

S. J. RES. 3

Tuesday, July 19, 1949

United States Senate,  
Committee on Foreign Relations,  
Washington, D. C.

Senator Tom Connally, Chairman

Francis O. Wilcox, Chief of Staff,

C. C. O'Day, Clerk.

**FRANKLIN A. STEINKO**  
**STENOTYPE REPORTER**  
1420 NEW YORK AVE., N. W.  
WASHINGTON 5, D. C.

S. J. RES. 3

Tuesday, July 19, 1949

United States Senate,  
Committee on Foreign Relations,  
Washington, D. C.

The committee met, pursuant to call, at ten-thirty o'clock a.m. in the Committee Hearing Room, United States Capitol, Senator Tom Connally, Chairman of the Committee, presiding.

Present: Senators Connally (chairman), George, Green, McMahon, Fulbright, Vandenberg, Wiley, Smith and Lodge.

The Chairman. Senator Lodge, are you ready with the Sugar Agreement?

Senator Lodge. Senator Pepper has not approved the final draft and I would rather not bring it up until he has approved of it.

The Chairman. Is he in town or in Florida?

Senator Lodge. He is out of town. I am personally ready.

The Chairman. Then we have before us Senate Resolution 3, providing for the use of the Finnish debt for educational exchange. Are you ready on that?

Senator Green. I am not chairman of that committee.

Senator Fulbright. We had a meeting of the committee the other day and discussed it and wish to report it. There was a difference of opinion as to the amount. Senator Green wished to set it at one-half of the amount involved and Senator

Smith and I both felt we ought to report it with the full amount as in the Bill, and leave it to the committee as to how much money should be devoted for this purpose. That was about the only controversy about it.

The Chairman. Explain briefly to the committee just what it is.

Senator Fulbright. The purpose of this Bill is really a gesture of approval to Finland on the one hand, and also to serve the purpose that is already being served by the Smith-Mundt Act on the exchange of persons, that is, students and technicians, or other citizens, whoever might be interested, somewhat in line with point IV of the President's program.

What is suggested is this: They owe approximately \$8,000,000. The original principal of the debt was a little over \$8,000,000, and in the course of the last twenty-odd or thirty years they have kept all the interest paid, you might say, and a little bit on the principal--I think \$126,000--so that the net amount left owing is still approximately the amount of the original principal.

Senator Smith. That is because of interest adjustments, of course.

Senator Fulbright. Yes.

The Chairman. What does the bill propose to do, to give them that?

Senator Fulbright. To set this up into a fund for the

WASHINGTON, D. C.  
EVAE BUILDING  
FRANKLIN A. STEINER

financing of payment of expenses of Finnish people coming to this country for the purposes that I have mentioned, to study or do research, and also for certain students or professors or technicians of ours going to Finland. That is what the money is to be used for. It is not just for giving it to Finland. It will be deposited in a special deposit account to be used for these purposes.

Senator Vandenberg. Is this the same theory upon which we operated the Boxer indemnity?

Senator Smith. Yes. I might say to Senator Fulbright, this bill came up last year and was passed by the Senate last year, and then died in the House because it was too late, so we have already passed the principle of the bill and we have had it revised this year by the State Department as suggested by the Treasury Department to make it a little clearer just how the thing should be handled.

As Senator Vandenberg says, it is the principle of the Boxer business, and recognition of the fact that the Finns, of all the countries that owed money after World War I, have paid up to date everything that they have owed, and it is a recognition of that and a gesture of friendship to set up these scholarships under the general Fulbright plan of bringing others over here.

Senator Wiley. How much is the debt?

Senator Fulbright. On May 1, 1923, the debt was funded

WASHINGTON, D. C.  
in the amount of \$9,000,000. Prior to funding Finland paid \$309,315.27 on account of interest. On the funded debt, Finland has paid \$8,393,665.40, of which \$1,607,096.49 represents principal and \$6,786,568.91 represents interest.

The aggregate of all payments by Finland, before and after funding, is \$8,702,980.67, which, as I said, is almost the amount of the original principal.

FRANK BUILDING  
The present amount of indebtedness of Finland referred to above is \$7,928,598.93, of which \$7,392,093.51 represents principal and \$535,695.42 interest accrued and postponed under the moratorium agreement of May 23, 1932, and the postponement agreements of May 1, 1941 and October 14, 1943.

