EMERGENCY FOREIGN AID

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

FIRST SESSION

ON

PROPOSED LEGISLATION TO PROMOTE WORLD PEACE
AND THE GENERAL WELFARE, NATIONAL
INTEREST, AND FOREIGN POLICY OF
THE UNITED STATES BY PROVIDING
INTERIM AID TO CERTAIN
FOREIGN COUNTRIES

NOVEMBER 10, 12, 13, 14, 18, 20, 21, 22,. AND 25, 1947

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WASHINGTON: 1947
The Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House met in joint session at 10:30 a.m. in the Senate caucus room (room 318, Senate Office Building), Chairmen Vandenberg and Eaton presiding.

Senator VANDENBERG. The hearing will come to order.

This is a joint initial meeting of the Senate Foreign Relations Committee and the House Committee on Foreign Affairs to hear a presentation of the Government's plan for further foreign relief.

The Senate committee has the pleasure and privilege in this connection of acting as host to the House committee, with its chairman, the distinguished gentleman from New Jersey, acting as cochairman.

We are also glad to welcome the members of the Herter committee from the House.

Because it would be impracticable for such a large group to indulge in effective cross-examination it was decided that for the purpose of this joint presentation the Secretary shall proceed without interruption. He and his staff, however, will return tomorrow morning for public cross-examination in this room.

All of the hearings this week will be public, despite insinuations to the contrary. There never was any other thought in the preliminary plans made by the distinguished gentleman from New Jersey and myself with regard to these hearings. Our constant purpose since this program was originally launched has been and will continue to be that Congress and the country shall have total facts in connection with this entire enterprise.

I should like to put into the record at this point the President's letter to the chairmen of both the House and Senate committees as a result of which this special hearing starts this morning, November 10.

Hon: ARTHUR II. VANDENBERG,
Chairman, Committee on Foreign, Relations,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: The situation in western Europe has, in the last few months, become critical. This is especially true in the cases of France and Italy, where slow-recovery of productivity, particularly of goods for export, combined with the increasing drain on their dollar resources, has produced acute distress. [p. 1/2]

The unusually bad harvests in western Europe, together with rising costs of imports, the unfortunate results of the temporary cessation of sterling convertibility, and the near exhaustion of gold and dollar reserves, have placed these two countries in a position where they are without adequate food and fuel supplies for the fall and winter, and without sufficient dollars with which to purchase these essentials. They cannot, by their own efforts, meet this major crisis which is already upon them.

Political groups that hope to profit by unrest and distress are now attempting to capitalize on the grave fears of the French and Italian people that they will not have enough food and fuel to survive this coming winter.

The prospect of a successful general economic recovery program for Europe is one of the major hopes for peace and economic security in the world. The Congress will soon be called upon to consider the part which the United States should play in aiding this program. But the program will have no chance of success if economic collapse occurs in Europe before the program can be put into operation. Prompt and effective aid to meet the urgent needs of the present is essential, lest the strains become too great and result in an expanding economic depression which would engulf western Europe and, eventually, spread over much of the rest of the world.

I have examined with great care the means now available to the executive branch of the Government to provide the necessary assistance. They may meet the urgent needs of the next few weeks, but it is clear that they cannot provide the necessary assistance beyond December, if as long as that. Requirements beyond that time can be met only if further authority is granted by the Congress.

The problems arising out of these circumstances are of such importance that they should be considered by the Congress at the earliest practicable time. The early convening of your committee, together with other appropriate congressional committees, is a necessary first step in this consideration.

I am requesting, therefore, that you call your committee together at the earliest possible date to consider these problems. I appreciate the fact that some of the members of your committee are investigating, or are planning to investigate, conditions in Europe at first hand. Time is of critical importance in this matter, however, and I earnestly hope that arrangements can be made for convening your committee at an early date.

The appropriate departments and agencies of the executive branch of the Government are prepared to provide information and make recommendations to your committee when its meetings begin.

Very sincerely yours,

HARRY S. TRUMAN.

Now, Mr. Secretary, will you take the stand? We will be very glad to hear your presentation on the subject.

STATEMENT OF GEORGE C. MARSHALL, SECRETARY OF STATE, WASHINGTON, D. C.

Secretary MARSHALL. Senator Vandenberg, Mr. Eaton, members of the committee, the Congress in the coming session will be called upon to make decisions which, although less spectacular and dramatic, will be no less important
for the future of our country and the world than those of the war years. Your responsibilities as members of the committees directly concerned with our foreign relations are accordingly very great.

It appears unnecessary to elaborate for you on the somber picture of the world situation. You all, I am sure, are fully aware of its gravity and the immense responsibility which the course of events has placed upon our country.

The President will lay before the Congress the program of his administration for aid to Europe. My duty as Secretary of State is to present the reasons for this program, the reasons why I profoundly believe that the vital interest of the United States is directly involved. In concentrating upon the problem of aid to Europe I do not ignore the fact that there are other areas of the world beset by economic problems of tremendous gravity. But the very magnitude of the world problem as a whole requires a careful direction of our assistance to the critical areas where it can be most immediately effective.

The need for our assistance in the European area is real and it is urgent. The report of the 16 nations represented on the Committee of European Economic Cooperation sets this forth, I think, in a convincing manner.

As a result of the war, the European community which for centuries had been one of the most productive and, indeed, creative portions of the inhabited world was left prostrate. This area, despite its diversity of national cultures and its series of internecine conflicts and wars, nonetheless enjoys a common heritage and a common civilization.

The war ended with the armies of the major allies meeting in the heart of this community. The policies of three of them have been directed to the restoration of that European community. It is now clear that only one power, the Soviet Union, does not for its own reasons share this aim.

We have become involved in two wars which have had their origins in the European continent. The free peoples of Europe have fought two wars to prevent the forcible domination of their community by a single great power. Such domination would have inevitably menaced the stability and security of the world. To deny today our interest in their ability to defend their own heritage would be to disclaim the efforts and sacrifices of two generations of Americans. We wish to see this community restored as one of the pillars of world security, in a position to renew its contribution to the world advancement of mankind and to the development of a world order based on law and respect for the individual.

The record of the endeavors of the United States Government to bring about a restoration of the whole of that European community is clear for all who wish to see. We must face the fact, however, that despite our efforts, not all of the European nations have been left free to take their place in the community of which they form a natural part.

Thus the geographic scope of our recovery program is limited to those
nations which are free to act in accordance with their national traditions and their own estimates of their national interests. If there is any doubt as to this situation, a glance at the present map of the European continent will provide the answer.

The present line of division in Europe is roughly the line upon which the Anglo-American armies coming from the west met those of the Soviet Union coming from the east. To the west of that line the nations of the continental European community have been grappling with the vast and difficult problem resulting from the war in conformity with their own national traditions without pressure or menace from the United States or Great Britain. Developments in the European countries to the east of that line bear the unmistakable imprint of an Alien hand. All the nations of Europe, 16 in number, which were in a position to exercise free choice gave a prompt and energetic response to the simple suggestion made at Harvard on June 5 last and thereby an impressive demonstration of the continuing vitality of European civilization. [p. 3/4]

It would be well, therefore, to deal briefly with what the area encompassed by those 16 nations plus western Germany has meant to us and has meant to the world. This community before the war accounted for nearly one-half of the world's trade. They owned nearly two-thirds if the world's shipping. Their industrial production in terms of the basic commodities of coal, steel, and chemicals was, before the war, slightly greater than that of the United States. Their economy was highly integrated, each part depending upon the efficient working of the other.

I think that the figures cited will indicate the importance, even from a purely economic point of view, of the 16 nations who have joined together to develop a program for their mutual recovery. Their response to our suggestion of June 5 was a remarkable cooperative effort in a postwar world in which that element has hitherto been distressingly lacking.

Congress will wish to go into the objectives and the details of the European recovery program at some length, but I feel that a brief summary of the tentative conclusions we have reached may serve the useful purpose of making clear the distinction between the long-range recovery program and the stopgap recovery program, which we refer to as interim aid.

Long-term European recovery program: The Committee of European Economic Cooperation, meeting in Paris, produced a recovery program extending over 4 years. After the most careful checking, with the assistance of experts drawn from many governmental agencies, we have concluded that the Paris report correctly identifies the courses of action necessary to produce recovery and indicates an approximate order of magnitude of the cost for the full 4-year period.

I feel, however, that we can estimate with reasonable accuracy and assurance the sum required for the first, stage of the recovery program, which will cover a 15-month period from April 1, 1948, to June 30, 1949.

Our tentative estimate of the cost, subject to final checks in the light of the
Harriman report, is something under 1.5 billions for the last 3 months of the fiscal year 1948 and somewhat less than 6 billions for the fiscal year ending June 30, 1949. The findings contained in the Krug report, the Nourse report, and the Harriman report, together with the studies made by our interdepartmental committees, make it clear that a program in this order of magnitude can be safely undertaken by this country. I shall therefore recommend to the President of the United States support of the European recovery program and that an amount be appropriated for the 15-month period ending June 30, 1949.

It is of cardinal importance that an able and effective United States administration manage the funds which may be made available by the Congress. How best to achieve this and other essential elements of an organizational and administrative structure for the program of aid to European recovery is a matter which the Congress will wish to examine with great care. There are several important principles which I believe should determine the nature of this organization:

(a) The operation of this program will, in many ways define and express the foreign policy of the United States in the eyes of the European countries and the world. Therefore, the operation must fully accord with the foreign policy of the President as expressed through the Secretary of State.

(b) The organization, if it is to afford successful and dynamic management to the complete recovery program, must be granted the widest practicable flexibility both in its operations and in the use of the funds placed at its disposal. The program of United States support will achieve its objective only if it is kept responsive to changing situations and varying supply conditions.

(c) Full use should be made of the existing governmental agencies in carrying out those parts of the program which fall within the scope of their present activities. The Departments of Commerce, Treasury, Agriculture, Interior, the National Military Establishment and other agencies are well equipped to perform many of the necessary functions. The National Advisory Council and other competent interdepartmental agencies will have important parts to play.

(d) Strong central administrative direction is essential in a complex and varied program of this kind. There must be a high degree of integration in our operation, both in the United States and overseas. Unity of command, rather than diffusion of authority and responsibility is required.

The President will submit to the Congress his recommendations concerning the administration of the European recovery program.

There will be important functions for the United States to perform in Europe. Much of this work will be negotiation with governments of a nature constituting essentially in extension of the conduct of the entire relationship of the United States with the participating countries. Such matters are now handled through our embassies and legations and clearly should continue to be. There will be certain additional functions arising directly out of the operating program, such
as screening of specific import requirements, arrangements for furnishing technical assistance and other similar specialized activities which will require the appointment of qualified men who can devote their full attention to such matters. These men in their dealings with participating governments should work through our ambassadors because it is essential to maintain a single channel of responsibility for United States negotiation with other governments.

For general coordination of the operations in Europe and for central representation in the continuing European organization which the participating countries have decided to establish, consideration should be given to the designation of a special United States representative for the European recovery program, with ambassadorial rank, appointed by the President with the advice and Consent of the Senate.

