress.

The committee of conference adopted the Senate policy language and the House reporting requirement.

Prohibition on assistance

The Senate bill prohibited security assistance to any group, individual, organization, or persons in Angola for military or paramilitary operations, unless such assistance is specifically authorized by this act. This provision also authorized the President to furnish security assistance if he submitted a report to the Congress fully justifying such assistance, and either House of the Congress did not disapprove the report by simple resolution.

The House amendment prohibited assistance of any kind other than for humanitarian purposes, unless specifically authorized by subsequent legislation.

The committee of conference adopted the House prohibition with an amendment adding the words, "notwithstanding any other provision of law," to make clear that the prohibition on security assistance is not limited solely to assistance furnished pursuant to this Act.

SOVIET INTERVENTION IN ANGOLA

The House amendment expressed the concern of the Congress with respect to the large-scale and continuing Soviet intervention in Angola, including Soviet sponsorship and support for Cuban Armed Forces in that country.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House provision.

ASSISTANCE FOR TURKEY

The Senate bill amended section 620(x) of the Foreign Assistance Act to permit cash sales under the Foreign Military Sales Act during fiscal year 1976 and the transition quarter if the President determined that such sales were necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization.

The House amendment authorized cash sales, credits, and guaranties under the Foreign Military Sales Act to finance the procurement of defense articles and defense services by Turkey if the President determined on a case by case basis that such sales, credits, and guaranties were necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization. The House provision also established a ceiling of \$125 million on such sales, credits, and guaranties during fiscal year 1976 and the interim quarter. This section further provided that the authority to make such sales shall be effective only so long as Turkey observes the cease-fire on Cyprus, does not increase its military forces or its civilian population on Cyprus, and does not transfer to Cyprus any additional United States supplied arms, ammunition, or implements of war.

The House amendment also required that any determination relating to the sale of significant combat equipment on the U.S. Munitions List to which the reporting requirement of section 36(b) of the Foreign Military Sales Act does not apply must lie before the Congress for 30 days before the transaction or transactions with respect to which it is made may be undertaken.

The committee of conference adopted the House provision. It is the intent of the committee of conference that in the event Congress does not enact further legislation on this subject prior to September 30, 1976, the delivery of defense articles sold under the limited authority of this section, i.e., during fiscal year 1976 and the interim quarter, shall not be suspended at the end of the interim quarter, providing that Turkey adheres to the specified conditions contained in this section.

PROHIBITION AGAINST MILITARY ASSISTANCE AND SALES TO CHILE

The Senate bill prohibited military assistance, security supporting assistance, all cash sales, credits and guaranties under the Foreign Military Sales Act and the issuance of export licenses with respect to commercial sales of defense articles to Chile. This provision also prohibited the delivery of all defense articles in the pipeline, including deliveries of articles purchased through commercial channels, effective on the date of enactment.

The House amendment prohibited military assistance, security supporting assistance and credits and guaranties under the Foreign Military Sales Act. The delivery of such assistance was to be prohibited effective on the date of enactment of this section. The House amendment also authorized the President to waive the prohibitions of this section after September 30, 1976, if he determined that the Government Chile had made substantial progress in promoting the recognition and enforcement within Chile of internationally recognized human rights.

The House provision required the President to submit each such determination to Congress. The determination was subject to disapproval by concurrent resolution within 30 days.

The committee of conference adopted the House provision with an amendment deleting the President's authority to waive the prohibitions of this section after September 30th.

The committee of conference understands that military assistance in the form of military education or training under the newly created chapter 5 of part II of the Foreign Assistance Act is included in the ban and consequently can not be provided to any Chilean citizen.

CONTROL OF MILITARY FORCES IN THE INDIAN OCEAN

The Senate bill included a provision expressing the sense of the Congress that the President should initiate negotiations with the Soviet Union regarding control of military forces in the Indian Ocean. The President was required to report not later than July 1, 1976 regarding steps taken to carry out this section.

The House amendment contained the same provision except the President would be required to submit the report to the Congress not later than December 1, 1976.

The committee of conference adopted the House reporting date of December 1, 1976.