The next installment, in the amount of \$264,422.24, is due December 15, 1949: \$103,000 principal; \$126,595 interest under original agreement; \$13,695.06 and \$21,132.18, annuities under moratoria agreements. So the amount involved, I would say, is \$7,928,598.93.

FRANKLIN A. STEINER  
The question before the subcommittee was as I have pointed out. Two of us believed it would be a good investment and a proper gesture to put all of that amount in as it comes due. It is not a lump sum. As it is paid in it is to be put into this special fund. Senator Green felt that was a little too strong, and he was willing to devote one-half of the amount coming due into this fund. That was the only difference in the subcommittee. So we have reported it as recommending the bill

as drawn.

The Chairman. There are some slight amendments.

Senator Fulbright. Those amendments are technical. I do not believe they are very serious.

Senator Lodge. Can the Finns get in and out now, with the Iron Curtain?

Senator Fulbright. Yes, sir.

Senator Lodge. Can they use American books in their schools?

Senator Fulbright. Yes, sir.

Senator Lodge. They can?

Senator Fulbright. I think they would not use them in their elementary teaching, but they are very anxious to have scientific and medical books and things of that sort. That would be, I think, a relatively minor part. The principal part would be like the Boxer situation. It would be the financing of scholarships to this country. That would be the principal part of the program.

Senator Vandenberg. Do you remember how much was involved in the Boxer indemnity?

Senator Fulbright. It was in two stages. The total amount was just over \$16,000,000. They forgave it in two stages. The first time I think it was \$8,000,000, and the second resolution brought it to approximately \$16,000,000.

What they did there, and the reason it was not a flat

WASHINGTON, D. C.  
round sum, is that they forgave it all except that which was devoted to private claims, and after those claims were finally cleared up with the individuals, private citizens of this country who had claims, as they were finally paid up, all that was left over was given into that fund, and it was not finally cleared up until about 1918 or '20, somewhere in there.

Senator Vandenberg. It certainly was one of the most effective things we ever did in our entire diplomatic history.

Senator Fulbright. I think so; the cheapest and best investment for the money involved.

EVANS BUILDING  
Senator Lodge. I believe very much in this kind of thing, and I think it is a pity that in connection with the Marshall Plan and all the other things we do we seem to be so ineffective so far as the school programs abroad are concerned, and teaching things about America. This UNESCO that Francis Wilcox every now and then tries to encourage me about, so far as I can make out does not accomplish one thing. My sister is in Belgium and I am in touch with the schools there and in France, and they still teach geography in those schools as though all there is is Belgium and a few little fringes around.

FRANKLIN A. STEINER  
Senator Fulbright. In that connection, the Belgian-American Fund set up as a relief fund after the first World War has been an exceptionally effective program. It involved altogether some 725 or 730 people. About 500, roughly, came to

WASHINGTON, D. C.  
FRANKLIN A. STINEO

this country and about 250 went to them. Out of that group, practically all of the leading professors in Belgian Universities had been to this country under that scholarship, and two or three Prime Ministers and half a dozen of the leading members of the Cabinet. It had an exceptionally fine effect.

Senator Lodge. Let me ask you something in that connection, though. I am not thinking so much of professors and higher education as I am of the thing that is at the root of this nationalism that you particularly, and all of us, are so anxious to obliterate in Europe. The thing at the bottom of it is the education that the boy gets when he is 9, 10, and 11 years old in these schools, where all he learns is all about France, Belgium, or Luxembourg, and he does not know a thing about America.

Senator Fulbright. That is right, but don't you think a professor who has been in this country will, in his teaching, be influenced when he goes back to those schools?

Senator Lodge. I think it is a good thing, but I wonder whether the ECA people over there could not exercise a little persuasion to try to get those schools operating on a sensible basis.

Senator Smith. What we did in the Belgian thing, and I have been on that Board since it was organized, we brought students just beyond the undergraduate stage for postgraduate work, plus the professors. We brought a lot more students than



we brought professors. As you say, the Prime Minister was our first Belgian scholar.

Senator Lodge. Yet the teaching of geography to the primary schools in Belgium is still appalling.

Senator Smith. We have no way to control that.

Senator Lodge. We do not even try to.