As a general principle, aid should take the form of grants or loans, depending in each case upon the capacity of the particular country to repay and the effect which accumulation of additional external debt would have upon sustained recovery. The precise determination in each case should be made by the administrative agency with the advice of the Department of State and the National Advisory Council. In practice it is felt that, where need is clearly demonstrated and where repayment cannot reasonably be expected, imports of supplies which are quickly consumed, such as food, fertilizer, and fuel, of indispensable items of capital equipment: for immediate replacement and repair, and of essential raw materials should be financed by means of grants.

Loans should be made to cover imports of capital equipment and raw materials which will directly produce the means of repayment and where such repayment can reasonably be expected. At the same time every encouragement should be given to early initiation of private financing so as to eliminate as far as possible the necessity for direct assistance from the United States Government. Use should be made of the resources of the International Bank whenever in the opinion of the Bank the necessary and appropriate conditions for loans can be met.

It is obvious that the basic responsibility for European recovery rests on the European countries themselves. However, this Government must have assurance that the aid it provides is effectively utilized for the achievement of European recovery as rapidly as possible.

It is contemplated, to this end, bilateral agreements will be negotiated between the United States and each of the countries participating in the recovery program, setting forth the reciprocal undertaking relating to American assistance. These agreements will vary in form and content as between countries, depending upon the nature of the aid to be furnished and the conditions deemed important in each case.

The commitments should include undertakings to adopt monetary, fiscal and other measures to maintain stability in price and cost structures; to develop production to reach targets set by the participating countries and in particular, to
increase the production of coal and basic foods; and to cooperate in reducing barriers to trade and promoting increased interchange of goods and services. Many other points and more detailed provisions to be covered in the agreements will be presented and discussed during the hearings.

Assistance to Europe will, to a considerable extent, take the form of commodities. The proposal to be submitted to the Congress contemplates the use of funds provided under the program for purchases outside the United States of commodities not readily available in sufficient quantities in this country. This policy will tend to protect our home economy against inflationary price movements which might result from concentrated buying in our markets. It seems clearly in our interest that the greatest possible amount of these supplies be obtained for Europe from other countries. Such countries should be encouraged to contribute directly as much as they can to the recovery program through grants-in-aid or by extending credits for exports to Europe.

Effects on world economy: I have so far confined my remarks to the European recovery program itself. But the economic effects of this program will extend far beyond the boundaries of the 16 countries involved. It is in one important sense a world recovery program. The delay in European recovery has created a serious problem for many countries which normally supply the European market with raw materials and other commodities. Where Europe's trade with the rest of the world would normally have been balanced by the equivalent exchange of goods and services, the low level of European production and the limited availability of exports has drastically reduced such payment possibilities.

Furthermore, the habitual triangular trade patterns have almost disappeared, whereby Europe met its deficit for goods obtained from the Western Hemisphere by means of balances obtained from other parts of the world. Similar patterns of triangular trade used to provide certain oilier countries in the Western Hemisphere with balances from Europe which were used to purchase goods in the American market. With the break-down of these trade patterns, supplying countries, to a substantial degree, have had to accept nonconvertible currency or extend credit in order to sell in the European market. Neither of these procedures has given them dollars with which to purchase in the American market. The net result has been that trade continued around the world in large part on the basis of American grants or credits which made dollars available to other countries to meet their import requirements. The diminishing supply of dollars is restricting trade everywhere.

The European recovery program will be quickly reflected in other countries, if the important element of flexibility in purchasing is provided. To the extent that supplies for Europe are procured from nonparticipating countries for dollars, the trade position of these countries with the United States will be improved. In this way we feel that the problems of the other Western Hemisphere countries can be met through a combination of the European recovery program purchases and normal Export-Import Bank transactions.
More important in a fundamental sense, with increases in production in Europe such as those contemplated in the Paris report, exports from Europe will increase, and the necessity for the various supplying countries to accumulate nonconvertible currencies or to extend credit will diminish. Just as the progress of each individual country among the 16 will affect the progress of the others, so the recovery of Europe will inevitably be a significant link in a chain reaction creating or maintaining economic activity in other countries.

The situation in China continues to cause us deep concern. The civil war has spread and increased in intensity. The Chinese Communists by force of arms seek control of wide areas of China.

The United States Government and all other world powers recognize the National Government as the sole legal government of China. Only the Government and the people of China can solve their fundamental problems and regain for China its rightful role as a major stabilizing influence in the Far East. Nevertheless we can be of help and, in the light of our long and uninterrupted record of friendship and international cooperation with China, we should extend to the Government, and its people, certain economic aid and assistance. A definite proposal is under preparation for early submission.

I do not have to tell you that this foreign economic program of the United States seeks no special advantage and pursues no sinister purpose. It is a program of construction, production, and recovery. It menaces no one. It is designed specifically to bring to an end in the shortest possible time the dependence of these count lies upon aid from the United States. We wish to see them self-supporting.

This is certainly not the program of a country seeking to exercise domination or to influence unduly any foreign country. The nations and political groups which have now declared their opposition to the program apparently wish to block for their own reasons the revival of western Europe.

Interim aid program: I have gone at some length into the major features of the long-range plan for European reconstruction and the part that the United States can prudently and wisely contribute because I fully realize that the speedy and adequate consideration of the interim aid program, which will be the first item of business presented [p. 7/8] to you, cannot be dealt with by the Congress without understanding its relationship to the program of long-range reconstruction of Europe.

I would, however, urge upon you the necessity of a speedy decision in regard to the interim aid program. What is immediately needed is aid to maintain the status quo in food and in the material necessary to keep the wheels turning and people at work.

It will do little good to discuss the merits of a recovery program for Europe if in the meantime political and economic conditions have deteriorated to a point where such a program could not possibly succeed. The problem of overseas payment has become particularly acute in the case of Austria, France, and Italy. It
is clear that the people of these countries in the absence of immediate assistance will, during the next few months, begin to suffer from a lack of food and other necessitites of life and the whole economic and social life of the people will, be seriously affected. Within a short time these countries will have exhausted all of the dollar resources which they can muster to maintain the flow of essential supplies.

Austria, whose economy is carrying the weight of a military occupation of four powers, has been able to survive in recent months largely through the assistance rendered to her under the United States foreign relief program. These funds will be exhausted shortly after the beginning of the year. The dollar resources of France will permit her to procure essential food and fuel from abroad only until the end of December. Because of her rapidly dwindling reserves, she took steps at the end of August to reduce sharply the placement of contracts for most other imports. Italy's financial situation is even more serious than that of Austria or France. Last June the Italian Government took steps to eliminate the purchase of most of the raw materials and supplies which she required for the operation of her economy. The United States foreign relief program has been able to provide food and coal until the present time. Funds are not in sight, however, beyond the first of December to maintain the flow of these necessary commodities.

In order to meet this emergency, I recommend that you give immediate and urgent consideration to a bill authorizing the appropriation of sufficient funds to provide the supplies necessary to permit the people of these countries to continue to eat, to work, and to survive the winter. This is not a recovery program. It is designed to help provide the essentials of existence to the people of these three countries.

To accomplish this purpose it is recommended that the Congress authorize an appropriation of $597,000,000. Of this amount Austria needs $42,000,000, France needs $328,000,000, and Italy needs $227,000,000. These funds should be sufficient to meet the situation until March 31, 1948, before which time we hope that some decision may have been taken by the Congress regarding a broad recovery program.

In the absence, of a recovery program the problem of maintaining existing levels in Europe rapidly becomes more complex after March 31. Additional countries will by that time practically have exhausted their dollar resources, and the cumulative effect of the uncertainties as to the future and, the continued low levels of production and consumption will have serious consequences throughout Europe. [p. 8/9]

The program of interim aid would be concentrated largely on such items as food, fuel, fertilizer, fibers, seeds, and medical supplies. With such resources as they can make available, the countries should be able themselves to procure other imports needed to prevent economic deterioration. The program should be
sufficiently flexible to take account of such changes in requirements and availabilities as may occur.

Interim aid should be given to these countries under agreement to make efficient use of the commodities which we would supply. The bilateral agreements would also require that the local currency equivalent of the value of the commodities which we supply would be used only for such purposes as we and the recipient country might agree. They should also include a provision that the receiving government make known to its people the purpose and source of our supplies and that it would make available full information concerning their distribution and use.

The operation of a program of the type which is proposed can be handled expeditiously by existing agencies of the Government. The procedures and machinery which are being used in the current relief program have been set up in accordance with the relief bill enacted last summer.

The urgency of the situation is so great that I recommend that no new agency be set up to handle this interim program. The time required to organize such an agency, to hire personnel, and establish new procedures would defeat its very purpose. Whatever agency might be created to administer the long-term European recovery program could, of course, take over the operation of interim aid as soon as it comes into existence.

There is one further element. It is my understanding that the Department of the Army will be presenting certain additional requirements for funds for occupied areas above the present appropriations available for this purpose during the current fiscal year. I am told that these will be on the general order of $500,000,000 of which slightly more than $300,000,000 will be for additional requirements in western Germany.

I have endeavored to present in broad outline the long-range European recovery program and, in somewhat more detail, the interim-aid program. The proposals will be presented in full to your respective committees.

Conclusion: In considering them I know you are aware of the momentous importance to the world of your decisions. While we are dealing at the moment with the drab though vital facts of economic life, they carry with them fateful consequences.

The automatic success of the program cannot be guaranteed. The imponderables are many. The risks are real. They are, however, risks which have been carefully calculated, and I believe the chances of success are good. There is convincing evidence that the peoples of western Europe want to preserve their free society and the heritage we share with them. To make that choice conclusive they need our assistance. It is in the American tradition to help. In helping them we will be helping ourselves—because, in the larger sense, our national interests coincide with those of a free and prosperous Europe. [p. 9/10]
We must not fail to meet this inspiring challenge. We must not permit the free community of Europe to be extinguished. Should this occur, it would be a tragedy for the world. It would impose in-calculable burdens upon this country and force serious readjustments in our traditional way of life. One of our important-freedoms—freedom of choice in both domestic and foreign affairs—would be drastically curtailed.

Whether we like it or not, we find ourselves, our Nation, in a world position of vast responsibility. We can act for our own good by acting for the world's good.

Senator VANDENBERG. Thank you very much, Mr. Secretary.

It is my understanding now, under the tentative arrangements made by Chairman Eaton and myself, that you, and the Under Secretary and your staff will return tomorrow morning at 10 o'clock and we will devote the day to a public cross-examination in respect to these problems, in this room.

On Wednesday you will similarly appear, according to the tentative program, before the House committee for a similar public cross-examination.

I simply want to ask you this one question with regard to procedural information: When will you be prepared to submit to us the specific legislative proposal respecting stopgap legislation?

Secretary MARSHALL. It is ready.

Senator VANDENBERG. I think if it might be submitted today in connection with this present hearing it would facilitate matters.

Mr. LOVETT. Your clerks have that, Mr. Chairman.

The CHAIRMAN. Very well. The proposal will be printed at this point in the record.

(The proposal is as follows:)

DRAFT, EUROPEAN INTERIM AID BILL

A BILL To promote the general welfare, national interest, and foreign policies of the United States by providing supplies to certain European countries on an emergency basis

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "the European Interim Aid Act of 1947."

SEC. 2. It is the purpose of this Act to provide immediate assistance in the form of food, fuel, and other commodities urgently needed by the people of Austria, France, and Italy, hereinafter referred to as the recipient countries, to alleviate conditions of intolerable hunger and cold and prevent serious economic retrogression which would jeopardize any general European economic recovery program based on self-help and cooperation.