U.S. CITIZENS IMPRISONED IN MEXICO

The House amendment declared the intent of Congress that efforts to secure stringent international law enforcement measures with respect to dangerous drugs shall be combined with efforts to secure fair and humane treatment for citizens of foreign countries who are imprisoned. The provision also requested the President to communicate directly to the President of Mexico the continuing concern of the United States over the treatment of United States citizens arrested in Mexico and for continued friendly relations with that country. The House amendment also required the Secretary of State to submit quarterly reports to Congress on progress achieved toward full respect of the human and legal rights of all United States citizens detained in Mexico.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House provision with an amendment to make it clear that Mexico is a nation with which the United States has a continuing friendly and cooperative relationship.

While the provisions of this section apply only to U.S. citizens arrested in Mexico, there is widespread concern in Congress that U.S. citizens who have been imprisoned in other countries are not afforded fair and humane treatment while incarcerated. The committee of conference therefore expects the President to communicate the same concerns and desires as embodied in this provision to the governments of other countries, particularly those in which U.S. citizens are known to be under arrest.

EMERGENCY FOOD NEEDS OF PORTUGAL

The Senate bill expressed the sense of the Senate that the President undertake immediately an evaluation of the emergency food needs of Portugal and that the President take timely action to alleviate such emergency by providing Portugal with food commodities under the provisions of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and other statutes.

The House amendment differed from the Senate provision in that it expressed the sense of the Congress with respect to the food needs of Portugal but did not specify that food commodities should be provided under the provisions of the Agricultural Trade Development and Assistance Act of 1954.

The committee of conference adopted the House provision.

MIDDLE EAST POLICY STATEMENT

The House amendment expressed the sense of the Congress that the United States will maintain full flexibility to determine its Middle East policy. This provision also stated that Congressional approval of the Sinai early warning system and of funds in this bill to carry out the Middle East agreement did not constitute congressional approval of any commitment or assurance made to Israel, Egypt, or any other nation or organization, and did not constitute Congressional acceptance of any characterization of any such commitment or assurance as a codification of existing U.S. policy.

The Senate bill did not contain a comparable provision.

The committee of conference agreed to accept the House provision with an amendment deleting the phrase "maintain full flexibility to determine Middle East policy as circumstances may require" in the first sentence and substituting the words "will continue to determine United States policy as circumstances require".

STRIFE IN LEBANON

The Senate bill expressed the sense of the Congress that the situation in Lebanon poses a serious danger to Middle East peace, and that the Congress viewed with grave concern outside efforts to exploit the current strife for the purpose of transforming Lebanon into a radical state in confrontation with Israel. This provision also contained a request that the President use his good offices to bring about peace.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision with an amendment which conforms the language to reflect the situation as it is reported to exist in Lebanon at the present time.

REPORT ON KOREA

The House amendment required the President to submit a report within 90 days after enactment and at least once a year during each of the next 5 years reviewing the progress made by the Republic of

Korea in its program to modernize its Armed Forces, the United States role in Korean security and the prospects for or implementation of a phased United States military force reduction in Korea.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House provision.

REPEAL OF INDOCHINA ASSISTANCE

The Senate bill repealed existing authorities for assistance to Indochina, authorized the President to adopt as contracts of the United States Government host country contracts in Indochina which the Agency for International Development (AID) had approved for financing and authorized the assumption of liabilities arising from an equitable claim based upon any letter of intent issued prior to April 30, 1975, in which AID had expressed its intention to finance a transaction subject to the availability of funds. The Senate provision also continued the availability of funds available for programs in Indochina for the purpose of terminating the program and adopting contracts and claims.

The House amendment differed in two respects. First, it did not authorize the assumption of liabilities arising from letters of intent and, second, it made clear that the authority to adopt contracts would be subject to the availability of appropriated funds.

The committee of conference adopted the House version with an amendment to allow the President to assume liabilities for equitable claims based upon letters of intent issued prior to April 30, 1975.