Senator Smith. Could we? What we try to do is bring the youngster here and have him see what is going on here, and it has had a bigger influence to have those youngsters, who are now matured, and I think they told me one-third of all people in public life today are those scholars.

Senator Fulbright. And they have done a better job than any other country.

Senator Lodge. And here is the one thing UNESCO can do. It seems to be a refuge for all sorts of people, and not a thing is being done about it.

Senator Vandenberg. Who would run this system?

Senator Smith. It would be run by the Smith-Mundt set-up in the State Department.

Senator Fulbright. That Department, set up under George Allen, has, I think, adequate facilities. They may need two or three men or so to keep accounts, but it should not take any new organization to administer it.

Senator Smith. It will dovetail in with their other responsibilities.

WASHINGTON, D. C.

EVANS BUILDING

FRANKLIN A. STEINER

Senator Green. I would like to find out whether there is agreement on the part of the members of the committee on the minor changes that were said to be verbal. I think they are more than verbal.

The Chairman. Do you want to talk about your views?

Senator Green. We tried to agree. We had a meeting the other day, and I thought we had agreed on everything except the total amount to be available for this purpose. As was said, the other two members of the committee thought the whole amount ought to be made available, and I thought that one-half was enough, but I want to speak about that later.

Before we do that, I would like to be sure there is agreement on these other minor matters, because we haven't had any committee meeting to go over this draft.

On page 2, line 17, the last two words ought to be reversed.

Senator Vandenberg. He wants to put "(1)" in front of "for."

The Chairman. Is there any objection to that? (None)

Senator Green. On page 3, I think that the thought is not clear.

The Chairman. Where is that?

Senator Green. If you read it, page 3, line 10, that whole paragraph, which is divided up (b), (2), and (1). I think it should read all right down to line 15. There I think

you ought to say, "and (3), the interchange of similar Finnish materials and equipment for higher education and research in the United States."

It was agreed there should be an entire interchange between students, and we should do for Finland or we should do for us just what our Secretary of State determines is best to promote these relations.

Senator Smith. That was all right. We had no objection to that.

Senator Fulbright. That is agreeable to me.

Senator Green. The other amendment, to change the entire sum to one-half the sum, would require three changes.

I am a great friend of Finland. I have been there. I have met their people and been in their homes. I think it is a fine little country. I remember the President of Finland telling me once that in spite of the great difficulties of travel in that country, where they have thousands of lakes and it is very difficult to get from one place to another except by water, he had never met a grown person that could not read or write, an illiterate person, which is very extraordinary.

Another thing, to give you an illustration of the high development of the Finns, I remember going to a book store in Helsingfors, which is about the size of my own town of Providence. In Providence we have a few little book stores, about half of them taken up with stationery and pads and note

books and things like that.

Senator Vandenberg. And Christmas cards.

Senator Green. And birthday cards, picture post cards, and fountain pens. This was a regular department store, each department with a different subject--science, foreign languages, and so forth--and it occupied three stories of a good-sized store, just a book store at Helsingfors.

Senator Wiley. What is the population of Finland?

The Chairman. About four million.

Senator Vandenberg. There are about 20,000 in Wisconsin.

Senator Green. They are a very highly educated people. They pay a great deal of attention to culture. They have an opera house and a theater which can put Washington to shame. It is subsidized by the State. Altogether I have a great admiration for them, and also for their athletics. I think it is extraordinary the way they have developed athletics there--the small country; the number of prizes they take is extraordinary.

I say that as preliminary, and I do not want you to think that I do not think it is right to do that by them. It seems to me with all the calls upon us, and they owe us \$7,000,000, if we give them half, it seems to me it is all that can be used profitably, and it is a very generous gesture on our part, and I think they would get just as much

credit with the Finns as though we gave them the whole, and to that degree I go along with this economy drive. Just think of the number of other people that we would like to help. They are worth helping. How far this help is going to reach the people I don't know.

The Chairman. Senator Green, isn't there something more than that in this resolution? Is it not a recognition and a gesture toward Finland for the course that she pursued, one of integrity and honesty?

Senator Green. It is entirely that, as has been admirably set forth before. I agree with it altogether.

Senator Wiley. May I ask what the yearly payments are? You said about \$300,000? Where do you get the amount that would be available?