SEC. 3. The President, acting through such departments, agencies, or independent establishments of the Government as he shall direct, may, by allocation of funds to any such departments, agencies, or independent establishments, or by making funds available to the government of a recipient country, whenever he finds it in furtherance of the purposes of this Act and upon the terms and conditions set forth in this Act and upon such other terms and conditions as he may determine—

(a) Procure, or provide funds for the procurement from any source, by manufacture or otherwise, food, seed, and fertilizer; coal, petroleum, and petroleum products; other fuel; fibers;
and such other commodities as are necessary for the accomplishment of the purposes of this Act as set forth in section 2;
   (b) Transport, or provide funds for transportation of, such commodities;
   (e) Transfer such commodities to any recipient country;
   (d) Incur and defray expenses, including accessorial and administrative expenses and expenses for compensation and travel of personnel, for carrying out the purposes of this Act. [p. 10/11]

SEC. 4. (a) There is hereby authorized to be appropriated not to exceed 8597,000,000, out of any money in the Treasury not otherwise appropriated, to carry out the provisions and accomplish the purposes of this Act.
   (b) Funds authorized under this Act, when allocated to any department, agency, or independent establishment of the Government, shall be available for obligation and expenditure in accordance with the laws governing obligations and expenditures of such department, agency, or independent establishment or organizational unit thereof concerned, and without regard to sections 3709 and 3648 of the Revised Statutes, as amended (41 U. S. C. 5; 31 U. S. C. 529).

SEC. 5. After March 31, 1948, no funds may be obligated under this Act.

SEC. 6. Before any commodities or funds are made available to any recipient country under the authority of section 3, of this Act, an agreement shall be entered into between such country and the United States containing an under-taking by such country-
   (a) To make efficient use of any commodities made available under the authority of this Act and to take insofar as possible the economic measures necessary to increase its ability to achieve a self-sustaining economy;
   (b) To make, when any commodity is made available under this Act, a commensurate deposit in the currency of such country in a special account under such terms and conditions as may be agreed to between such country and the Government of the United States, and to hold or use such special account only for such purposes as may be agreed to between such country and the Government of the United States;
   (c) To give full and continuous publicity within such country as to the purpose, source, character, and amounts of the commodities made available by the United States under this Act;
   (d) To furnish promptly upon request of the President information concerning the method of distribution and use of commodities made available under this Act.

SEC. 7. The President shall promptly terminate the provision of assistance under this Act for any country whenever he finds that such country is not adhering to the terms of its agreement entered into in accordance with section 6 of this Act.

SEC. 8. All commodities made available pursuant to this Act or the containers of such commodities shall, to the extent practicable, be marked, stamped, branded, or labeled in a conspicuous place as legibly, indelibly, and permanently as the nature of such commodities or containers will permit, in such manner as to indicate to the people of the country of destination that such commodities have been furnished or made available by the United States.

SEC. 9. The President may, from time to time, promulgate such rules and regulations as 1w may find necessary and proper to carry out any of the provisions of this Act; and he may delegate to the Secretary of State or any other official or officials of the Government any of the powers or authority conferred on him under this Act.

SEC. 10. Personnel employed to carry out the purposes of this Act shall not be included in computing limitations on personnel established pursuant to the Federal Employees Pay Act of 1945 (59 Stat. 29S), as amended by section 14 of the Federal Employees Pay Act of 1946 (60 Stat. 219).

SEC. 11. The President, from time to time, but not less frequently than once every calendar quarter, and until the end of the quarterly period after all operations under the authority of this Act have been completed, shall transmit to the Congress a report of operations under this Act. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, if the Senate or the House of Representatives, as the case may be, is not in session.

SEC. 12. If any provisions of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

Senator VANDENBERG. Have you anything you wish to say,
Congressman Eaton?

Representative EATON. Only that we are very anxious to have the proposed legislation in our possession at the earliest possible moment for further study before the hearings go on.

Secretary MARSHALL. It is being delivered now.

Representative EATON. Thank you very much. [p. 11/12]

Senator VANDENBERG. I should like to ask the Senate Foreign Relations Committee to meet at 11:30 in the regular Foreign Relations Committee office in the Capitol, not for the purpose of hearing witnesses but for the purpose of discussion of procedure and so forth, inasmuch as I have had no opportunity to consult with the committee until now.

Senator BARKLEY. Mr. Chairman, are there enough copies of the proposed legislation: for each member to have a copy?

Senator VANDENBERG. Yes; I am advised that there are.

Representative EATON. I would like to have the Foreign Affairs Committee of the House meet in executive session in our committee room at 2 o'clock this afternoon and discuss procedural matters.

Senator VANDENBERG. I think that is all. I ask the members of the Senate committee to remember the 11:30 meeting in the other office.

On that basis, the joint session is dissolved.

(Thereupon, at 11:10 a.m., the joint meeting of the committees adjourned, to reconvene separately Tuesday, November 11, 1947, at 10 a.m.) [p. 12/13]

EMERGENCY FOREIGN AID

WEDNESDAY, NOVEMBER 12, 1947

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D. C.

The committee met in the caucus room, Old House Office Building, at 10 a.m., the Honorable Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will please be in order. Our program for today is to interrogate further the Secretary of State and the Under Secretary on the general statements which were made before the joint session. We will observe in the first round of questioning the 5-minute rule, after which the meeting will be open for general discussion.
We have with this this morning the Secretary of State and the Under Secretary.

**STATEMENT OF GEN. GEORGE C. MARSHALL, SECRETARY OF STATE;**
**AND HON. ROBERT A. LOVETT, UNDER SECRETARY OF STATE**

Chairman EATON. Mr. Jonkman—

Mr. JONKMAN. I have no questions.

Chairman EATON. Mr. Bloom—

Mr. BLOOM. I have no questions at this time, Mr. Chairman; I reserve my time.

Chairman EATON. Mr. Merrow—

Mr. MERROW. Mr. Chairman. I would like to ask the witness this question. I notice that the figures on aid to France and Italy have changed since the President's address to the country. They have been scaled down. I am wondering if the figures you presented the other day are figures that you think will remain constant, or are they likely to be revised again?

Secretary MARSHALL. Our opinion at the present time is that these will probably remain constant. I might say that certain of the changes, particularly in relation to Italy and Austria, can be explained in detail here by one transaction where immediacy of the availability of the money in order to make certain purchases had to be obtained by changing from one to the other. That can be explained in detail here by one of the staff who is intimately familiar with the situation. But in general we think these figures will be constant.

Mr. MERROW. Mr. Secretary, it is my understanding that the French funds will probably be exhausted around the first of December. Is that true of Italy?

[p. 13/14]

Secretary MARSHALL. France is expected to have exhausted its resources, in the way of funds for purchases outside of the country and payments outside of the country, by December 31.

Mr. MERROW. By December 31?

Secretary MARSHALL. Italy represents an immediate requirement, because they will be at the end of their tether about December 1.

Mr. MERROW. Mr. Secretary, if we are going to grant this aid—and we probably will; personally I have been in favor of it for a long time—should it not be done immediately, so that contracts can be placed and pipe lines can be kept filled?

Secretary MARSHALL. That is our feeling, sir.

Mr. MERROW. Thank you.
Chairman EATON. Mr. Kee—

Mr. KEE. Mr. Secretary, perhaps the question I want to ask might well be deferred until later in the hearing; but on yesterday, in your testimony, you sketched quite a clear picture of the situation in the world and possibly you might be able to give us part of that picture, with one more stroke of the brush. You brought China into the picture. I would like to ask to what extent, if any, aid is to be given to China out of the funds appropriated, if these funds are appropriated in accordance with the terms of this bill?

Secretary MARSHALL. The situation, sir, is one, as you know, of great complexity. I might say, by way of a start, that it has been the unanimous desire of those concerned in the State Department and other Government agencies to find some way to do something helpful so that we could present a program to the Congress with a reasonable basis for expecting an efficiency of result of, we will say, 70 percent. The problem has been how to find such a basis.

Going specifically to that part of your question which related to interim aid, there is a complete difference in the situation in China from that in western Europe. In Western Europe we are faced, as has just been referred to in the question previous to yours, with a complete lack of funds to continue the purchase of necessary imports to sustain the life of the people, to keep the machinery now in motion going even at its present slow rate. That is not the situation with regard to China. They are not threatened with any immediate cessation of whatever import activity has been going on. And they have resources which would enable them to continue the present import rate for some months. So it is not the same issue that is involved in this interim-aid program.

Passing from that phase of the question to the general proposition of what would be proposed for China, I would say, first, it would be much simpler for me to discuss it when we come in with the detailed program, which we will do very shortly. But I will say this at the present time. First, we have been trying to find some practical basis which would justify the expenditure of American funds on the basis, as I say, of getting about a 70-percent return in effectiveness of use.

The condition in China is one of extraordinary or extreme inflation. Now, what can we do to tide over, we will say, the Chinese Government in its present dilemma? It is going to have to make certain adjustments in order to have any hope of reducing inflation. It can be given certain help, we think, in relation to what they are now buying with their resources outside of the country. And it is on that [p. 14/15] approach that we will come in with details to the Congress in regard to that matter.

But, to go back to what I said in the first place, the interim situation is not at all comparable to that with which we are faced in Europe. In Europe we are faced with a cessation of purchases on which the life of the particular country depends. That is not the case at the present time in China.

Chaotic conditions in China? Yes; far beyond that of the situation in Europe.
But the situation regarding food, imports, exports, and so forth, is on quite a different basis from that that has existed in Europe and the crisis that is impending in Europe.

I hope I have made the matter clear to you, sir.

Mr. KEE. Thank you; that is all.

Chairman EATON. Mrs. Bolton—

Mrs. BOLTON. Mr. Secretary, I am not going to ask any questions on details. Those will be asked by people who are more given to details in the matter of figures, and so on, than I am. But I do want to have in the record something on the subject of the basic, fundamental necessity for this interim aid, which is what we are concerned with at the moment.

It is your belief that the situation in both France and Italy is exceedingly grave; is that correct?

Secretary MARSHALL. That is my conviction.

Mrs. BOLTON. I am just back myself. And the sum total of what I was able to discover there—and I had some opportunity to observe outside of our own governmental group—is that the moment is of very critical importance. In France particularly the Kremlin is putting in every single bit of its heavy artillery. They are saying through handbills and through every other means shocking things about us in an effort to disgrace us completely with the French people. Despite that fact, the municipal elections were away from the Communist trend. And that was true in industrial districts and among labor classes, who were going away from that trend.

Is it not therefore particularly imperative that at this moment when that trend is away from communism, when it is up, so to speak, we give France a sense of our understanding that she is trying to keep her balance even against those pressures?

Secretary MARSHALL. I agree with you entirely. I think the important aspect of the matter governing to quite an extent our procedure is that a certain momentum has developed toward what we struggle for, which is free choice, free governments, freedom as we understand it. Now, it would be tragic if we did not assist in the further development of that same momentum, because there is never much chance of that just remaining poised. It either goes forward or it goes back.

And in this particular situation, in this grave crisis, our action I think would have quite a determining effect. What we are trying to do, of course, is to maintain the status quo until March 31, both in foods and in keeping the wheels of production going as they have been going the past few months, which has not been too good. But at the same time that means immediate assistance. It not only gives us a chance to consider what might be done in a larger way for recovery, rather than aid, but I think it would contribute directly to what you are talking about. It would add to the momentum which has gathered in the past few months, along the line that we so much desire.