TRADE WITH VIETNAM

The House amendment limited the President's existing authority to impose limitations on financial transfers, except for assets controlled by the United States on the date of enactment, and on nonstrategic trade between persons under United States jurisdiction and persons under North and South Vietnamese jurisdiction, except for reasons of national security and adequacy of domestic supply. In addition, the House amendment removed restrictions on travel for certain specified purposes. However, the restrictions removed would be reimposed (1) after 90 days unless the President certified to Congress that progress had been made in securing the cooperation of North and South Vietnam in obtaining information on American prisoners of war (POW's) and missing in action (MIA's), and (2) after 180 days unless the President certified to Congress that the Vietnamese have accounted for a substantial number of POW's and MIA's and returned the bodies of a substantial number of dead.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House provision with an amendment deleting the provision that the trade restrictions may be reimposed 90 days after enactment unless the President certifies to Congress that progress has been made with regard to obtaining information on American POW's and MIA's. This gives the President 180 days to determine the attitude of the Governments of North and South Vietnam with respect to the status of United States prisoners of war and missing in action.

The committee of conference intends that the provisions of subsection (b) of this section be read in conjunction with those of subsection (a), so that the trade restrictions and prohibitions applicable to Vietnam shall be those which are also applicable to the People's Republic of China. For example, this section is not intended to affect the continued application to Vietnam of part 505 of Title 31, Code of Federal Regulations, which restricts trade with both China and Vietnam in certain strategic commodities. No provision of this section is intended to limit United States controls over trade with Vietnam in strategic commodities pursuant to other provisions of law.

EXPEDITED PROCEDURE

The Senate bill established a general procedure for expediting consideration of concurrent resolutions of disapproval of certain presidential certifications provided for in this Act.

The House amendment did not contain a comparable provision.

The committee of conference agreed that the expedited procedures as provided for in the Senate bill will apply only in the Senate and not to the House of Representatives.

ARMS CONTROL AND DISARMAMENT AGENCY ADVISORY COMMITTEE

The Senate bill required the General Advisory Committee of the Arms Control and Disarmament Agency to report from time to time to the Congress on issues the Committee believes should be brought to the attention of Congress and the public.

The House amendment did not contain a comparable provision.

The committee of conference adopted the House position.

INTERNATIONAL NARCOTICS CONTROL

Police actions involving U.S. personnel

The Senate bill prohibited U.S. personnel from engaging in any police action in any foreign country in connection with narcotics control efforts.

The House amendment contained no comparable provision.

The committee of conference adopted a substitute provision which prohibits U.S. personnel from engaging or participating in direct police arrest actions in any foreign country in connection with narcotics control efforts. In adopting this provision the committee of conference seeks to insure that U.S. narcotics control efforts abroad are conducted in such a manner as to avoid involvement by U.S. personnel in foreign police operations where violence or the use of force could reasonably be anticipated. By "arrest actions" the committee of conference means any police action which, under normal circumstances, would involve the arrest of individuals whether or not arrests, in fact, are actually made. The committee of conference intends that the U.S. Ambassador in any country where U.S. narcotics control activities are being carried out shall exercise close supervision over such activities to insure that U.S. personnel do not become involved in sensitive, internal law enforcement operations which could adversely affect U.S. relations with that country.

The committee of conference emphasizes that this provision is not intended to prohibit U.S. Government agencies from assisting foreign governments to enforce their own laws on narcotics trafficking by providing such assistance as training, technical equipment, and intelligence.

Reporting requirement

The Senate bill required the President to study methods of placing U.S. narcotics control efforts in foreign countries under the auspices of international or regional organizations and required a report on the study to be submitted to Congress by January 1, 1977.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision with an amendment to extend the reporting date to June 30, 1977.

Prohibitions against certain assistance

The House amendment prohibited international narcotics assistance to any country where illegal drug traffic in opiates has been a significant problem until the President certifies to Congress that such assistance is significantly reducing the amount of illegal opiates entering the international market.

The Senate bill did not contain a comparable provision.

The committee of conference adopted the House provision.

Authorization

The Senate bill authorized the appropriation of \$37,500,000 for fiscal year 1976 for the international narcotics control assistance program.

The House amendment authorized the appropriation of \$42,500,000.

The committee of conference agreed to an authorization of \$40 million.

