

THE GENESIS OF THE POINT FOUR PROGRAM

800.50 T.A./1-2849

Memorandum of Conversation, by the Secretary of State

CONFIDENTIAL

[WASHINGTON,] January 24, 1949.

MEMORANDUM OF CONVERSATION WITH THE PRESIDENT

I mentioned to the President the desirability of developing point 4 of his inaugural address,¹ that is, our assistance in the development of undeveloped areas. I suggested that the Department promptly give him a memorandum containing its recommendations on

- (a) An organization which would include the State Department, the Treasury, Department of Commerce, Export-Import Bank, the purpose of which would be to make suggestions as to the next step to be taken and an organization to be responsible for taking it.
- (b) A statement of problems which might arise.²

DEAN ACHESON

¹ For the text of President Truman's Inaugural Address of January 20, 1949, see Department of State *Bulletin*, January 30, 1949, p. 123.

For a discussion of the relationship between the Point IV concept and existing (as of January 1949) technical assistance programs, see article by Ruth S. Donohue, *ibid.*, February 20, 1949, p. 211. Perhaps the best known of U.S. governmental programs relating to technical assistance or which had technical assistance aspects was that of the Institute of Inter-American Affairs (IIAA); for an informative statement by Willard L. Thorp, Assistant Secretary of State for Economic Affairs, on the IIAA and its program, see *ibid.*, June 19, 1949, p. 795.

For further information on the origin of the Point IV program, see Betty Snead, "Point IV: How Ben Hardy's Idea Became a Historic Speech", in *War on Hunger; A Report From The Agency for International Development*, vol. VII, no. 5, May 1973, p. 7, and a related letter and accompanying memorandum of December 16, 1966, from Francis H. Russell (Director of the Office of Public Affairs, Department of State, in January 1949) to Edwin S. Costrell of the Historical Office (800.50 T.A./1-2849). For a somewhat different account, see Dean Acheson, *Present at the Creation: My Years in the State Department* (New York, 1969), p. 265.

² Assistant Secretary Thorp was designated to assume responsibility in the Department of State for developing a program of technical assistance based on the fourth point.

Department of State Press Release No. 58

[WASHINGTON,] January 26, 1949.

TRANSCRIPTION OF EXTEMPORANEOUS REMARKS BY SECRETARY OF STATE
DEAN ACHESON, CONCERNING POINT 4 OF THE PRESIDENT'S INAUGURAL
ADDRESS, AT HIS PRESS CONFERENCE, JANUARY 26, 1949

First of all, I hope that you all understand the setting of Point 4 in the President's Inaugural Address.¹ It was one of four major courses of action which the President said would be carried out by his Administration over the next four years, for the purpose of achieving the great objective which he talked about mainly in that address. That objective was to make clear in our own country and to all the world the purpose of American life and the purpose of the American system. That purpose is to enable the individual to attain the freedom and dignity, the fullness of life which should be the purpose of all government and of all life on this earth except in so far as it may be a preparation for some other life.

The President went on to point out that the other theory—of the place of the individual in society—was not a modern theory, was not a radical or a new view, but was reactionary in the extreme. It is a view which goes back to the period before the Renaissance. It is a view which is founded on the basic idea that status is the governing factor in life; that every person is born into the world in a position and that that person becomes a mere cog in a machine. That is a basically reactionary attitude and philosophy. It is not, as I say, modern. It is an attempt to crawl back into the cocoon of history. The American view of life is one which flows directly from the Renaissance and is one which says that the worth and dignity and freedom of the individual are the objectives of government.

Then the President went on to point out courses of action which we were going to take over the next four years to try to bring about that purpose of life, not only in this country, but in any other country which wished our help and association in that effort. To me the essential thing about it is that it is the use of material means to a non-material end. It is not that we believe that other people need or wish things for their own purpose merely to have these material objects. It is not that material objects in and of themselves make a better or fuller life, but they are the means by which people can obtain freedom,

¹ In the transcript of a question and answer period that followed this passage occurs: "Asked if he had discussed this subject [Point IV] with the President before he made his inaugural address, Mr. Acheson replied in the negative. He added that he was conversant with the draft and in complete accord with it." (800.50T.A./1-2849)

not only freedom from the pressure of those other human beings who would restrict their freedom, but help in the ancient struggle of man to earn his living and get his bread from the soil. That is the purpose; that is the objective of this program.

Now, the President was not announcing a project to be completed within a few weeks or months. He was announcing in this, as in the other three respects, a long program for his Administration. It was a program on which much has been done in the past and on which more can be done in the future. The President pointed out that the United States has no monopoly of skills or techniques. Other countries have vast reservoirs of skill. In almost every country there is some nucleus of skill, some group of people whose technical abilities can be expanded with help from the outside. With all of those people, the President stated, we wish to work. He particularly stated that we wished to work through the United Nations and all those affiliated organizations which are associated with it. He pointed out that in so far as his program is successful and in so far as peoples in less developed areas acquire skills, they may also create the conditions under which capital may flow into those countries. He did not say this was to be governmental capital and indeed, if the proper conditions are created, the reservoirs of private capital are very great indeed. He pointed out that these must be two-way operations. There is abroad in the world an idea that there is a magic in investment. There is an idea that if every country can only have a steel mill, then all is well. There is a failure to understand that it is a long and difficult process to develop the skills which are necessary to operate many of these plants. There is sometimes failure to understand that plants should be located where the natural resources exist and not on purely nationalistic bases. There is also in many places a failure to understand that unless the conditions are created by which investors may fairly put their money into that country, then there is a great impediment to development. It is no solution to say, "Well, the private investors won't do it. Therefore, governments must." So he pointed out that it must be a two-way street.