Mrs. BOLTON. As the Kremlin seems certain that France is a most
necessary factor in its control of Europe, surely we should recognize the same seriousness of the import of the position of France in the whole western European structure, should we not?

Secretary MARSHALL. I think that is correct.

Mrs. BOLTON. May I ask you if you feel that there is any sense taking place in France and in the other countries of Europe that they will get together in some way, so that they may present a united front against the onslaughts of the Kremlin?

Secretary MARSHALL. I think that is one great encouraging factor at the present time. The report of the 16 nations for the economic rehabilitation of Europe was not just a report. That was a historic get-together among nations, I think. I believe it is of such great import that we do not appreciate at the present time what a tremendous step that is toward a cooperative set-up in Europe among these closely associated nations along lines which are clean and decent and are for the general good of all concerned.

Mrs. BOLTON. It would seem as though that were the only solution for western Europe?

Secretary MARSHALL. That would appear the only desirable solution. Otherwise you are confronted with dissolution rather than solution.

Mrs. BOLTON. I quite agree. In the Italian situation we have very much the feeling that the Italians were pulling themselves together, that there was an entirely different feeling there from what we had 2 years ago; is that your sense at all of the situation?

Secretary MARSHALL. That is our sense.

Mrs. BOLTON. And that would have a good deal to do, of course, with our attitude and the attitude of some of those who were not so thoroughly in sympathy toward doing something for those who help themselves?

Secretary MARSHALL. I think so.

Mrs. BOLTON. Thank you.

Chairman EATON. Mr. Richards—

Mr. RICHARDS. Mr. Secretary, I believe it is your idea that this aid program be administered by existing governmental agencies; is that correct?

Secretary MARSHALL. Yes, sir.

Mr. RICHARDS. You do not think it would be enough to increase the powers of the Export-Import Bank and the Commodity Credit Corporation to meet this situation?

Secretary MARSHALL. When you use the expression "to meet the situation," I assume you do not mean that they alone could handle the whole affair. I would not attempt to discuss with you gentlemen the pros and the cons of the
Export-Import Bank. That is a monetary matter beyond my calculations and immediate understandings. We have in the Department men who are intimately familiar with what it means in its various aspects, notably the Under Secretary of State, Mr. Lovett, from his past experience as well as his present.

We have in mind in this program—and that was included in my first reply to you—that while we do business through governments at the same time we hope to develop private arrangements in connection with loans and business activities, parallel to the general procedure. But the possibilities of that, the practicabilities, can be explained in some detail by the men who have made a very thorough study of it, and whom I have with me here this morning.

Mr. RICHARDS. You do not anticipate that existing governmental agencies could handle the long-range relief program?

Secretary MARSHALL. No, sir. I think that will require a very special administration. Those agencies are all going to be involved, but it is going to require a very highly concentrated authority in order that they may be able to act in relation to the development of the situation; because no one can tell you now, in November, just what is going to be the situation 6 or 10 months from now, because of the sun and the rain, and all sorts of other factors which are involved. There are a great many imponderables in this. So I not only feel there must be an administrative agency, but it should be under very concentrated control, so there will be no diffusion of authority except insofar as the State Department has a direct responsibility as to foreign policy.

At the same time this agency in order to function with the utmost efficiency must have a very liberal charter, so that the head of it can operate in accordance with the situation at the time. It would play quite a part in relation to the other agencies that you have mentioned. You are getting me into pretty deep water on the fund proposition; but my attention has been called to the fact that that subject is treated in a paragraph on page 62 of this blue book which we have submitted to the committee and which I can read, if you wish me to, at this time.

Mr. RICHARDS. If you would like it to appear in the record, Mr. Secretary.

Secretary MARSHALL. I think it is already in the record.

Mr. RICHARDS. I am just wondering whether it would not be wise, if we are going to use existing relief agencies of the Government—

Secretary MARSHALL. I have misled you. When you said relief agencies of the Government, I thought you were talking about long-range activities. I have got to correct most of what I have just said, because we feel very strongly that the existing agencies that were set up under the Relief Assistance Act should be utilized for this purpose. They require very small amplification of individuals here and there. So I was entirely off center when I was talking to you before.

Mr. RICHARDS. I think that was my fault in asking the question as I did,
Mr. Secretary. I am wondering whether, in this interim aid program, it would not be best to amend the Relief Act of 1916, instead of passing an entirely new act.

Secretary MARSHALL. I would suggest that you can get a better answer to that from some of the men who have intimately studied the procedure. We have here a draft of a bill for interim aid. Whether or not that particular paragraph is in there, I cannot recall at the moment. I can refer you to Mr. Lovett on that.

Mr. RICHARDS. I think that question might more properly be asked of Mr. Lovett later.

Secretary MARSHALL. I will repeat again, we think it is very important to utilize the existing Government agencies that were put into effect by the act of Congress last summer. [p. 17/18]

Mr. RICHARDS. Thank you very much. That is all.

Chairman EATON. Mr. Vorys.

Mr. VORYS. Mr. Secretary, I happen to agree with what you said and our chairman, Dr. Eaton, said and Senator Vandenberg said last summer, that we were through with stopgap piecemeal aid. I consider that what we are telling about now is simply an installment on a long-range program; if that is not true, we ought not to do anything. Having that in mind, it seems to me that we ought to get going fast, as fast as we can, on a plan for a long-range program that this country can swing. I understand that you would prefer to have the details discussed with the Under Secretary, but I want to ask you one question.

You stated the other day that the conditions covering what we would do would be incorporated in bilateral agreements. You stated this morning what we all believe, that the 16-nation meeting in Paris was of historic importance. Is it not possible to arrange it that our aid, either interim or long-time, be handled through the 16 nations, through a multilateral agreement, rather than by a series of bilateral agreements?

Secretary MARSHALL. I think both are involved, multilateral and, in detail, bilateral.

Mr. VORYS. What I am concerned about is that after these nations have taken the first step in working together, we go back again for the third time this year into piecemeal, stopgap aid, in which case we would get these countries lobbying against each other and having each one of them see how badly off it can show itself to be. That is not a good way to proceed. Is it not possible promptly here to get up an arrangement so that the European end of this problem is handled on a multilateral and I should hope a 16-nation basis?

Secretary MARSHALL. There is not much question about what you said being right on the long-range program. There are a good many complications involved in this interim aid, so I do not feel sufficiently advised at the moment to give you a definitive answer.
The general impression I have received in going through all the factors that have been presented to me is that the differences are so great in relation to these countries that you have to have some special understanding with the respective countries.

On the interim aid we have three countries involved—Italy, France, and Austria—and Austria is in a very special status quite different from Italy and France.

Now, so far as general provisions go, certainly it is an advantage to have it multilateral, but when it comes to the details I think there are some factors that would be very difficult to put into a multilateral basis.

This involves only three countries and one of those on a rather odd status.

I think possibly some of the gentlemen who have worked out the exact details of the "why" of the necessity can give you a better answer than I am giving you now.

Mr. VORYS. You mentioned existing organizations, and on page 62 of the memorandum furnished to us, you mention that the operations could then be integrated into the existing organization responsible for carrying out the relief assistance program. That is under Public 84. [p. 18/19]

We also have an aid program under the Greek-Turkish bill. After reading over the draft of the act that has been presented, it seems to me everything could be accomplished by raising the amount in Public, 84, by adding $500,000,000 or whatever it is decided to add; add the word "France," because Italy and Austria are already specifically named in the legislation, and we would simply be amending a law that has been labored over in Congress very carefully this year, for providing relief.

Would you prefer to have that discussed later?

Secretary MARSHALL. You are getting into a legislative complication that I would not like to answer you offhand on, because I might just fog the issue. Certainly your presentation sounds very simple, except it would not only be the question of adding France to the list, but whether or not this money would apply to countries other than Austria, Italy, and France.

Mr. VORYS. I just dislike having Congress pass a third bill, a third stopgap bill, in 1 year, and I thought it might look better, if this is to be a stopgap proposition, to have only two a year.

Secretary MARSHALL. It is a question of how serious the amendments would be that would be required, and whether or not it is desirable to amend that seriously, or to have a new bill.

I certainly am strongly for whatever is the simplest approach to the problem. You are getting into a very decided legislative tangle there that I do not want to talk about offhand.
Mr. VORYS. We are confronted on the legislative committee with the legislative problem.

Secretary MARSHALL. Now that your question has been asked, it can be answered very carefully and a reply given you.

Mr. VORYS. One other question along that line: Is there any reason, from the standpoint of the State Department, why we should not proceed to set up the machinery for a long-term aid agency at present?

Secretary MARSHALL. From the viewpoint of the State Department in this matter, we do not want anything to delay the enactment of the interim aid bill. Now, that being assured, then the earlier the long-range program is put into form the better.

Mr. VORYS. So that the question of whether delay is involved is a matter for Capitol Hill, and whether the machinery of Congress can grind fast enough to set up a long-term organization. As far as the State Department is concerned, you are ready to recommend, or pass on recommendations, with reference to long-term aid machinery now; is that not true?

Secretary MARSHALL. That is true with limitations; first, the administration—the President, in other words—has to declare himself before we are completely free agents in the matter.

Mr. VORYS. Of course.

Secretary MARSHALL. And I will repeat that from our point of view we do not want anything done that would delay the enactment of the interim-aid program. After that, the earlier the long-range program is undertaken the better.

Mr. VORYS. If there is not to be a long-range program, there is not much excuse for a short one; is that not true? If all of you—

Secretary MARSHALL. I understand your question. I was just thinking of how to qualify my reply. [p. 19/20]

Mr. VORYS. I do not want to put an answer in your mouth.

Secretary MARSHALL. The only way that you could reply to that is to say the assumption must be that we debate the long-range program first and turn around to see whether or not we decide on that, and then we would go to the interim aid program. Well, it would seem highly improbable that a decision on the long-range program could be taken in time to permit action on the interim aid program.

Now, our feeling is that if the interim aid is not enacted there is not much hope for the long-range plan because the situation will so deteriorate that its prospects for success would be too poor.

Mr. VORYS. Now, just one more thought on that. The State Department and everyone else has recommended that as to any long-range program that we
authorize amounts, not all at once, not more than certainly a year or so at a time so that we will always be considering interim parts of a long-range program. What we are now doing, whether we label it interim aid or not, is considering parts of a long-range proposition all the time; is that not true?

Secretary MARSHALL. That is the perspective of this matter. But what we are really doing in this interim aid—to put it bluntly, as I endeavored to express it to some of the leaders of Congress in a meeting with the President the other day—we are buying an option on time in which to consider whether or not a long-range program is going to be acceptable to the Congress and, of course, to the people. Now, without that action, in order to maintain the status quo, it is our conviction—and I think that we have ample justification for that, too—that the situation will so deteriorate there is little hope for success of another program of the nature we have in mind as being essential.

Mr. VORYS. This is the third option that has been proposed this year. There comes a time when emergencies become a habit and it strikes me—regarding the long-range program, we are either going to handle it intelligently and not kid ourselves, or we are going to continue the practice we have had this year—each time calling our installments emergency options on buying time. I hope we get soon to a long-range view on this.