Senator Fulbright. The next installment, due on December 15th of this year, would be \$264,422.24. Of that, \$103,000 is principal; \$126,595 is interest under the original agreement; \$13,695.06 and \$21,132.18 are annuities under the moratoria agreements. That makes the \$264,000. It is only \$103,000 on the principal.

The Chairman. When you think about all the interest France owes and never pays--

Senator Green. Suppose you drop your wallet somewhere and a messenger boy brings it back to you. You do not give him the whole amount that was in the wallet. You are very

generous to give him half, but you reward his honesty and he deserves it. But you are not going to give him the whole \$100.

I think they do deserve recognition for their honesty.

Senator Vandenberg. Your point is, we ought to say we are 50 percent enthusiastic about their integrity?

Senator Green. I don't quite understand. I think it is unreasonable to give them the whole.

Senator Vandenberg. I think if you are going to do it at all you make it almost ridiculous if you try to bargain with them on it.

Senator Smith. That is my thinking.

Senator Green. We are not bargaining with them. We are not giving them any say on this. Your Secretary of State is going to decide about the students that go there and the students that come here. They are not given equal rights to choose any students they want and send them over here.

Senator Wiley. How big a job can you do with \$264,000?

Senator Green. They can provide us with Finnish books. There is nothing in there about their sending us Finnish books, and I knew that would be a sovereign insult.

Senator Vandenberg. Senator, I must confess that I have felt during the last few years that there was something almost immoral about our acceptance of the Finnish payment alone among all the other nations of this earth.

Senator Smith. Right.

Senator Green. We will accept it from anybody who will pay.

Senator Fulbright. Only one did pay. I have been astounded that she did keep it up.

The Chairman. And one of the least qualified to pay.

Senator Green. I am not going to quarrel with the result, whatever is decided.

Senator Wiley. I would like to ask Senator Fulbright to make it concrete, how the thing would work, mutually, to the benefit of both nations.

Senator Fulbright. The great emphasis will be on Finnish students to this country. They will set up a committee similar to the ones we have in these other countries, in the State Department, on which they will have some Finns and some Americans, and they will have a committee for the selection of students who apply, sort of like the selection of any program, like the Rhodes scholarships or the ones now going on under the bill I sponsored in '46. We are sending, as you know, 2,000 this year to these various countries, to some twelve countries.

Now it will do that in reverse. The unfortunate part about this other program is that we have never been able to get any dollars for it, and it has been a one-way street of Americans going to other countries. Under this it will be

primarily Finns coming to this country. There are provisions for the exchange of text-books and laboratory equipment, and the sending of that, but the great emphasis, I would say, and I would anticipate 80 or 90 percent of the money, would be for the financing of Finnish boys and girls.

Senator Green. I think if any trouble arises it is going to be from the fact that, being behind the Iron Curtain, the authorities will wish to send us some students who are Communists. Between our selecting the students to come here and the students to go there, we are going to be selecting both ways.

Senator Fulbright. In that selection, under the Smith-Mundt and my bills, citizens of each country are on a board in equal amount, with the Chairman usually the Chief of our Mission, and they do, of course, have the responsibility about who they select, and it is presumed they do the best job they can.

Senator Wiley. That is the primary purpose, exchange of students?

Senator Fulbright. That is the primary purpose. That was true of the Boxer, and in the same way of the Belgian-American. They have a few books and some laboratory equipment. For example we put in a provision, if the Finns want, we will say, an engineer, or a medical man from this country, there also would be involved some laboratory equipment, probably, to



supply him. The same if we send a professor there. That is possible under the bill. I think there will be a very small amount involved in that.

Senator Smith. I might say that was put in after the first draft of this bill, which had been a one-way street. The State Department said there had been such requests, and they wanted it to be possible for that to be done.

Senator Fulbright. These other countries make special requests for particularly technical and scientific men from this country and, surprisingly enough, we are able to supply them. There are people in this country who want to go. Burma, for example, one of the first countries that signed in that other program, asked for agricultural experts, similar to our county agents, and medical people, so we supplied them.

Senator Green. Suppose there is a professor over there who wants to come to America and he has a high position on the faculty but he is behind the Iron Curtain and he is a Communist. Then we are going to say "You can't come."

The Chairman. All of the people in Finland are not Communists.

Senator Smith. I know a lot of Finns, and they just resent the situation they are in today.

Senator Wiley. Is there any scientific equipment thrown into this?