Now, as I say, much has been done in the past to try to make technological skill and advice available from the United States and from other countries, through the United Nations and through many of its organizations. All of those efforts can be brought together and intensified. The President pointed out that we are willing and anxious to work with every country that wishes to really enter into a cooperative system with the rest of the world to this end and with every country that wishes to help other countries to develop.

Now, that is the broad background of the Inaugural Address. I have talked at some length about this because it seems to me important that it be put in its setting of American foreign policy.

800.50 T.A./1-2849

Memorandum by the Secretary of State to President Truman

WASHINGTON, January 28, 1949.

MEMORANDUM FOR THE PRESIDENT

Subject: Actions to Implement the President's Proposal for Technical Assistance to Underdeveloped Areas

1. Unified Government Position

The first requirement for the program of increased technical assistance to other countries is a unified Administration position on organization and broad lines of policy. In order to formulate such a position, interdepartmental consultation is being initiated immediately through the Executive Committee for Economic Foreign Policy.¹ The Committee's membership will be augmented for these discussions by representatives of all non-member departments and agencies having a major interest in the program. Other interdepartmental machinery will be utilized where appropriate.

2. The Broad Aspects of a Program

In the light of experience with technical assistance programs financed partly or wholly by the United States Government* and the objectives stated in the inaugural address, recommendations will be made to the President concerning:

- (a) The kinds of assistance and operating techniques likely to be most effective;
- (b) The criteria and priorities to be taken into consideration in approving projects;
- (c) The extent to which international organizations should be used in providing such assistance; and
- (d) Any additional legislative authority and appropriations needed to carry out this program.

¹ The Executive Committee on Economic Foreign Policy (ECEFP) was an interdepartmental committee established on April 18, 1944, under authority of a letter from President Franklin D. Roosevelt to the Secretary of State dated April 5, 1944. Membership consisted of the Departments of State, Agriculture, Commerce, Defense, Interior, Labor, and Treasury; the Bureau of the Budget; the National Security Resources Board; and the Tariff Commission. Also represented as appropriate were the Federal Reserve Board, the Securities and Exchange Commission, and the Export-Import Bank. A complete file of ECEFP minutes of meetings, documents, reports, decisions, etc., exists in Department of State Lot File 122.

* (including both bilateral programs—such as those under the Interdepartmental Committee on Scientific and Cultural Cooperation, the Institute of Inter-American Affairs and the Economic Cooperation Administration—and the programs undertaken by the United Nations and its specialized agencies and by the Organization of American States) [Footnote in the source text.]

3. *Organization Required*

In the light of the policies approved, recommendations will be made concerning:

- (a) A continuing interdepartmental organization for policy formulation;
- (b) A small executive staff; and
- (c) Decentralization of operations among the various appropriate government departments and agencies.

4. *Consultation on Development of the Program and on its Operation*

(a) Consultations should be undertaken with Congressional leaders as soon as the general outlines of this program have been approved.

(b) Advice should be sought from private business, organized labor, agricultural organizations, educational and other professional groups, etc., with particular emphasis on ways in which the sharing of scientific and industrial technology through private channels can be encouraged and facilitated. Support for, and supplementation of, the government's program should be sought from these private groups and individuals, probably through a continuing advisory organization.

(c) The needs of other countries for technical assistance, their potential contribution to a mutually beneficial program, and the procedures to be utilized in exchanging such assistance should be discussed at an early stage with representatives of the United Nations and its specialized agencies, of the Organization of American States, and of individual foreign governments. The cooperative nature of the program should be stressed to the greatest possible extent.

5. *Information Program*

The information facilities of the Department of State should be fully utilized to publicize the purpose and nature of the President's proposal, and its implementation.²

DEAN ACHESON

² Notation at the end: "Approved Harry S. Truman."

*The Secretary of State to the Director of the Bureau of the Budget
(Pace)*

WASHINGTON, February 2, 1949.

MY DEAR MR. PACE: The President has asked me to set up a small committee to work on the development of a detailed program to implement his "Point Four" proposal for assistance to other peoples in

their efforts to raise their standards of living. I am asking the following agencies and departments to designate representatives to serve on this Committee, under the chairmanship of the Department of State: Department of Commerce, Department of Agriculture, Department of Interior, Department of the Treasury, Department of Labor, Economic Cooperation Administration and Federal Security Agency. I should appreciate it if you would designate a representative to serve as an observer on this Committee. It is anticipated that the Committee will begin its work immediately.¹

Sincerely yours,

DEAN ACHESON

¹ Similar letters were sent to the other concerned cabinet officers and agency heads and collectively effected the activation of the Interdepartmental Advisory Committee on Technical Assistance (ACTA).

Under Secretary's Meetings,¹ 1949-1952, Lot 53-D250

*Minutes of Meeting (UM-1), Department of State, February 3, 1949,
10 a. m.*

SECRET

[Here follow list of persons present (17) and discussion of prior items on the agenda.]

MAJOR FOREIGN POLICY QUESTIONS FACING THE DEPARTMENT ARISING
OUT OF POINT 4 OF THE PRESIDENT'S INAUGURAL ADDRESS

7. *Action*: Mr. Thorp, who is responsible for coordination on Point 4 of the President's Inaugural Address, will report back to the meeting developments or policy questions which should be considered by the meeting.

8. *Discussion*: Mr. Thorp pointed out that there are two aspects involved in the President's Point 4: (1) the development of technical assistance, and (2) the making available of capital for the carrying on of projects. At present the technical assistance aspect requires immediate attention. There are about 25 agencies of the Government administering some part of our present programs of technical assistance.