Secretary MARSHALL. I hope so, too, Mr. Vorys. I might add this—that in June many of the events of this fall could not be foreseen. We share your concern and your regret that we have a crisis. It is a problem of meeting the situation.

Now, then, I think this: In regard to your conviction that you hope this time we will deal with the matter in a way that will not be just piecemeal, we will not he just meeting one crisis after another, there has been an effort made which is proven by the production of the data, of the surveys that have been made, and I think a very successful effort has been made to give the Congress all the pertinent facts in the case on which to make a rather final judgment.

Mr. VORYS. One other question. I find in the memoranda a basis of 520,000,000 bushels of wheat for export for the coming year. Can you tell us where you get that estimate? I understood there was not going to be that much.

Secretary MARSHALL. The Department of Agriculture, sir.

Mr. VORYS. Going back to this $350,000,000 last spring, that was represented as being 57 percent of the need for this year, and we have put up not quite our 57 percent. Is not one aspect of this thing that the other countries that might have put up the 43 percent have not come through and therefore we are simply finishing out this year the estimated relief needs that were reported to the Congress last spring?

Secretary MARSHALL. I think that is approximately correct, sir.

Mr. VORYS. That is one reason Why it might be well—

Secretary MARSHALL. Australia did come through with assistance
equivalent to 12.8 millions of dollars; Canada with $20,000,000; Denmark with $4,000,000; Norway with $3,000,000, and the United Kingdom with $40,000,000.

Mr. VORYS. Forty million dollars, while it is not so labeled in the report, was a loan. I am talking about the British $40,000,000.

Secretary MARSHALL. Six million dollars was a loan out of the $40,000,000 on the basis of commercial credit.

Mr. VORYS. It was reported in Austria to us by American officials that it was a loan. It is not of great importance but there is no point in bringing that in as if it were some sort of a contribution.

Secretary MARSHALL. You mean that it was not a grant-in-aid?

Mr. VORYS. No; it was a loan.

Secretary MARSHALL. They tell me that thus far the only part that was a loan on which repayment was specified was $6,000,000 for wool.

Mr. VORYS. That does not correspond with the information we received in Austria. I will get the information and take it up with your officials. That is all.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. You have thoroughly indicated your opinion that time is the essence of this matter, with which I heartily agree.

You referred to the desirability of keeping up the momentum and the fact that unless we act quickly the long-range program might be useless.

In addition to that, is it not a probability that if we delay our action on this matter too long we will not accomplish, with the amount of money indicated, what we might accomplish; or, stated another way, it will cost more than the amount now estimated.

Secretary MARSHALL. That is probably correct, sir.

Mr. JARMAN. Furthermore, if multilateral action to which reference has been made occurs, is it not probable that bringing into the picture 16 nations instead of 4 would inevitably cause delay regardless of the action of this Congress?

Secretary MARSHALL. My understanding of that was not to involve all 16 but the 4 primarily concerned in that. Was not that your idea, Mr. Vorys?

Mr. VORYS. Well, my hope was that we could carry out what you suggested in the Harvard speech and what has been started, and that is some sort of group of nations working together. I had hoped for more than merely the four that arc in immediate need.

Secretary MARSHALL. Three.

Mr. VORYS. I understood yesterday it was stated there might be others that would be in serious trouble, although it was not immediately foreseen. I am just hoping that we can continue with the united plan over there rather than a piecemeal
plan, so Mr. Jarman, I think, did state my thought properly.

Mr. JARMAN. My reference to four nations included our own. As the Secretary stated, the group of 16 nations has already accomplished [p. 21/22] a very desirable purpose in getting together and submitting to us the long-range program, whereas this is a matter pertaining primarily to these countries. I do not see the necessity for bringing the 16 into this consideration of a purely stopgap matter, despite the great desirability of having them function as they are going to function on the long-range plan.

Secretary MARSHALL. I am inclined to agree with you, sir.

Dr. JUDD. Mr. Secretary, I notice that this is a bill "to promote the general welfare, national interest, and foreign policy of the United States." I assume, therefore, that it is your opinion that if part or all of western Europe were to come under the control of the Communist Parties there in some such way as eastern Europe has been taken over by the Communist Parties in those countries, that would be against the "general welfare, the national interest, and the foreign policy of the United States"; is, that, correct?

Secretary MARSHALL. That is a pretty large question, the way that you have expressed it. If Europe had been taken over, as you indicated, by the Communist Party, we would not have very much basis for negotiation or discussion.

Dr. JUDD. My question was not if it had been, but if it were to be taken over, in whole or in part. Is it true or not true that this bill is designed to prevent that happening in western Europe, because if it were to happen in western Europe it would be considered against the interests, foreign policy, and general welfare of the United States?

Secretary MARSHALL. Our interest is to maintain peaceful stability and freedom of action by peoples, and we feel that unless we do something like that, freedom of action and stability will vanish and therefore it is highly important we take the action that has been recommended.

Now, going more directly to the phase of your question which has to do with ideologies, our foreign policy is based on certainly the approval of a world in which there is a free choice in Government rather than a dictatorial autocratic or police power of government. We feel in this present situation we should do everything we can to help those nations that favor freedom of action of government and have been the proponents of that in the history of the world, even before our time. Does that answer the question?

Dr. JUDD. Yes; and I agree with the answer.

I would like to ask you this question: Is it your opinion that if China or even if north China and Manchuria were to come under the control of the Chinese Communist Party, it would be contrary to the general welfare, national interest, and foreign policy of the United States?
Secretary MARSHALL. That is my thought.

Dr. JUDD. Well then, do you think the program that I understand from the papers you proposed to the Senate committee yesterday, is adequate to prevent north China and Manchuria from being taken over by the Communist Party?

Secretary MARSHALL. Were you in the room when I answered a similar question?

Dr. JUDD. No; that is why I wanted it for the record here.

Secretary MARSHALL. I will try to repeat myself.

Dr. JUDD. All I had was the newspaper reports. [p. 22/23]

Secretary MARSHALL. I made a lengthy statement before the committee this morning. I will endeavor to repeat it.

The situation in China is quite a different one from that in the western portions of Europe. We are in western Europe confronted by governments that have been going along without extreme inflation, and under the necessity of importing a great deal in the way of food by the very conditions of their industrial and other set-ups.

Now, they are faced with a situation where they will be unable to pay for imports necessary to maintain the ordinary standards of living. Up until the end of this period, March 31, 1948, that means a termination of, or a great deterioration in, the existing situation.

On the other hand, when you turn to the Chinese phase of the matter you have quite evident to all of us, and particularly to those who have seen it, a chaotic situation and one of extraordinary inflation. Also, a very unhappy people. But they are not threatened with a change at the present time in their import procedure. They have resources to continue that for quite some months, so it is not one of emergency of action before March 31, 1948.

On the other hand, it is very decidedly one where we have found the greatest difficulty in trying to calculate a course where money could be appropriated with, as I put it, a 70 percent probability of effective use in the situation.

Now, that is what we have been trying to develop. We could not—and I add this to what I said earlier this morning—find through the ordinary agencies, the Export-Import Bank, any basis for getting ahead with certain enterprises in China which we thought would be helpful, so it is going to be necessary to turn to Congress for action on its part. What we have in mind, very briefly, is in relation to their import program from overseas outside of China, to see what can be done toward a stay of execution in the deterioration of their monetary situation so as to give them a chance, with reasonable action on their part, and very energetic action on their part, to take some measures toward restoring the financial situation.

Now, other moves come in after such action has been taken.
To repeat what I said in the first place, the character of the emergency we are dealing with is quite different as between the European situation and the Chinese situation. One is an immediate, almost cessation of the power to purchase what they have to have for the living of their people; on the other hand, China, under its present importing procedure and its present resources is able to go along to that extent in the way it has been going.

Dr. JUDD. I again agree thoroughly with the Secretary's statement, that the problem in China is not primarily economic. I think the Secretary will agree the problem in China is primarily military.

Does the Secretary think such a proposal as he outlined to the Senate yesterday is adequate to resolve the situation in China, or even to stay further deterioration, as long as the military situation continues to deteriorate? Are there any economic and financial measures we can take which give any hope of remedying that situation until the enormous military drains are reduced?

Secretary MARSHALL. Certainly it is extraordinarily difficult to find anything that will benefit the situation until this extra drain of 70 to 80 percent of the budget for the military effort is reduced. That, of course, is the destructive factor in the situation, and the problem is how to deal with that.

Dr. JUDD. Yes.

Secretary MARSHALL. What the eventualities will be in connection with that is a very special thing.

Dr. JUDD. What I would like to know is whether the Secretary's proposal, which he said in his statement to the joint committee that he was preparing for early submission, will contain any suggestions as to remedying that which certainly is the root of the problem in China.

Secretary MARSHALL. It probably will not. That will have to be something else.

Dr. JUDD. Are we justified in appropriating the taxpayers' money as a palliative if we are not prepared to attack the real causes.

Secretary MARSHALL. You have stated very well the reason why we could not have proposals in last May and June. We have been searching, as I stated in my previous statement this morning, with almost complete unanimity for some way to help, but that is a very difficult thing to determine, and most of the solutions that I have seen are quite impractical.

Dr. JUDD. Last spring the President at the time he brought in the message on the Greek-Turkish aid bill, said—

I believe it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures—

Some of us asked Mr. Acheson when he was before us whether he thought that applied to the Chinese situation, and he said
The Chinese Government is not in the position at the present time that the Greek Government is in. It is not approaching collapse; it is not threatened with defeat by the Communists. The war with the Communist is going on much as it has for the last 20 years.

Is it your opinion that his description of the situation, as given to us last spring, is still accurate?

Secretary MARSHALL. No; I do not think it is. There has been a great deterioration.

Dr. JUDD. If we gave military assistance to the Greeks when they were threatened with subjugation, and the situation in China now approaches that which Greece then had, is there under consideration any proposal for giving military assistance to the Chinese Government similar to that which we gave to the Greek Government?

Secretary MARSHALL. We sent 40 officers to Greece with a few men to assist them—

Dr. JUDD. We also sent a great deal of ammunition and war material.

Secretary MARSHALL. Will you let me finish my statement, sir? We sent 40 officers to Greece with a few men to help with the ordinary administrative procedure. We also sent certain material to Greece. I do not know the total value of that.

We have in China now some hundreds of officers with the Chinese Army, to assist the Chinese Government in their military organization and in their procedure. I do not know what the total of that military group is, but it approaches 1,000.

DR. JUDD. Yes. [p. 24/25]

Secretary MARSHALL. And they have been working very hard, and we have recently authorized them to go ahead with a provisional training center in Formosa. Also, there has been a great deal in the way of material turned over to China. The present issues that we are talking about, ammunition, which was mentioned by you, is another matter that is being handled, and, that has been under careful consideration by the State Department and the Army.

Dr. Judd, the difficulties there go far beyond military equipment. I think you are aware of that.

Dr. JUDD. Yes; I am. But those difficulties to which you refer, I think, cannot be resolved without also some military equipment. That is one of the parts of the solution.

May I ask, will the detailed proposal that the Secretary says is under preparation for early submission be submitted in all probability before the Secretary leaves for the Council of Foreign Ministers’ meeting?

Secretary MARSHALL. I could not answer that right now, sir. I do not think it will be, sir, but it will be submitted by the time the Congress reconvenes, or earlier.
Dr. JUDD. Reconvenes in January?