Senator Fulbright. Yes. We can send scientific equipment

to Finland. They can send it here. I can't imagine our wanting it. We can provide American laboratory and technical equipment for higher education and research in Finland.

Senator Green. I think it is a fine idea to encourage the Finnish students to come over here. They go back impressed with our way of life.

Senator McMahon. I went to a luncheon recently given by the Manager of the International Monetary Fund. He had a Board of Directors meeting of the South American Directors and business men. One fellow from Peru got hold of me and said, "Senator, you know, you people are missing a great bet. For about \$15,000,000 you could take all the future leaders in South America, the likely future leaders, and bring them up. But", he said, "bring them up to your prep schools, not to the colleges. After they go through the high schools down there and they get this 'Yankee imperialism' in their formative years, when they come up here it does not work out as well as it could if you got them a few years earlier."

He was sold on it, and three or four more of the men joined in. This fellow was from Peru; another from Chile, and from everywhere else. It made quite an impression on me as to a very modest investment, comparatively speaking.

The Chairman. If you bring them in too young, won't you have a problem of their conduct while they are here?

Senator McMahon. If they got their high school training

here, I really think they would be swayed to our way of life.

The Chairman. It would be desirable, but would it be practicable? Who is going to supervise them as to the method of their lives and habits?

Senator Lodge. They would have to go to boarding schools.

Senator Green. The next best thing is what we are doing. We have over 250 of the schools in Latin America that we are helping.

Senator Fulbright. That has been cut out of the appropriation bill.

Senator Green. No, it has been put back in. It was not very much help and it was the most foolish economy of all the foolish economies that have been perpetrated here--\$170,000 for all these schools.

Senator Fulbright. Another example of the effectiveness of this thing is Turkey. Of all the countries in the Middle East, the one that has stood up best has been Turkey, and that is largely due to Roberts College and the College of Beirut, which they are closing because they cut it out of this last appropriation. There is \$100,000 in that appropriation that they took out the other day.

Roberts was started in 1870 with private funds. It never had any public help at all. This is the first time they asked for it.

Senator Lodge. Is that closing up?

Senator Fulbright. Roberts is in very bad straits, for

WASHINGTON, D. C.  
FRANKLIN A. STINECK  
PIANE BUILDING

various reasons. Their endowments are bringing in no money, and the source of their gifts in this country has dried up. It has been supported by private gifts, and now you know what has happened to that in view of our tax situation. They think they will have to close the engineering school, which is expensive to operate, and of course the most desirable to the Turks of all of them. That is a fine college. It has beautiful buildings. It is well equipped and beautifully located and good people run it.

Senator Smith. There is no question about that.

Senator Fulbright. This fellow Gulek was a graduate of that college, and you can't tell me it is not helpful to have a fellow of that kind in any government. Often, after they graduate from Roberts, they learn the language and come on, as Gulek did, to Columbia. I think that is the main reason it has not folded up like all those other countries in that area, because of the influence of that college, which has cost us nothing.

The Chairman. What will you do with the bill?

Senator Vandenberg. I move it be approved.

The Chairman. The question is on the amendment offered by Senator Green, for one-half.

Senator Green. I do not intend to offer an amendment. I bring it up for discussion. If the majority, as is evidently the case, favors the entire amount, I would rather not make the

amendment.

Senator Wiley. My own personal opinion is that we should carry through with the suggestion made and pass the bill for the full amount. I feel, while I am in favor of economy, I do not think this would be economy, and I think the repercussions that would follow would be great.

Senator Green. It is hard to follow some of the arguments made, on the one hand against the appropriation of \$170,000 which is going to keep going these American schools in Latin America, 250 of them, and then giving Finland \$7,000,000. It seems to me it is out of proportion to the other things we are doing along similar lines. That was my only point.

The Chairman. The question is on whether we report the bill.

Senator Lodge. I move we report the bill.

The Chairman. All in favor of reporting the bill say "aye." The bill is unanimously reported. That means with the amendments that the subcommittee has recommended.

Then, Senator Lodge, are you and Senator Pepper going to be ready on this sugar thing?

Senator Lodge. I am ready now. We have the report all written, and I think he approves of it, but he has not actually seen the final draft, and I would want him to see it before reporting it. We are practically ready.

(The committee proceeded to the consideration of other business.)