9. Mr. Thorp outlined the major problems involved in developing Point 4.

a. Defining the scope of the program. The question here is how far do we go beyond providing technical assistance for economic purposes. Thus, does it include health and education, indexing of

¹ Master file of records of meetings, documents, summaries, and agenda of the Under Secretary of State's meetings for the years 1949-1952 as maintained by the Executive Secretariat of the Department of State.

libraries and anthropological studies? The latter, of course, are of great concern to FSA, Library of Congress and Smithsonian Institution, and they wish their programs to go forward.

b. Are we to take an active or passive role in the development of programs in other countries? That is, should we decide on where we want technical assistance to go, or should we wait until countries have requested assistance?

c. Governmental organization for administration. Shall there be a separate agency with a special fund or shall we leave our governmental organization as is, simply supplementing the amount available to them now?

d. Relation of the Government program to private operations in the field. The President indicated that he wants technical assistance carried out with the assistance of private projects such as the Rockefeller, Curie, and Henderson efforts.²

e. The problem of the UN. The President wishes the programs developed to be handled through the UN wherever practicable. The UN is already in this field. Presumably, we would not object to giving additional dollars to the UN. However, we may wish to give more technical assistance in a certain area than the UN is prepared for. The UN needs to centralize technical assistance projects now being handled in each of these specialized agencies in order to get a better integration. Projects need to be developed.

f. Area selection and review. To which countries should technical assistance be given or should it be available to every country? There are also the questions of security and defense in connection with where technical assistance is sent.

g. The problem of setting up projects. The President has indicated that he wants others, both American private and foreign, as partners in any technical assistance projects. Reference was made to a joint US-British project under ECA to find strategic raw materials.

h. The basic question of how far we go in areas where the results of technical assistance would create competition with products in the U.S.

10. In summary, Mr. Thorp pointed out that there are two general questions: (1) Whether new legislation will be required, and (2) the question of appropriations. The latter will be very difficult to deal with inasmuch as it will be perhaps impossible to be specific in terms of amount needed at the time legislation goes through.

² The references here are not readily apparent except in the case of Rockefeller. Ex-President Truman in the second volume of his memoirs has this to say: "In developing the [Point IV] program, I made it clear that all existing private and governmental activities would be utilized. American business enterprises overseas and private non-profit organizations such as the Rockefeller Institute or the Institute of International Education could furnish much valuable information and assistance in making technical services available to underdeveloped countries." (*Memoirs by Harry S. Truman, Volume Two: Years of Trial and Hope*, Doubleday, Garden City, N.Y., 1956, p. 233)

For information regarding the Advisory Board on International Development and its membership, chaired by Nelson D. Rockefeller, see Department of State *Bulletin*, December 4, 1950, pp. 880-881, and *ibid.*, December 18, 1950, p. 974.

11. Mr. Allen ³ agreed that the economic aspect of Point 4 is the one which should be stressed. However, he pointed to the Mundt Bill ⁴ as the legislation which could be the vehicle for carrying on the technical assistance necessary. He feels that very serious consideration should be given at an early stage as to whether that piece of legislation does not meet the requirements.

12. In response to Mr. Webb's ⁵ inquiry as to whether Mr. Kennan ⁶ should not be cut in on the preparation on technical assistance, Mr. Kennan felt his need would be met if he simply had an observer sitting in on this.

[Here follows discussion of other subjects.]

³ George V. Allen, Assistant Secretary of State for Public Affairs.

⁴ Public Law 402, January 27, 1948, The United States Information and Educational Act of 1948 (62 Stat. 6), known as the Smith-Mundt Act, authorized the extension of scientific, technical, and cultural interchange to areas of the world outside the Western Hemisphere. A major part of the program was administered by the Interdepartmental Committee on Scientific and Cultural Cooperation (SCC), a committee established originally in 1938 by the Secretary of State at the request of President Franklin D. Roosevelt, and whose operations had been implemented by several acts of Congress since then.

⁵ James E. Webb, Under Secretary of State.

⁶ George F. Kennan, head of the Policy Planning Staff of the Department.

10 Files ¹

Position Paper ² for the United States Delegation to the Eighth Session of the United Nations Economic and Social Council ³

RESTRICTED
SD/E/275

[WASHINGTON, February 7, 1949.]

BASIC POLICIES GOVERNING ORGANIZATIONAL AND FINANCIAL ARRANGEMENTS FOR IMPLEMENTING AN EXPANDED PROGRAM OF TECHNICAL ASSISTANCE THROUGH THE UNITED NATIONS AND THE SPECIALIZED AGENCIES

(Part of Agenda Relating to Economic Development)

PROBLEM

1. Point Four of the President's inaugural address calls among other things for an expanded program of technical assistance to other countries, to be implemented in important part through the United Nations and the specialized agencies. What policies should govern United States proposals as to the method and financing of enlarged technical assistance programs within the United Nations system?

¹ Master Files of the Reference and Documents Section of the Bureau of International Organization Affairs, Department of State.

² Drafted in the Office of United Nations Affairs.

³ The Eighth Session of the Economic and Social Council (ECOSOC) met at New York, February 7-March 18, 1949.

2. There are three occasions within the near future when United States representatives to international organizations will be required to take positions that will be looked upon as reflecting the attitude of the United States with respect to the implementation of the technical assistance aspects of "Point Four" through the United Nations and the specialized agencies. These are:

(a) the discussion in the Economic and Social Council of the subject of economic development (agenda item 17), which will take place about February 21;⁴

(b) the discussion in the Governing Body of the International Labor Organization, opening at Geneva on February 21, with regard to the budget of the ILO for 1950; and

(c) the discussion in the Executive Board of the World Health Organization, also opening at Geneva on February 21, with regard to the WHO budget for 1950.