Secretary MARSHALL. In the regular session; yes.

Dr. JUDD. Do I understand that with respect to the situation in China there are also two sorts of proposals, an interim proposal to meet the immediate emergencies, financial and otherwise, and also a China-recovery program comparable to the European recovery program?

Secretary MARSHALL. I would not like to discuss that until I have an approved program by the administration to come in here with. All I would be doing would be to tie my hands one way or the other without complete consideration of the factors involved. I can assure you we want to, and I can assure you it is a very difficult thing to do.

Dr. JUDD. I left China a week ago this morning, and while I was there a good many thoughtful and eminent Chinese asked me questions which I had difficulty in answering. They are going through a process of reevaluation of their position just as we are, a reexamination of who are their friends and otherwise.

The question usually came up in such form as this: If the United States takes such a position with respect to European nations which are threatened by Communist minorities and does not take such a position with respect to China when it is threatened by a Communist minority, why and these are the five questions:

First, is it because the Chinese are of a different color than the Europeans?

That is the first time that I have heard that raised in China, and it is alarming. Is it a race matter?

Second, is it because the Americans still believe that the Communists in China are not Communists, but just agrarian reformers and patriotic peasants and are not connected in any way with Russia as are the European Communists?

Third, is it because the people of the United States, or its Government, think what happens in China is not as important to it in the long run as what happens in Europe? [p. 25/26]

Fourth, is it because the people of the United States and its Government do not think the present situation in China is as critical as the situation in western Europe?

Lastly, is it because the Government of China has failed in any way, shape, or form to carry out any commitments it has made to the United States Government, either during or since the war?

I think it is very important that we make clear what our reasons are, or at least which of those it is not. I tried to do that as an individual, but I would like some reinforcement from our Government. For example, flat reassurance that it is not the racial reason.
Secretary MARSHALL. I do not think we would have to try to do that; that would be a rather unusual development. That is one of the propaganda items, and I might mention, Dr. Judd, that if we took up the propaganda matters we would just be turning out that business and abandon all other things.

Dr. JUDD. That is right.

Secretary MARSHALL. There has been no diminution of the thought that stability in China is of great importance to the United States as well as to the world, because it is a very disturbing factor in the world today to have any country in the present condition that exists in China. There is no question about that whatsoever. The opinion is very vigorous on the subject; it all goes back to how and what you can do unless the Chinese Government itself does a great many things.

Now, the people of China have been very critical of their own government. I have been very frank about it. That imposed some very serious difficulties in our approach to the situation. It is one of the most complicated that I have ever seen. And on the occasion of my going to China a great many persons promised me failure before I ever got out there and I did my best to keep pessimism out; I do not know how successful I was, but a great deal has to be done to make it possible for us to do much here; I will grant that.

Dr. JUDD. We have repeatedly told the Chinese Government that unless they do so and so we will not help them. Have we told them that if they do so and so we will help them, with their cooperation?

Secretary MARSHALL I think in effect, yes; certainly I have said that directly.

Dr. JUDD. It is very difficult for the responsible political leaders in that country to throw away the support they have unless they are sure they will get our support in its place. It is very important that we make it clear that if they do meet certain conditions we will certainly come in and help.

I know the difficulties under our form of government in making firm commitments, but how can we expect assurances from the Chinese Government as to what it will do until we give assurances of what we will do.

Secretary MARSHALL. Dr. Judd, I do not wish to get into a discussion of the Chinese Government here in this hearing.

Dr. JUDD. No, and I do not want you to either, but I feel that the situation with respect not only to China but with respect to Korea—

Mr. BLOOM (interposing). Mr. Chairman, I object to questions with respect to China as not having any bearing on the legislation before us. The Secretary has indicated he does not want to get into a controversy with reference to China, and I object to questions with reference to China in this hearing.

Dr. JUDD. The Secretary referred to China in his own original statement.
Mr. BLOOM. Then I would like to have a ruling on my objection, Mr. Chairman.

Chairman EATON. The Chair would like to say that we have the Secretary of State here mainly to discuss policies, and we did not enforce the 5-minute rule under those circumstances, so as to give everyone an opportunity to discuss with the Secretary the issues as he sees them. Now, after the Secretary gets through we will follow the 5-minute rule so everybody will have a chance, and in order that everybody may have a chance now with the Secretary we will have to, cut down.

Brother Judd has gone very deeply into the Chinese question and he is thoroughly qualified to do so, but I think just now we have exhausted that subject and as far as I can see we had better continue on the question that is before us—the interim bill for relief in Europe.

Dr. JUDD. May I just add one other thing?

Chairman EATON. Yes.

Dr. JUDD. I think this is a question that is wholly material in considering European aid. There is grave doubt that the proposed assistance to Europe can really do what we want, or all we want, unless there is a check in the deterioration of conditions in the Far East, and the beginning of recovery.

For example, how can European countries like France, Britain, and the Netherlands recover until something like their prewar pattern of trade with the Far East can be restored. China is the key to the Far East. The Secretary, of course, knows the importance to them, the importance to the success of this European program, of their being able to return to their prewar trade in Asia.

Chairman EATON. Mrs. Douglas.

Mrs. DOUGLAS. Mr. Secretary, I am going to confine my questions to the interim bill which we have before us.

The war did not always progress the way you thought it would; did it?

Secretary MARSHALL. I think that is quite correct.

Mrs. DOUGLAS. Did we not undertake program after program thinking that they were fully adequate only to find them inadequate? Did we not often have to revamp our plans? Did we not continuously undertake wholly new programs?

Secretary MARSHALL. I would have to qualify my answer to that question a little bit, with the thought that we had to figure out what we thought we needed with the idea in mind of getting the authorization from Congress, and certainly I spoke about $4,000,000,000 when I was thinking about six or seven billion dollars; it; was a question of time, a question of public opinion. But I think you are quite correct in saying that we have had to add, subtract, some things sometime, but add more things as we went along to meet the war needs: more planes, more shipping, more materials of certain kinds; and along with that, of course, the funds, with an overaccumulation of some things as it proved out were not so
urgently needed. [p. 27/28]

Mrs. DOUGLAS. But if you found you urgently needed $4,000,000,000 worth of some things, and you were only able to get $2,000,000,000 from the Congress, you came back and asked for the extra $2,000,000,000 to get on with the war, didn't you?

Secretary MARSHALL. Yes; that is correct.

Mrs. DOUGLAS. Now another thing: When you found you had to come in and ask for another $2,000,000,000, did you ever for a moment fold your hands and say the war is not worth winning?

Secretary MARSHALL. I do not recall that.

Mrs. DOUGLAS. Do you not think that winning the peace is quite as important as was the winning of the war? I mean winning a permanent and durable peace?

Secretary MARSHALL. I think it is more important. It is just a question of how we do it.

Mrs. DOUGLAS. That is right. Mr. Secretary, would you not say that our enemies today are not men but hunger, cold, and disease?

Secretary MARSHALL. I would say that is very much the case, particularly at the present time.

Mrs. DOUGLAS. And just as in the war, if when you needed planes or you needed arms at a particular time and place and you were 2 weeks late, maybe, in getting them, lateness became very costly, didn't it? Not to have the proper equipment at the proper time and place might mean that you had to exert 10 times as much force to achieve the same objective; is that true?

Secretary MARSHALL. I think that is often the case.

Mrs. DOUGLAS. That is what we are trying to do here—get what is needed where it is needed in time.

Secretary MARSHALL. Approximately; yes.

Mrs. DOUGLAS. Mr. Secretary, we were very tardy in the passage of the post-UNRRA relief bill. We almost talked it to death. Did failure to pass the bill until long after the deadline that had been set by the State Department contribute to the present food crisis in Europe? That relief bill provided for seeds, fertilizer, pesticides, and certain kinds of farm machinery in order that the devastated countries in Europe could plant their spring crops. We talked dangerously far into the spring. How much did the crops in western Europe suffer, Mr. Secretary, because of endless talk on Capitol Hill?

I won't press that question. I won't embarrass you, Mr. Secretary.

What in the opinion of the State Department is the deadline for the passage of this bill? What is the deadline in order that France, Italy, and Austria may
receive the full benefit of the interim program? We have been told that the present situation in Europe is critical. We have been called back into special session to meet this crisis. It is to be hoped that Congress will act with dispatch. What is the deadline for the passage of this bill in order to receive its full benefits?

Secretary MARSHALL. I think especially with regard to Italy the deadline of the appropriation of the interim and would be before December 1.

Mrs. DOUGLAS. Before December 1.

Secretary MARSHALL. Yes.

Mrs. DOUGLAS. We would have to vote on the emergency program in November?

Secretary MARSHALL. That would be my thought.

Mrs. DOUGLAS. Then if we are talking about staying around here until December 17, that does not mean that we can debate the interim bill until December 17. We must dispose of the interim bill in November and give over December to the consideration of other programs.

Secretary MARSHALL. I am just confining myself to the factual data.

Mrs. DOUGLAS. Yes.

Secretary MARSHALL. And the question of France and Austria, in time to have the money available before December 31.

The long-range program, which I assume you have in your question, ought to be completely decided by early March.

Mrs. DOUGLAS. Thank you, Mr. Secretary.

Chairman EATON. Mr. Fulton.

Mr. FULTON. Mr. Secretary, in your statement you have money, dollars, and materials but you did not mention one of the most important things to my mind—that is, manpower to implement this program. Why was manpower not mentioned?

Secretary MARSHALL. The manpower is to be provided by these people themselves. In other words, we cannot export them.

Mr. FULTON. Some of us have just come back from Europe and have been considering the displaced persons problem. There are between 1,000,000 and 1,300,000 people who were displaced by the war and a good portion of these are being kept in camps in Europe. As you know, there is quite a deficit of manpower in the various countries—France and England, particularly. Why was not some mention of these displaced persons made, of using them in the program for the reconstruction of Europe? That is a very tragic omission not to make use of these persons.

Secretary MARSHALL. The Stratton bill, which the Department supported,
and which I came up to testify on, had to do with that manpower being made available in other countries.

When it comes to the availability of that manpower in Europe, of course, there are a great many complications of which you are aware in spreading them about in order to get the benefit of their industry.

Mr. FULTON. Of course, the Stratton bill was for the purpose of immigration into the United States.

Secretary MARSHALL. Yes.

Mr. FULTON. The impression I gain from your statement is that there was no attempt to utilize existing manpower to supply the deficit in certain countries like France and England where they are holding back in their program because they do not have sufficient manpower to operate the program, in addition to dollars. Could not you give us a program of integrating the displaced persons into this Marshall plan for the aid and recovery of Europe?

Secretary MARSHALL. I am told that there is a negotiation going on at the present moment in Geneva just to the end you are discussing now.

Mr. FULTON. Would you think it would be a good thing to integrate a portion of the displaced persons, as a part of the solution of that problem, on a permanent basis, into the Marshall plan, as a portion of a manpower program in addition to dollars and commodities that; we have been talking about? [p. 29/30]

Secretary MARSHALL. Well, when you use the expression "integrate into the plan," this is a question that involves a very difficult negotiation, and we are in the process at the present time, as I say, at Geneva, of trying to find the solution to that. Whether or not we could consider that a part of the long-range program on this side I am not prepared to say now, when we are discussing a problem before us. I agree with you thoroughly that there is a manpower shortage, and I agree with you also that the failure to utilize these people is a great misfortune in many cases: Psychological, humanitarian purposes as well as economic purposes. And I am heartily in favor of anything we can do to bring about first, the breaking up of these camps, and in next place to help them get a decent place to live, and third, a place for them to give the benefits of their labor in this program.