SMALL BUSINESS PARTICIPATION

The Senate bill required the Administrator of the Agency for International Development to report to the Congress on the participation of small businesses in security supporting assistance procurements.

The House amendment did not contain a comparable provision.

The committee of conference accepted the Senate provision, with a technical and clarifying amendment.

PAYMENT OF AID CONSULTANTS

The Senate bill authorized the Agency for International Development to pay consultants the same per diem compensation which may be paid by other departments and agencies of the U.S. Government.

The House amendment did not contain a comparable provision.

The committee of conference adopted the Senate provision.

AUTHORIZATION FOR INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

The Senate bill authorized an additional \$1 million to be available for the purpose of strengthening IAEA safeguards and inspections relating to nuclear fissile facilities and materials.

The House amendment did not contain a comparable provision. The committee of conference adopted the Senate provision.

FEES, CONTRIBUTIONS, GIFTS, AND BRIBES

The Senate bill added a new subsection (f) to section 36 of the Foreign Military Sales Act to require reports to the Secretary of State, pursuant to regulations issued by him, concerning political contributions, gifts, and fees paid by any person in order to secure sales under section 22 of the Foreign Military Sales Act. Adequate records would have to be kept by persons making such payments. No such payment could be reimbursed under any U.S. procurement contract unless it was reasonable, allocable to the contract, and not made to someone who secured the sale in question through improper influence. Similar reporting requirements were required with respect to commercial sales to or for the armed forces of a foreign country. All information reported and records kept were to be available to Congress upon request and to any authorized U.S. agency. The President was to report quarterly to Congress concerning such payments and the details thereof, identifying any confidential business information included therein.

The House amendment required quarterly reports on fees paid to military sales agents in conjunction with Foreign Military Sales Act sales and commercial sales. This provision also required the President to report to the Congress whenever he found that officials of a country receiving assistance under the International Security Assistance Act of 1976 have either (1) received payments or other illegal or improper considerations of value from a U.S. corporation in return for an arms sale agreement, or (2) extorted, or attempted to extort, money or other things of value in exchange for allowing a U.S. citizen or corporation to do business in that country. Each such report was to contain the President's recommendation on whether the security assistance program for the country in question should be continued.

The committee of conference combined the House and Senate versions, retaining the Senate procedures and substantive provisions and adding the House requirement that payments information be included in letters of offer to sell defense articles or services that the President is required to submit to Congress, as well as to House language which makes clear that the requirements of this section apply to sales agents and other persons involved in the sale of defense articles or defense services.

The committee of conference specifically intends that this provision cover direct as well as indirect payments. The amendment is aimed at uncovering all of the facts about this aspect of sales transactions, such as the ultimate recipient of the payment or offer, amount involved, date of the transaction, and name of the person making the payment or offer. The Secretary of State is required to collect information necessary for adequate and timely reporting of these transactions and the ultimate facts involved. The Secretary is also given authority to prescribe appropriate regulations that, for example, guarantee U.S. Government access to agents and consultants and others they employ and their documents and records to insure a complete description of the transactions involved. It is the intent of the committee of conference insofar as it is possible that neither the Secretary of State nor the President classify or declare confidential any sections of this report.

However, the President, in reporting to Congress, shall identify any information considered to be confidential business information by the person submitting it. This section is not intended to expose U.S. firms to competitive disadvantage with foreign firms or to alter existing law regarding the confidentiality of business information.

The President is given the authority to prohibit, limit or prescribe conditions with respect to these transactions in the furtherance of this act. The committee of conference contemplates that the President will prescribe regulations that insure traceability of the funds.

It is further the expectation of the committee of conference that, upon finding that officials of a foreign nation receiving assistance under this act have received illegal or improper payments or have extorted such payments in return for—

(1) a contract to purchase military equipment from a U.S. corporation; or

(2) certain actions by such officials that allow a U.S. citizen or U.S. corporation to conduct business in that nation; the President shall submit to the Congress within 60 days a report outlining the circumstances of such illegal or improper payments or extortion.

It is further requested that such report contain a recommendation from the President as to whether the United States should continue a security assistance program with that nation.