In the light of the policies developed under paragraph 1, what, in general, should be the position taken at these three meetings?

RECOMMENDATIONS

1. The United States should be prepared to cooperate in enlarging the technical assistance activities of the United Nations and the specialized agencies through:

(a) Making provisions for increased expenditures for technical assistance through the UN. Although it may be possible to expand somewhat the regular budget for these activities, it appears most likely that it will be necessary to develop a procedure for the negotiation of a United Nations special project (or "operating") budget or fund which would be used for technical assistance in aid of economic development and to which the United States would be prepared to contribute a share larger than its percentage share in the ordinary budget. The total amount of this budget, and the scale of contributions to it, would be agreed to by all the countries contributing to it; it would not be voted by the UN itself and no members would be required to contribute without its consent. This budget, as well as sums provided in the ordinary budget for technical assistance, could be used for direct expenditures by the UN and for reimbursing particular specialized agencies or the Organization of American States or its specialized agencies for technical assistance work undertaken by them specifically for economic development purposes.

(b) The creation within the United Nations of such organizational machinery, for example a Commission on Economic Development, as may be necessary or desirable in connection with the special project budget described in (a), above.

⁴ Specifically, the Council had to consider the matter of economic development at its eighth session, growing out of two resolutions, 198 (III) and 200 (III), approved by the General Assembly at Paris on Dec. 4, 1948. (The preamble to Resolution 200 (III) conveniently recites all previous General Assembly and ECOSOC resolutions dealing with economic development and technical assistance, 1946-1948.)

(c) An increase in the ordinary budget of the UN to take care of any enlarged administrative expenditures created by (a) and (b), above, without, however, increasing the present percentage contribution by the United States to the ordinary budget.

(d) The transmission at once to the Congress through the Budget Bureau of recommended legislation for the elimination of the present absolute ceilings imposed by legislation on the contributions of the United States to certain specialized agencies (FAO, ILO and WHO).

(e) The negotiation within appropriate specialized agencies of special projects budgets, and possibly increases in ordinary budgets, to be used for purposes of technical assistance more directly related to the central purposes of the agencies than to economic development as such. As in the case of the suggested operating budget for the United Nations these budgets would be negotiated, not voted. This would not be used as a device for cutting down the size of the ordinary budget.

2. The statements by the United States representatives to ECOSOC, the Governing Body of the ILO and the Executive Board of WHO should be along the following lines:

(a) The United States representative to ECOSOC should indicate, in discussing item 17 of the agenda relating to economic development, that the United States is prepared to cooperate with the United Nations and the specialized agencies in bringing about an expansion of their activities in the field of technical assistance, particularly technical assistance in aid of economic development. He should propose that the Secretary-General, in consultation with representatives of the appropriate specialized agencies and the Organization of American States, should be asked to prepare, for consideration of the Council at its Ninth Session, a concrete program for enlarging the activities of the United Nations in the field of technical assistance. He should suggest that, in developing such a program, the Secretary-General consider the need for and feasibility of a "special projects" or "operating" budget for technical assistance; the organizational machinery which may be needed in the UN in connection with such a program; and the requirements or conditions (e.g. full publicity) which countries might be asked to agree to in receiving technical assistance. The United States representative to ECOSOC should also indicate in his statement to the Council that the Government of the United States will be prepared to consider additional expenditures for technical assistance programs through these agencies. In his statement before ECOSOC the U.S. representative should emphasize the need for assuring comprehensive and coordinated action by the various appropriate agencies concerned in carrying out technical assistance programs in this field.

(b) The United States representative should state that the term "technical assistance" has been used by the UN and specialized agencies to designate the transfer of technical skills from one area to another, and that this term does not fully convey the reciprocal and mutually advantageous nature of the arrangements made through the UN machinery for promoting the flow of technical knowledge. Accordingly, the U.S. representative to the ECOSOC may wish to suggest that the Secretary-General, in preparing his concrete program,

should consider the desirability of designating it by a more accurate term than "technical assistance".

(c) The United States representatives to the ILO and WHO meetings (while at the moment unable to indicate formal support by the United States Government of ordinary budgets which might involve a contribution by the United States in excess of the absolute ceilings imposed by legislation) should refer to the willingness of the United States to participate in an enlarged program of technical assistance within the UN system, as indicated by the United States representative to ECOSOC, and should refer to the possibility of developing special projects budgets for technical assistance programs in a manner consistent with the general UN program.

(d) The US representatives to ECOSOC, ILO and WHO in making the above statements should, of course, avoid implying that the Congress is committed to legislation or appropriations in connection with the program.

DISCUSSION

1. Point four will require for its implementation a substantial increase in expenditures by the United Nations and the specialized agencies over and above their present outlays for technical assistance, which amount to about \$7-10,000,000 annually. The United States contribution to the present budget of the UN is about 40%; its contributions to the budgets of the specialized agencies primarily concerned in a technical assistance program range from 18% (ILO) to 38% (WHO). It is the policy of the United States to maintain a reasonable percentage ceiling on the contributions of any one country to the ordinary budgets of international organizations, in the interest of the organization itself. Thus, an enlarged technical assistance program on the basis of present scales of contributions to ordinary budgets would have to be financed in major part by other countries. In view of the large number of small countries involved, which are beginning to feel the impact of the total financial burden of international organizations, and in view of the sensitivity of other middle-sized and larger countries to increased outlays in dollars or other hard currencies for organizational purposes, substantial resistance may be expected to the undertaking of a major program of expanded technical assistance through increasing ordinary budgets. The principal alternative is the development of special projects budgets to which the United States and other more favorably situated countries can contribute larger shares on a voluntary basis and possibly to some extent in soft currencies.