Mr. FULTON. May I give you a short statement and ask your comment: We found that France had imported 100,000 Italian laborers from Italy in order to try to supply their manpower needs. We also found that she was keeping approximately 450,000 German prisoners of war. When she was keeping the 450,000 prisoners of war she is causing a further drain on the German economic system, which we American taxpayers are paying for. In addition our taxpayers are also paying, at this time, $73,500,000 a year for the support of these displaced persons in Germany, Austria, and Italy.

Now, why would it not be good policy to say to France to return your prisoners earlier than the 12 months contemplated, so as to help the American
taxpayers to overcome this deficit in Germany, and you then utilize the displaced persons who are anxious to go to France to help in the mines and mills?

Why do we not say the same thing to Britain, where there is shortage in manpower in getting the coal out? If the American taxpayers are going to have to supply the deficiency out of our economy, before we go further, why do we not ask them to take more displaced persons? Or, why do we not have an international conference and sit down and work out some of these problems right along with the other plans?

Secretary MARSHALL. Well, as I have said, we are engaged in that now. But I am sure you are familiar with another program of the Committee on European Cooperation, a program of some 16 nations, where this is stated:

One of the problems is that particularly the participating countries are experiencing labor shortage. This will continue during the period of expansion provided that the necessary supplies can be made available from overseas in order to enable the recovery program to be carried out. The important exception is Italy whose normal increase in population is too great to be absorbed by any practicable expansion of agricultural and industrial production. It is possible that at a later date western Germany might also be a source of labor recruitment. The present surplus Italian labor force of 2,000,000 would, if suitably trained, be enough to cover the needs of all the other countries. Considerable efforts have been made to transfer labor from Italy and some success has been achieved in this as well as in the absorption of displaced persons now in Germany and Austria. Food and particularly housing shortages, however, present difficulties and it has not always been possible to devise adequate means of enabling Italians in foreign countries to send remittances back to their families at home. The committee has recommended means of aiding the recruitment of immigrant labor, but the solution of the problem really turns upon better food and housing and improvement in Intra-European payments arrangements. This problem, like the rest of the problems which confront the participating countries, can be solved only by the carrying through of the European recovery program as a whole. [p.30/31]

I would like to say in regard to this last statement that we were involved all of the time I was in Moscow in planning and negotiating with the French as to how to manage the transportation of the funds earned by the German prisoners to their families in Germany. The difficulty there, of course, was one of currency and its value.

Mr. FULTON. My inference there has been from what I have found as to the use of German prisoners of war. I have found France importing Italian labor when the American taxpayers are now putting up almost 80 percent of the support of displaced persons. Why not help return productive German P. W. labor from Germany by integrating these displaced people into the program and help ourselves by cutting our taxpayers’ burden?

Secretary MARSHALL. Here is a further statement in regard to the matter you are just mentioning, and found on one of the programs on page 450 from the Committee on European Economic Cooperation, volume 2:

That the International Refugee Organization should make known as soon as possible the extent to which it will be able to contribute to the settlement of displaced persons.

As we get along in these matters they become involved and the difficulty is more complicated. Our thought in the State Department was, particularly my
own personal view, that the leadership in this matter should have come from 
the United States in relation to bringing some 400,000 people into this country, 
and I thought we failed in a great role when we did not take the initial step, 
because I am convinced that the instant we act in that role that we are pushed 
into, by reason of our position in the world, other adjustments will quickly 
come about by reason of the acceptance of these people in other countries and 
the complete elimination of these prison camps, the discontinuance of the 
camps in Germany.

Mr. FULTON. I have one other question, which will be very short; it is 
along the line developed by Dr. Judd, and, as you possibly may recall, he and I 
last year asked a great many questions, on Chinese matters, both having been in 
China and both being very friendly to the Chinese people.

Because we have had somebody go to China from this Government and, 
make a check to see what the situation was and come back and report to this 
country, I would like to know when that report of General Wedemeyer will be 
released.

Secretary MARSHALL. I do not know that it will be released. I do not 
think that it is to the best interest of the Chinese Government or to our own 
Government to release it.

Mr. FULTON. Would you mind making a statement of why the State 
Department is of that view?

Secretary MARSHALL. Just exactly for the reasons I gave, that I do not 
think it is to the best interests of the Chinese Government or to our Government 
to release it.

General Wedemeyer was sent to China at my instigation to provide me 
as much information as he could, and of course to the President; he went out 
and did that.

Mr. FULTON. Is there any portion of it that could be released? [p. 31/32]

Secretary MARSHALL. Probably some portions, yes; but we have so many 
uses with which it has to do that I do not think we should publish it.

Mr. FULTON. Do you intend that this committee know- 

Secretary MARSHALL (interposing). And I must also say this, that in 
international affairs of this kind you cannot put everything on the table that is a 
matter of negotiation; that is almost impossible.

Mr. FULTON. Do you intend a report on China be made to the American 
Congress without it having access to the facts in the Wedemeyer report?

Secretary MARSHALL. I think so.

Mr. FULTON. Do you think you ought to ask the Congress to act without 
having the full facts?
Secretary MARSHALL. I think so, from the viewpoint of the tremendous interest being established in the matter, because of the many, many factors and facts that we have been furnished, that have been given in extreme confidence and that cannot be published because they were obtained, in large measure, in confidence. But that is not our work in this particular case.

Mr. FULTON. But as one member of the American public, in order to satisfy my own mind, I therefore take it that is because you regard it as not to the best interest of the Chinese Government that it be made public at this time rather than the fact that you disagree with that portion that General Wedemeyer has written?

Secretary MARSHALL. I will put it this way: I am quite certain that to make public all the facts of that report would be to the definite disadvantage of the Chinese Government and also to the American Government; and also I would not agree with everything that General Wedemeyer stated.

Mr. FULTON. That is all.

Chairman EATON. Mr. Javits.

Mr. JAVITS. Mr. Secretary, I would like to identify myself to you as having been a member of the subcommittee of which Mr. Fulton was the chairman.

Now a good many travelers went to Europe this summer and some of them have come back with this statement: That the need of interim aid in Europe was not so acute, in view of the fact they saw no one starving on the streets in Europe. Now, do you believe, Mr. Secretary, that is a fair criterion, and if not why not, in determining whether or not we should give interim aid?

Secretary MARSHALL. I would say that our approach to that matter has been in part based on the food content that the average person in Europe is obtaining, and what is the basis of their heating, we will say, in their dwellings, and that sort of thing, because that has a direct relationship to food requirements as well as assisting us in determining what is needed.

All of the evidence points to the fact that these people that we are concerned with have been living on a much lower basis of calories, to put it in a more technical way, than had been formerly the case and that there exists now an acute disparity, if you can express it that way, which results first in inertia and, in continued low morale, which I think is now significant.

Let us take specifically the case of the French: The bread ration I think was formerly 300 grams, and I believe during most of the German occupation it was almost 300 grams. Now, they reduced that to 250 grams, and then when the summer season came along, thinking that the vegetables and other products indigenous to their own farms would help out, they went down to 200 grams. That is a very low content even for people who are accustomed to that, and quite inadequate when it comes to winter use, which should be a minimum of at least 250. As for other portions of the population, I believe in Italy they went down to
1,500 calories.

They tell me that they cannot continue indefinitely on such a base as that without suffering debilitation, run-down health, and probably sickness, and in many cases probably death.

Now, whether a person is literally and actually starving on the streets, we will say, or whether he is in the process of physical, gradual debilitation are rather two things, and I think all of the evidence points to the fact that in Germany, and particularly in France and Italy, as I have just recounted, and also in Austria, they are suffering from lack of sufficient food, and it becomes more serious with every day there is a prolongation of that lack.

Mr. JAVITS. I might say to you, Mr. Secretary, that my colleague and I found many people in Europe who were obviously so affected.

Now may I ask you, Mr. Secretary, whether you believe that the people in Europe will wait until actual starvation sets in before becoming impressed with some extreme philosophy, whether it is communism or fascism?

Secretary MARSHALL. I think it is recognized by everyone that when a husband finds his family in a condition such as you have developed he will turn to anything that gives promise, however fantastic it might be, for their benefit, and that goes parallel with any depression.

Mr. JAVITS. I notice, Mr. Secretary, in presenting the proposal that you have submitted to the committee for the contemplated use of funds under the program, purchases would be made anywhere in the world, and this differs very materially from the previous relief bill of $350,000,000, which said that 94 percent of the money should be spent with the United States.

Do you, Mr. Secretary, believe that the provision containing the present proposal to the committee would have any material effect on restraining inflationary forces operating on the food supply in the United States?

Secretary MARSHALL. Very definitely we think that; because wherever there are shortages in this country and we can procure wheat, for example, in other countries, that lessens the probability of continually rising prices which, of course, means inflation.

Mr. JAVITS. And would you attribute at least certain of the inflation in food prices that we have had to the restrictions contained in the $350,000,000 relief bill to the effect that 94 percent of the money must be spent in the United States?

Secretary MARSHALL. I would not wish to make a definite statement regarding that. I think I can understand its purposes, but I think in the long run, from what I have learned from the Department of Agriculture and the Secretary of Agriculture himself, that our situation would be improved, always when supplies are in short supply, if there was some way of turning from this country to procure them elsewhere to meet a definite need we felt we were committed to. [p.33/34]
I have here a statement carefully prepared in relation to this matter which, with your permission, I will read into the record:

It will be clearly contrary to our own interest to limit procurement in this way to certain of the commodities required in the interim aid program that are in short supply. If we were forced by the restrictions in the legislation to concentrate the buying of such commodities in the United States, it would merely aggravate the shortage and stimulate price inflation.

It should also be kept in mind that the purchases of needed goods at fair prices in other countries, which are in short supply in the United States, would tend to ease the stringent dollar shortage problem in those countries, which is acting as a serious drag on trade in the world.

Mr. JAVITS. May I say, Mr. Secretary, that I, too, do not question the intention. The intention was undoubtedly good and patriotic, but it just has not worked out that way.

I would like to ask two other questions. First, does the United States Government contemplate endeavoring to restore confidence by Europeans in their own governments and in their own currencies by assuring the European governments we desire to help that we will stay in Europe with our forces, our prestige, our forces of men, military forces, until our international responsibilities are discharged?

Secretary MARSHALL. Would you mind repeating the first part of that question?

Mr. JAVITS. I asked if it is the intention of the United States Government to undertake to restore confidence by the western Europeans in their governments and currencies by giving them assurance we will stay with our forces and prestige until the job is done?

Secretary MARSHALL. We have that issue coming up in a meeting in London in the Conference of Foreign Ministers, and it is our intention to make another effort to secure a four-power pact, which is for the very purpose of giving to those people a feeling of assurance that they will not be left in the lurch of great danger by the withdrawal of all interests of the United States.