The need for this provision arose from facts developed during investigations and hearings by the Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee and the International Economic Policy Subcommittee of the International Relations Committee of the House. Uncovered was information that contributions, payments, and gifts were made not only directly, but, more frequently, indirectly, through agents, consultants, their employees and through various shell corporations frequently established in countries with laws prohibiting disclosure of information on corporate operations.

THOMAS E. MORGAN,
CLEMENT J. ZABLOCKI,
WAYNE L. HAYS,
DANTE B. FASCELL,
LEE H. HAMILTON,
WILLIAM BROOMFIELD,
EDWARD DERWINSKI,

Managers on the Part of the House.

JOHN SPARKMAN,
HUBERT H. HUMPHREY,
GALE MCGEE,
GEORGE MCGOVERN,
FRANK CHURCH,
STUART SYMINGTON,
CLIFFORD P. CASE,
JACOB K. JAVITS,
HUGH L. SCOTT,
CHARLES H. PERCY,

Managers on the Part of the Senate.

April 29, 1976

Dear Senator Javits;

This will acknowledge receipt of the letter to the President of today's date from you and Senators Humphrey and Case regarding the provisions of the International Security and Arms Export Control Act of 1976.

Please be assured your letter will be called to the President's attention without delay.

With kind regards,

Sincerely,

Max L. Friedersdorf
Assistant to the President

The Honorable Jacob K. Javits
United States Senate
Washington, D.C. 20518

bcc: w/incoming to General Scowcroft for appropriate handling.

bcc: w/incoming to Jack Marsh (Xerox copy previously provided your office by Joe Jenckes)

bcc: w/incoming to Bill Nicholson - FYI

MLF:JEB:VO:vo

*4/29 Per Wolthuis/
Info copy sent to Lee Jakobson*



April 29, 1976

Dear Hubert:

This will acknowledge receipt of the letter to the President of today's date from you and Senators Javits and Case regarding the provisions of the International Security and Arms Export Control Act of 1976.

Please be assured your letter will be called to the President's attention without delay.

With kind regards,

Sincerely,

Max L. Friedersdorf
Assistant to the President

The Honorable Hubert H. Humphrey
United States Senate
Washington, D.C. 20510

bcc: w/incoming to General Scowcroft for appropriate handling.

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MLF:JEB:VO:vo



4-29

ALABAMA, ALA., CHAIRMAN	
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CALIFORNIA, CALIF.	JACOB K. JAVITS, N.Y.
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DELAWARE, DEL.	JAMES B. PEARSON, KANS.
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WYOMING, WYO.	

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

PAT M. HOLT, CHIEF OF STAFF
ARTHUR M. KUNL, CHIEF CLERK

April 29, 1976

Dear Mr. President:

After months of careful deliberation by the committees and full membership of the Senate and House, the Congress has passed The International Security Assistance and Arms Export Control Act of 1976. As you know, during consideration of this legislation, Members of the House and Senate have been in continuous and close contact with representatives of the Departments of State and Defense. We believe that this process of consultation exemplified the most responsible and effective method of reciprocal action between the two branches relevant to the conduct of the foreign relations of the United States.

We recognize that the International Security Assistance and Arms Export Control Act provides for a substantial increase in Congressional participation in the foreign policy process. However, we believe that increased Congressional involvement and responsibility is both necessary and desirable and, further, that the development of new forums for Congressional participation will serve to unify the total conduct of our foreign policy. As you consider what action to take on S.2662, we urge that you consider carefully its effect on this evolving relationship between the President and Congress.

We do not contend that all differences were resolved in the consultative process, but where this was not possible, both sides made a sincere effort to understand the other's problems. As a consequence, numerous and substantial modifications were made in the bill, both in Committee and in conference, designed to accommodate the Administration's concerns while protecting principles which the respective sides considered vital.

Among the unresolved issues are some which can be cast in Constitutional terms. But we would hope that you will assess this bill not solely in terms of Constitutional principles or Presidential prerogatives, but rather in terms of whether it will allow you to do what you consider right and proper while at the same time recognize the meaningful role of Congress in the formulation and oversight of foreign policy.