Some increase will be needed in ordinary budgets in order to provide for greater administrative expenses (secretariat) in connection with the management of the special projects budgets. Such increases would be prevented by the present legislative ceilings on the absolute amount which the United States can contribute to FAO, WHO and ILO. These absolute ceilings, which would keep budgets at present levels even though other countries were entirely willing to contribute their full

shares to increased outlays, are inconsistent with outlays, are inconsistent with our international obligation to abide by budgets voted by the organizations concerned. They also weaken our negotiating position on substantive programs because they imply that the United States does not wholeheartedly support the activities of these organizations. Finally, the existence of the ceilings enables other countries to make the United States the scapegoat for preventing enlarged expenditures which they themselves do not support but do not wish publicly to oppose. The absolute ceilings should be eliminated for these reasons as well as to assist in furthering the technical assistance program.

The existence in the UN of a substantial fund which could be used to pay or reimburse the specialized agencies for their technical assistance work undertaken specifically for economic development purposes would exert a general coordinating influence and would promote joint action by the specialized agencies in furtherance of economic development programs for particular areas. This would not preclude enlarged technical assistance programs undertaken by the specialized agencies with their own funds. The net result aimed at is the strengthening of the center of the UN system while protecting against dictation of the operations of the specialized agencies by the UN proper.

2. In the absence of further detailed study, it would be premature to lay before ECOSOC or the specialized agencies a concrete plan. However, certain broad policies should be indicated by the United States representatives. Failure to take some action, particularly upon the principal occasion afforded by the ECOSOC discussion of economic development, would create serious uncertainty and doubt in the international community and may jeopardize the President's program. The positions which it is recommended be taken in ECOSOC, ILO and WHO would enable the United States representatives to provide constructive leadership and to indicate the lines along which it appears inevitable an expanded program must develop without at the moment settling all the details.⁵

⁵ On February 25 at Lake Success, New York, Assistant Secretary Thorp, Chairman of the U.S. Delegation to the Eighth Session of ECOSOC, made a statement and submitted a draft resolution on expanded technical assistance that initiated ECOSOC discussion of the two General Assembly resolutions on economic development; this constituted a major policy statement by the U.S. Government on the subject of expanded technical assistance. For Mr. Thorp's speech, see United Nations, *Official Records of the Economic and Social Council, Eighth Session (February 7-March 18, 1949)*, pp. 304 ff. For text of ECOSOC Resolution 180 (VIII), March 4, 1949 (the U.S. draft as amended), "Technical Assistance for Economic Development", see United Nations, *Official Records of the Economic and Social Council, Eighth Session (February 7-March 18, 1949)*, *Resolutions (Supplement No. 1)*, pp. 2 and 3. The fruit of this legislative activity was the notable (ninth session) ECOSOC resolution of August 14, 1949 (Res. 222 (IX)), subsequently approved by the General Assembly on November 16, 1949 at its fourth regular session (Res. 304 (IV)), providing for a United Nations expanded program of technical assistance (EPTA).

800.50 T.A./2-949

*Operational Memorandum Regarding the Technical Assistance Working Group*¹

[WASHINGTON,] February 9, 1949.

Responsibility has been delegated by the President to the Department of State for implementing "Point Four" of the Inaugural Address, namely, the "bold new program" of extending technical assistance to under-developed countries. Mr. Thorp has been designated as the responsible officer within the Department to develop this program.

To date, two committees have been set up as follows:

1. The Advisory Committee on Technical Assistance (ACTA), an inter-departmental committee, consisting of the eight Agencies including the Department of State, concerned with the program.

2. The Technical Assistance Working Group (TAG), an intra-departmental committee consisting of representatives from E, C, SA/M, ARA, EUR, FE, NEA, OFD, TRC, ITP, PA, OIR, OEX, SCC and IIAA, and chaired by Mr. Samuel Hayes of E.²

TAG has already held four meetings and expects to continue daily sessions (except Wednesdays), so to advance the program as rapidly as possible. Mr. Butterworth³ has asked me to serve as FE's representative on this committee, and I shall try to keep all Divisions informed as the program evolves.

Prior to the first meeting of TAG, a list of major problems in connection with an expanded technical assistance program was compiled in question form. These questions were assigned to various officers in the Department for the preparation of preliminary papers to be considered by TAG. After TAG has come to a general agreement upon the delineation of a problem, it is planned that the paper will pass to ACTA and in turn will be assigned by them to the appropriate agency within the Government to develop in detail that particular phase of the program. This will then become policy, only after regular intra-agency clearance through the established channels of the SCC, the ECEFP, or other appropriate inter-departmental group. FE will therefore receive two opportunities to review and pass on questions which may come up before the Technical Assistance Committee, once when it is in the preliminary stage in TAG, and finally when the proposed policy is being cleared on an inter-departmental basis.

¹ Drafted by R. D. Weigle of the Office of Far Eastern Affairs for the guidance of FE division chiefs.

² This committee, which became known as TAG, was established on an informal basis on February 9, 1949 "to coordinate staff work in the development of a Department of State position with respect to the establishment of the Point IV program".

³ W. Walton Butterworth, Director of the Office of Far Eastern Affairs.

In the meetings already held, a number of controversial issues have arisen. One major question has arisen in connection with the scope of the program. One group would interpret it as basically a production program, with everything relating thereto. Another group interprets it as a program for economic development in the broadest sense, to include raising the standard of living not only through increased production but also through programs of public health and education. Another has involved the relation to the program of the international flow of capital. The President used the words, "We should foster capital investment in areas needing development". It is not clear whether this refers to private investment alone, or to Government lending as well. The President's statement with regard to "guarantees to the investor" also requires study.