Whether you can be successful with that I do not know. It is very important, I feel, that the people of France, for example, should have such assurance, especially because of their fear of a rehabilitated Germany. And that fear, of course, becomes a highly complicated issue when we feel it is essential absolutely to restore Germany to a condition of self-dependence and also to a condition where it can provide from its own economy the important contributions that are necessary, we think, for the general economy of Europe.

Mr. JAVITS. I have one last question. Does the United States Government intend to make a condition of interim relief for any government, that government's undertaking or not undertaking the socialization of any part of its economy?
other words, it is a condition of not aiding socialistic governments as distinguished from Communist governments?

Secretary MARSHALL. That is not in the recommendation. We feel that would be a very unfortunate procedure in dealing with sovereign nations and particularly this special group of nations. We feel that we would defeat ourselves at the start.

Mr. JAVITS. Thank you very much. [p. 34/35]

Mr. LODGE. Mr. Secretary, do you feel that Greece can be rehabilitated economically while the guerrilla war continues?

Secretary MARSHALL. My own estimate from the reports I receive is that the guerrilla war can prevent relief, and, unless that is considerably abated, the prospects of improvement in the implementation of the relief program are very seriously diminished.

Mr. LODGE. Do you then feel that interim aid and also long-term rehabilitation will in themselves be sufficient? In other words, granted the need for this aid, can this aid rehabilitate Europe, particularly aid under the so-called Marshall plan, until the destructive forces which are working in opposition to rehabilitation have somehow been disposed of?

Secretary MARSHALL. I do not know exactly what you mean by "somehow disposed of." Are you talking of just in Greece?

Mr. LODGE. No, sir. I was referring more specifically to this: Do you feel, with respect to France and Italy, that this aid can prevent a seizure by internal forces, internal Communist forces, of the Governments of France and Italy?

Secretary MARSHALL. Specifically, we feel that by this aid we will enable the people of France and the people of Italy to proceed with the election of their choices in a free-handed manner; whereas, if they have been reduced to a degree of despair, they are subject to any influence that promises them anything better, which is the ordinary procedure of the subversive forces we are thinking about.

Mr. LODGE. In other words, Mr. Secretary, the economic aid is directed to combating the growth of the popularity of communism?

Secretary MARSHALL. It is directed, as I construe it, to preventing a desperate situation regarding human life to develop to a point where people will turn to desperate remedies which are no remedies at all.

Mr. LODGE. What I have in mind is this, that in Poland, Hungary, Rumania, Bulgaria, and Czechoslovakia there are probably not more than 5 percent Communists in the population; yet those Governments are now well behind the iron curtain. I personally believe that the Communists in France and Italy have abandoned the attempt of taking over those countries by constitutional means. I feel that they have decided to resort to internal force, although not to war.

The purpose of this line of questioning, therefore, is to inquire of you
whether you feel under those circumstances that this type of aid is sufficient to protect the legality of those two Governments from extra-legal, internal forces?

Secretary MARSHALL. I have no comment to make on that beyond what I have already said.

Mr. LODGE. Do you feel that the negotiation of an Austrian treaty will affect the interim aid to Austria in any way?

Secretary MARSHALL. By "negotiation," you mean a successful negotiation of the Austrian treaty?

Mr. LODGE. Yes, sir.

Secretary MARSHALL. I do not see how it would affect the interim aid except possibly to make it more helpful.

Mr. LODGE. In other words, you feel that the withdrawal of all the armies of the four powers from Austria would make this aid more successful? [p.35/36]

Secretary MARSHALL. I think so, in that the people there are in despair from long-continued occupation.

Mr. LODGE. Do you believe, if the Russians agree to withdrawal, that they will, in fact, withdraw?

Secretary MARSHALL. I believe they would, in fact, withdraw the troops. The influence is another matter.

Mr. LODGE. That is the point I had in mind, Mr. Secretary. I wondered whether you felt they would not do as they have done in other countries; that is, to put their troops into civilian clothes and retain their hold.

Secretary MARSHALL. I have nothing to say beyond my previous comments.

Mr. LODGE. Do you feel that the publicity clause in the post-UNRRA relief bill, Public Law 84, is being satisfactorily administered at this time in the countries included in that legislation?

Secretary MARSHALL. I think it could have been done better, and I think it is very important that this present interim aid proposal be carried out in such a way that there will be a decided improvement in relation to that particular phase of the matter.

Mr. LODGE. Do you feel that the best way of administering this aid is through the governments concerned, or do you think that we might consider administering it through private agencies in those countries by means of our diplomatic representatives?

Secretary MARSHALL. Oh, I think we will have to deal with the governments, sir.

Mr. LODGE. I would like to call your attention to the fact that in Italy there seems to be some equivocation with respect to that particular aspect of the matter,
because of the way in which some Italian Government agencies are being undermined. I presume you are aware of that.

Secretary MARSHALL. Yes.

Mr. LODGE. For example, ARAR is not a wholly reliable organization. Organizations of this kind have made it increasingly difficult for us to see to it that our assistance reaches those whom we wish it to reach. Furthermore, aid handled on a government level is not widely recognized by the people as coming from America. I thought perhaps you might be considering a change along those lines in connection with this legislation.

Secretary MARSHALL. Mr. Dort will be on the stand later, and he has gone into that particular aspect.

Mr. LODGE. Do you feel, it would be desirable to eliminate the date in the Greco-Turkish aid in order that (a) the Communists would not be able to use that date as propaganda against us; in other words, to say our aid would cease on a certain date; and (b) in order that our mission there should not be compelled to spend this entire sum in that period?

Secretary MARSHALL. I have not read the papers in the last 24 hours, but the President, I believe, sent a report to Congress on that yesterday.

Mr. LODGE. I was not aware of that. The reason for asking was that I wondered what you felt about putting a date on this bill; in other words, whether you feel it is desirable to have a final date in legislation of this kind. [p.36/37]

Secretary MARSHALL. That particular aspect, again, is one that can be answered here by the particular individual who has worked on that phase of it, and I would rather have him make reply.

Mr. LODGE. Thank you, Mr. Secretary.

Mr. JACKSON. Mr. Secretary, relative to the remarks made by the gentlewoman from California on congressional oratory, I am sure you in common with the great majority of American citizens favor a searching inquiry into the provisions of this measure, and I am certain that the distinguished gentlewoman from California likewise realizes there are some billions of dollars at stake. While some of the Members of Congress may have a tendency to be overlong in their remarks, it is nonetheless true that where this much money is concerned we certainly should delve into every phase of the proposal.

I should like to point out some instances where the world did not have searching inquiry into proposed legislation. We have three classic examples: Germany, under the domination of a character named Hitler; Fascist Italy, under one Benito Mussolini; and the other is the very famous totalitarian state.

Relative to one economic phase of the proposal, I should like to have a comment, if possible, on the feasibility of agreements between the United States and the beneficiary nations in the matter of strategic materials. In many instances,
we are a "have-not" nation with relation to such things as tungsten, platinum, mercury, asbestos, manganese, chromite, nickel, tin, industrial diamonds, quartz crystals, and flake graphite. And it is also interesting, in passing, to note that many of the countries, with which we propose to enter into these aid programs have such deposits, either currently developed, or undeveloped at the present time. For instance: Sweden, white arsenic; Canada, long-fiber asbestos; France, bauxite; English colonies, chromite; France, graphite; Belgium, industrial diamonds; Italy, mercury; France, nickel; Norway, titanium; Portugal, tungsten; Germany, France, England, and Belgium, zinc; and the African colonial holdings are relatively undeveloped.

Is it expected that we may make any such arrangements with the nations involved which would permit, under their sovereign rights, further exploration and development for the purpose of stock piling here at home, in return for these billions of American dollars, some things which we must now buy in the open markets of the world?

Secretary MARSHALL. The question of that particular matter of stockpiling, to use a general description, has been very carefully gone into. With your permission, I am going to have Mr. Lovett read a statement regarding that question specifically in answer to your question.

Mr. LOVETT. Do you wish me to read this now, or later?

Mr. JACKSON. Later will be all right.

Just one more question. It so happens that I have just returned from Greece, and I am sorry I did not get your entire answer to Mr. Lodge's question. Is it considered possible, under existing conditions of military turmoil in a country such as Greece, to achieve any measure of economic stability unless you first achieve a measure of military tranquility?

Secretary MARSHALL. Your use of the expression "measure of military tranquillity," I think, is a correct one as a basis for answer. There [p.37/38] is no doubt in my mind, judging from all the reports I receive, that economic rehabilitation is almost impossible unless there is a decided improvement in the guerrilla situation. Therefore, something must be done about that. It must be considerably improved before we can hope to achieve a reasonable economic improvement as a result of our efforts.

We have been considering specific measures which might be taken and have about reached a conclusion. Mr. Lovett reminds me that a statement of the President which came to the Congress yesterday covers the most of those factors, so I will leave it to that.

Mr. JACKSON. Thank you, sir.

Mr. MALONEY. Mr. Secretary, my questions relate solely to Austria. Is it proposed that the Russian-occupied zone of Austria should be eliminated from the interim aid to Austria?
Secretary MARSHALL. It depends entirely on the action of the controlling Russian regime there. At the present time, the relief program of last summer, of the Congress, is not being utilized in that area because of the Russian action. Whether we will encounter a similar reaction this time, I do not know. My own thought is, if we do not, we should certainly help them to the extent it can be prorated into that area.

Mr. MALONEY. Could not the $40,000,000 due Austria from the gold pot be used for their interim aid?

Secretary MARSHALL. I would prefer if that was discussed by more of an expert on the thing, but my own information on the subject is they are on such a narrow margin of resources that to disburse the money in that way would leave them without any background of support for whatever currency they have issued. So it would be more to the general advantage of Austria to hold that as a security behind their agreement; otherwise, they would just have an empty exchequer.

Mr. MALONEY. I understand France is using that money in the gold pot, and why could not that be done in Austria?

Secretary MARSHALL. I am going to ask you to talk to one of these monetary experts on that. I am decidedly not a monetary expert; I have had very little experience except in talking about money.

Mr. MALONEY. Thank you.

Mr. BLOOM. Mr. Secretary, you referred in your statement today to private aid. Do you think it is possible for private aid to be rendered at this time without repealing the Johnson Act?

Secretary MARSHALL. I would not attempt to give a technical answer on that, Mr. Bloom. I think this, that private aid in this interim program is very much restricted as compared to what I think it will be in the long-range program. As to the technical effect of the Johnson Act, I will not attempt personally to answer that; I will leave that to one of my better-informed assistants.

Chairman EATON. Thank you, Mr. Secretary. We have greatly appreciated your being here.

Now we have the honor of having with us today one of our old-time colleagues, the present distinguished Ambassador to Great Britain, and we will be delighted to have Mr. Douglas speak to us now, if he wishes, or to come back in the afternoon, when the Under Secretary is here. [p.38/39]

Mr. Secretary [Secretary Marshall], if you wish to retire, we thank you for your helpful discussion this morning, and we wish you well when you go on further to fight the beasts of Ephesus.
Foreign Aid Makes the US Safer. As US Secretary of Defense James Mattis once said: â€œIf you donâ€™t fully fund the State Department then I need to buy more ammunition.â€ Thatâ€™s because foreign aid partly guided by the State Department reduces the conditions that lead to instability and conflict, which in turns reduces conflicts and terrorism. The Bush administration created the Presidentâ€™s Emergency Plan for AIDS Relief in 2003 to reduce the disease in Africa.