Page Two

We believe that you have worked with us long enough to know our appreciation of your responsibilities in the conduct of foreign relations. In this sense you have had and will continue to have our understanding and cooperation. We ask, in return, that you sign this bill into law and let us determine together over the course of the coming year whether it should be modified.

We believe that the provisions of S.2662 should be considered on their own merit. In this regard, we believe that it is highly significant that you do not appear to be linking your consideration of this bill to the separate question of transitional quarter funds for programs in the Middle East. Of course, if S.2662 does not become law, adequate funding for our efforts to achieve peace in the Middle East could be seriously jeopardized.

We urge that the process of consultation and cooperation between executive and legislature continue as you consider whether to sign The International Security Assistance and Arms Export Control Act of 1976. We believe that a meeting with you could help to resolve your concerns about the legislation. If you share this view, we are prepared to meet with you at your earliest convenience.

Sincerely,



Hubert H. Humphrey
Chairman, Subcommittee on
Foreign Assistance



Clifford P. Case
Ranking Member



Jacob K. Javits

The President
The White House

THE WHITE HOUSE
WASHINGTON

APR 30 1976

April 29, 1976

MEMORANDUM FOR: JACK MARSH
FROM: BOB WOLTHUIS *RKW*
SUBJECT: Security Assistance

Congressman Paul Findley called this afternoon and asked that the President be advised that he, Findley, thinks it would be a most serious mistake to veto the security assistance bill.

He suggested that the President just allow the time to run out and let the bill become law without his signature.

Max Friedersdorf
cc: Brent Scowcroft
Charlie Leppert

4-29

JOHN SPARKMAN, ALA., CHAIRMAN
W. ALD. MONT.
J. CH. IDAHO
WY. WASHINGTON, MO.
AND PELL, N.H.
W. MC GEE, WYO.
URGE MC GOVERN, S. DAK.
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HUGH SCOTT, PA.
JAMES B. PEARSON, KANS.
CHARLES H. PERCY, ILL.
ROBERT P. GRIFFIN, MICH.

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

PAT M. HOLT, CHIEF OF STAFF
ARTHUR M. KUHL, CHIEF CLERK

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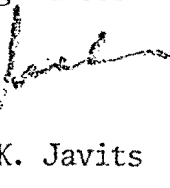
Sincerely,



Hubert H. Humphrey
Chairman, Subcommittee on
Foreign Assistance



Clifford P. Case
Ranking Member



Jacob K. Javits

The President
The White House

APR 30 1976

MEMORANDUM

NATIONAL SECURITY COUNCIL

April 30, 1976

MEMORANDUM FOR: JACK MARSH
FROM: LES JANKA *bj*
SUBJECT: Alternative Courses When the President
Vetoes Security Assistance Authorization
Bill

The President's veto of S-2662 will negate the authorization of appropriations for the following accounts: Security Supporting Assistance, Middle East Special Requirements Fund, Military Assistance Program, International Military Education and Training, Foreign Credit Sales, International Narcotics Control and the President's Contingency Fund. The authorization for TQ funds will also be eliminated. All other foreign aid appropriations have been authorized in legislation other than S. 2662.

We have essentially four Options for Continuing Foreign Aid Programs in FY 1976 and 1977:

1. An amended Continuing Resolution for all accounts.
2. Appropriate all accounts authorized in other legislation and continue S.2662 accounts on an amended Continuing Resolution.
3. Use H. R. 12203, the regular appropriations act by waiving authorization requirements for accounts authorized in S. 2662.
4. A new acceptable alternative FY 1976 authorization bill combined with FY 1977 authorization.

Option 1:

This option is only feasible if the Continuing Resolution is amended to provide special funding levels for key programs such as Security Supporting Assistance, and Foreign Military Credit Sales. Such amendments would amount (in essence) to an appropriation bill.



Pros:

-- Uses the normal vehicle for continuing programs in absence of authorization bill.

-- Provides close to full funding for key programs.

Cons:

-- Is an apparent abuse of Continuing Resolution process to avoid onerous authorization bill.