In the meeting this morning the creation of a public advisory committee was discussed. Such a committee would act in an advisory capacity to the Secretary during the formative stages of the program and would seek to rally the support and cooperation of private organizations and groups throughout the country. It is expected that this project will be consummated at an early date, and that a committee of from 8 to 12 prominent citizens will be invited to assist in the evolution of the "Point Four" program.

There are attached hereto copies of all the documents which have been published to date. It will be appreciated if each Division would designate one officer to be responsible for matters connected with the Technical Assistance Program so that future papers may be routed directly to him for comment and clearance.⁴

⁴ None attached.

Under Secretary's Meetings, 1949-1952, Lot 53-D250

*Minutes of Meeting (UM-6), Department of State, February 18, 1949,
10 a. m.*

SECRET

[Here follow list of persons present (16) and discussion of prior items on the agenda.]

Report on Technical Assistance Progress

5. Mr. Thorp explained that there was a departmental policy committee and an interdepartmental committee working on this problem. The former meets four times a week, the latter twice. The interdepartmental committee's function is to give general guidance on preparations and to consider general policy statements. The Interdepartmental Committee on Scientific and Cultural Cooperation (SCC) is working at the programming level.

6. There are four key documents that have been prepared:

a. A statement of objectives on the nature of the program. This has been cleared in the Department and interdepartmentally except for a few agencies which will report their views by Monday. It was explained that there have been protests from the working level in the various agencies on the slowness with which the program has developed. This may be explained, Mr. Thorp said, by the fact that the agency representatives on the top committee have not wanted any programming to be developed at the working level until policy had been pretty well set.

b. Relation of our technical assistance program to the UN. This paper has been cleared in the Department and will be cleared by the Executive Committee on Economic Foreign Policy this afternoon.

c. Flow of private investment in connection with technical assistance. A paper has been developed in the Department and will be discussed tomorrow with the interdepartmental committee.

d. Criteria for programs by geographic areas. This is in preparation.

It is expected that these four papers will be ready to go to the President by the middle of next week.

7. On the operating level, Mr. Thorp reported these developments:

a. The SCC is preparing a summary of what has been going on in the technical assistance field. (Mr. Thorp mentioned that already there was on the Hill a detailed budget request for \$30 million for 1950 from the various programs such as SCC, IIAA and ECA. This was established before the Inaugural Address.)

b. The Office of Research in the Department has thirty people preparing studies on as many countries. They are examining the question of what kinds of technical assistance will be useful in each of the countries and priorities among these kinds of assistance for each country. These papers, when prepared, will be reviewed by the country experts in the Department.

8. Mr. Thorp mentioned that the Bureau of the Budget has set a legislative dateline of April 15. However, he had set a dateline for completion of the work as March 20. On March 7 there should be completed sufficient studies on what the UN may wish to do, what the IIAA and SCC want to do, so that it will be possible to correlate the ambitions of the various groups wishing to provide technical assistance and the projected demands for assistance. The correlation of these two will give the dimensions of the program. It still, however, will not be programming.

9. Work is going forward on legislative questions such as the authorization to detail United States Government experts to work in foreign countries. By February 23 there will be a report on what type of legislation is needed.

10. The interdepartmental group has wanted to delay the setting up of a public advisory council until the Government had prepared the four key papers listed in paragraph numbered 6 above. Tomorrow

this group will take up the question of the advisory group, for which it has already assembled a list of sixty names as possible candidates as a panel from which the President may make a selection.

11. The organization people wanted to delay working on the organization question until the basic papers had been prepared. The character of the problem, however, can be seen from the estimate that the funds will total somewhere between \$70 and \$100 millions (including the \$30 million already requested). The question is whether the allocating responsibility for this money shall be attached to the White House or to the State Department.

12. The Under Secretary raised the question of how we can get these developments tied definitely to our foreign policy objectives. Mr. Kennan requested that the four key papers referred to be made available to his office.

13. Mr. Allen raised two questions:

a. Whether we should not use an existing agency which has experience in making allocation of funds for such programs as against establishing a new one. Mr. Allen referred to the failure of the Millspaugh Mission,¹ which was established in the Near East some time ago, as the type of experience which needs to be drawn upon in allocating funds. He said we must look at our failures and establish principles for the allocation of funds. One inferred that he meant SCC has the experience to do the job.

b. Money additional to that which has already been requested of the Congress should be made available mainly to non-ECA countries. Mr. Butterworth agreed with Mr. Allen that this is very important psychologically for the other countries.

14. Mr. Gross mentioned that at the Paris Meeting of the UN² he had been the delegate on the Commission for the UN Administration. He had been instructed to urge a limitation of funds for health and social work. Thereupon the Inaugural Address raised this whole question. He expected at the third session to meet in April the Far East and Latin American countries would put pressure for technical assistance. This, he said, was in line with the thinking of Mr. Allen and Mr. Butterworth.

15. The Under Secretary said that he assumed from Mr. Thorp's progress report that the existing interdepartmental machinery was adequate to meet the deadlines that were set up. He was grateful to hear that, in as much as there had been some doubt about it. The Under

¹ For documentation on the position of American advisers in Iran, with particular reference to Arthur C. Millspaugh, American Administrator General of Finances in the Iranian Government, see *Foreign Relations*, 1943, vol. iv, pp. 510 ff.; *ibid.*, 1944, vol. v, pp. 390 ff.; and *ibid.*, 1945, vol. viii, pp. 538 ff.

² Refers to the first part of the Third Session of the General Assembly, which met at Paris September 21-December 12, 1948. Ernest A. Gross was Legal Adviser of the Department of State and shortly to be Assistant Secretary of State for Congressional Relations.

Secretary asked whether Mr. Hulten¹ had consulted with Mr. Thorp on the organizational problems. Mr. Hulten replied that there have already been discussions between Mr. Allen, Mr. Thorp and his own office. The picture at the moment is not to his liking but his office is reviewing the whole problem.

[Here follows discussion of another subject.]

¹ Charles M. Hulten, Deputy Assistant Secretary of State for Administration.

NAC Files,¹ Lot 60D137

*The Under Secretary of State (Webb) to the Chairman of the National Advisory Council (Snyder)*²

CONFIDENTIAL

WASHINGTON, March 1, 1949.

MY DEAR MR. CHAIRMAN: AS you know, the Department of State has been considering a number of the policy problems raised by the Point Four proposal of the President's inaugural address, calling for a bold new program of technical cooperation and fostering of capital investment, which would aid underdeveloped countries in their efforts to improve their living standards. It has had most valuable help from the *ad hoc* Advisory Committee on Technical Assistance; the participation of the Treasury representative in this group has been very much appreciated.

It is apparent that the capital investment aspect of this program has a close relationship to the technical cooperation aspect. The Department would find it very helpful, therefore, if the National Advisory Council would undertake to make recommendations as soon as feasible concerning measures that the Government might take in order to encourage the international flow of investment capital, so that we may have the benefit of these recommendations in presenting a rounded program to the President. It is suggested that during the formulation of these recommendations, there should be joint consideration with the Executive Committee for Economic Foreign Policy where appropriate.

The Advisory Committee on Technical Assistance has participated in the development of the enclosed papers,* describing the general objectives and nature of the Point Four program and the relationship

¹ Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945-1958, as maintained by the Bureau of Economic Affairs of the Department of State (FRC Accession No. 71 A 6682, boxes 362-376). The National Advisory Council on International Monetary and Financial Problems was established pursuant to the Bretton Woods Agreements Act of July 31, 1945 (59 Stat. 512), to effect coordination among U.S. Government agencies in the formulation and implementation of the foreign financial policies of the United States.

² Source text from Attachment A to NAC Document No. 811.

*These papers have been distributed as attachments to NAC Document, No. 797. [Footnote in the source text; papers not printed.]

of capital investment to the technical cooperation aspects of this program, as we see them. I hope the members of the Council will find these useful in considering their recommendations.

Sincerely yours,

JAMES E. WEBB

800.50 T.A./3-1449

The Secretary of State to President Truman

CONFIDENTIAL

WASHINGTON, March 14, 1949.

MEMORANDUM FOR THE PRESIDENT

Subject: Progress Report on Point IV

A. Policy Definition

I. A general policy paper entitled "Objectives and Nature of the Point IV Program" has been prepared in close collaboration with an Interdepartmental Advisory Committee and the twenty-six agencies active in the field. It is attached for your approval.

II. Detailed policy statements are being prepared and reviewed on the following additional problems:

1) Measures to foster the international flow of investment capital. The National Advisory Council has been asked to develop recommendations on this subject. A paper pointing up the relationship of capital investment to technical cooperation is attached for your information.¹

2) Geographic scope of the program: definition of "underdeveloped" and "peace-loving".

3) Choice of bilateral, regional or United Nations arrangements, and methods of coordinating all programs supported by this Government or by other governments.

4) Commitments to be required before undertaking technical cooperation activities or measures to foster the flow of capital investment.

5) Relationship of governmental and private activities in the technical cooperation field.

6) Procedure for expanding work of United Nations and Specialized Agencies in technical cooperation field.

B. Detailed Program of Technical Cooperation

I. With the cooperation of the other agencies and departments experienced in this field, we are preparing the detailed proposal for technical cooperation activities to be submitted for your approval and for transmittal to Congress. This proposal will be based on:

1) Study of programs now in operation.

2) Study of programs which the various agencies believe can be readily expanded.

¹Not attached to file copy. Drafts of this and other papers named here are found in the unindexed lot files of the Department of State, Lot 122, Box 34 (15585). President Truman's message of approval cited in footnote 3, p. 776, suggests that only one paper was attached to this memorandum.

3) Study of needs and potentialities for economic development of various countries.

It is not planned to ask foreign governments or the United Nations and its related agencies to submit formal requests for support of technical cooperation programs before presenting a proposal to Congress. The program presented to Congress, therefore, will be illustrative of the needs and possibilities of technical cooperation activities, rather than a final program whose detailed projects Congress would be asked to approve.

II. At the same time, a study is being made of private activities in the international interchange of technical knowledge and skills; of the methods whereby governmental measures can encourage and facilitate private activities, and of the methods of obtaining coordination and mutual reinforcement of private and governmental activities in this field.

C. *Organization*

A plan of organization will shortly be submitted for your approval, along the following lines:

1) The organization would be granted broad powers to carry out programs of technical cooperation, and would be authorized to use the facilities of the Government agencies as required. It would be responsible for central planning and management of the program and for its coordination and integration with other programs, and it would be accountable for the success of the program.

2) Funds would be appropriated to the President to be allocated through this organization to the various United States and multilateral program activities.

3) This central management organization would have available to it interdepartmental machinery for periodic high-level review and evaluation of the administration of the program.

D. *Legislative Action*

Review is under way of (1) existing legislative authority, pursuant to which existing technical, scientific and cultural exchange programs are being carried out and can be expanded; and (2) the necessity for new legislative authority to carry out an integrated and expanded program of technical cooperation for economic development. A draft of proposed legislation is being prepared.