-- Negates work of appropriations committee as well as authorizations committees.

-- Lessens chances of obtaining relief for anything but accounts which affect Middle East.

Option 2:

This option entails amending the Conference Report on H. R. 12203 to remove the accounts authorized by S. 2662 and amending the Present Continuing Resolution to include those accounts or reporting a new appropriation bill including all accounts except those authorized in S. 2662 and reporting a separate amendment to the CRA to provide additional amounts for S. 2662.

Pros:

-- Presents clean, separate appropriations for the accounts already authorized and funds on CRA only the accounts which are controversial.

-- Would be probably more acceptable to authorizing committees than option 2.

Cons:

-- Requires Passman to take three separate legislative actions involving two separate appropriation vehicles.

-- Lessens chances of obtaining relief for anything but accounts which affect Middle East.

Option 3:

Appropriate all programs in regular appropriations act, waiving authorization requirements for accounts which would have been authorized in S. 2662.

Passman reportedly favors this option. He would have to obtain a special rule permitting amendments to the Conference Report on H. R. 12203 or moving through a separate appropriations bill. Both procedures are risky.

Pros:

-- Preserves the work of appropriations committees.

-- Uses the authority in all authorization acts other than S. 2662 and offends fewer authorizing committees.

Cons:

-- Bypasses the HIRC on S. 2662.

-- Is sure to enrage Doc Morgan.

-- Was attempted before and failed - in 1974 - for Cambodia MAP and the International Disaster Assistance.

Option 4:

HIRC staff is reportedly prepared to recommend to Morgan that he consider a two-year authorization bill with all provisions of S. 2662, except arms ceiling, Vietnam trade provision, and perhaps anti-discrimination sections. We could also push for elimination of MAP/MAAG phaseout. Such a bill might be acceptable to the President, especially if a waiver were added for the Human Rights section. Such a bill has the advantage to the Congress of funding Israel programs at a time when pressure to do so is very intense. The advantage to the President is that it continues security assistance programs through FY 77 without further Congressional impediments. Because pressure to fund Israeli programs tends to fall most heavily on Members who wish to interfere most with the President's foreign policy, these Members will never be more disposed to giving up such initiatives to secure the 27 month funding for Israel.

Pros:

-- Cuts our losses to concurrent resolution - legislative veto issue and MAP/MAAG phaseout in S. 2662.

-- Shuts down a major vehicle for foreign policy encroachments for the rest of the session.

-- Puts Congressional appropriations and authorization back on normal track.

Cons:

-- Will require precision and coordination among the following Members in addition to leadership: Case (to remove discrimination provisions), Bingham (to withdraw Vietnam trade provision), and Humphrey and Hamilton (to remove arms ceiling).


RECOMMENDATION:

I believe that Option 4 would be the best outcome - but the President would have to get an iron clad commitment from the leadership in both the House and the Senate that this compromise would go through without amendment. I have a sense that everyone is looking for a way out especially given the pressure to get funds for Israel and that this approach, possibly combined with a hint of flexibility on the TQ funding issue, would find acceptance.

MEMORANDUM

NATIONAL SECURITY COUNCIL

April 30, 1976

MEMORANDUM FOR: JACK MARSH
FROM: LES JANKA 
SUBJECT: Congressional Reaction to Veto of S-2662.

As the President considers his veto of the Security Assistance Authorization Bill, he should be aware of the considerable anguish and even animosity such an action will evoke on the Hill.

As the Humphrey-Case-Javits letter to the President indicates, many members believe the Administration is welshing on a commitment to negotiate on differences in good faith. This feeling, of course, ignores the fact that Humphrey accepted several floor amendments (after we agreed not to oppose floor passage in exchange for Humphrey's resisting all amendments) and that he and his colleagues failed to clean up the bill in Conference as he said they would.

As a result of this strong feeling, I have received a number of calls threatening an end to all cooperation with the Executive and even retaliation on other legislation. For example, I am told that we can forget about passage of any of the agreements and that there is no way the Congress will consider any supplement request for African aid as a result of the Secretary's trip.

I think much of this will pass, but our friends on the Hill are sure pouting and bent out of shape right now.