E. *Consultation with Private Groups*

Advice in the development of the program is being obtained from private groups in the following ways:

1) A series of conferences with individuals and organizations having special experience and competence in this field is being carried out.

2) A general conference of interested private individuals is being held on March 19.

3) The appointment of an Advisory Committee on Technical Cooperation, of from eight to twelve members, is being actively considered.²

F. Consultations with Congressional Leaders

The Department of State proposes to initiate consultations with Congressional leaders on this technical cooperation program as soon as the present memorandum receives the President's approval.³

DEAN ACHESON

[Enclosure]

OBJECTIVES AND NATURE OF THE POINT IV PROGRAM⁴

(This paper is intended to state the purposes of the Point IV Program and some of the major results to be expected from it. It is intended for the use of Government personnel in formulating answers to specific policy and programming problems and not for publication.)

OBJECTIVES

The Point IV Program, like the other three related courses of action outlined in the President's inaugural address, has the broad objective of promoting peace by "strengthening the free world", and thus "helping create the conditions that will lead eventually to personal freedom and happiness for all mankind".

The Program aims to help attain the "nonmaterial ends" of peace and freedom through "material means", i.e., through improved living

² Not to be confused with the interdepartmental committee ACTA.

³ Approved by President Truman on April 21, 1949, in a memorandum of that date in which he wrote to the Secretary of State as follows: "I have your memorandum of March 14, 1949, enclosing the policy paper 'Objectives and Nature of the Point IV Program.' [New Paragraph] The policies enunciated therein are in accordance with my concept of the program and I herewith give my approval to same." (800.50 T.A./4-2149)

⁴ The attached policy paper was first considered and approved by the Advisory Committee on Technical Assistance (ACTA), after several revisions, and then submitted to the Executive Committee on Economic Foreign Policy. There was preliminary discussion by the ECEFP on February 18 with more discussion and final approval as ECEFP Doc. D-21/49 on March 1; minutes of the ECEFP meetings are found in Lot 122, Box 22 (15572). After approval by President Truman on April 21, 1949, the paper was transmitted by the Secretary of State on April 27 to the following cabinet officers and agency and commission heads: the Secretary of Defense; the Attorney General; the Secretaries of Agriculture, Commerce, Interior, and Labor; the Chairman of the U.S. Tariff Commission; the Director of the Bureau of the Budget; the Chairmen of the Securities and Exchange Commission; the Federal Reserve Board; the Export-Import Bank; the National Security Resources Board; the Interstate Commerce Commission; the Administrator of the Federal Works Agency; the Chairman of the U.S. Maritime Commission; the Administrator of the Housing and Home Finance Agency; the Chairmen of the Federal Communications Commission and the Civil Aeronautics Board; the Administrator of the Federal Security Agency; the Chairman of the Council of Economic Advisers; the Administrator of the Economic Cooperation Administration; the President of the Institute of Inter-American Affairs; the Administrator of the Civil Aeronautics Administration.

conditions. In the words of the inaugural address, the aim is "to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens. . . . This Program can greatly increase the industrial activity in other nations and can raise substantially their standards of living".

The Program is broadly economic. It seeks the advancement of peoples of underdeveloped areas through a continuing and balanced expansion of their production and distribution of goods and services essential to meeting their needs. Its emphasis is on helping the "peace-loving" peoples of those great areas that have benefitted only indirectly from our post-war programs of economic aid to Western Europe. It recognizes, however, that by far the greatest impetus and contribution to their economic development must come from the people themselves in those areas.

The United States has had much experience, over many years, in many kinds of cooperative action to foster economic development. It has learned what great benefits it and all other cooperating nations can derive from greatly expanded activities of these kinds. The President's program is "bold and new" in elevating this instrument of national policy to a position of major importance, in coordinating these activities into a vigorous and integrated program of action, and in seeking much greater participation in such a program by the other countries of the world—by countries supplying technology and capital, by countries receiving them, and by countries cooperating in the technical assistance activities of the United Nations and other international organizations, even though they themselves be neither important suppliers nor recipients.

The Point IV Program may be expected to contribute, and should be administered so as to contribute, to the achievement of the following general objectives of United States national policy :

a) *Contributing to domestic economic stability and productivity*, by expanding international trade and avoiding some of the readjustments in the domestic economy that might result from a contraction of international trade. In the absence of capital exports or continuing gifts from the United States, such a contraction would appear inevitable, because United States imports are unlikely to increase sufficiently to maintain present export levels. Although an export surplus of commodities is not considered necessary for the maintenance of full employment, it is important in certain sectors of the economy where decreasing exports would necessitate difficult adjustments in domestic production. If capital flows abroad, such adjustments can be avoided, at the same time that sources of supply for materials needed in the United States are developed. Productivity both at home and abroad can be expected to increase as production is expanded along lines allowing the greatest benefit to be derived from natural advantages.

b) *Strengthening our national security*, by building good will throughout the world and by strengthening "freedom-loving" nations. Good will toward the United States and recognition of mutual interest can lessen greatly the effectiveness of sabotage and subversion by unfriendly nations and can unify our friends and make them more effective. Good will will be greatly strengthened if concrete actions are taken that nullify charges of "imperialism", and if, in carrying out programs in dependent territories their peoples' aspirations for national independence are kept in mind. Good will is particularly important in areas of strategic economic or military significance.

c) *Achieving a better balance in the world economy*. Most recent increases in production have taken place in areas already well developed, without adequate attention to the need to move ahead along the whole production front. This Program helps fill that need. Increased production in underdeveloped areas would not only benefit them, however, but would also benefit other areas. The flow of capital to underdeveloped areas would enable them to buy capital equipment and other manufactured goods from both the United States and Europe. Expanded purchases from Europe would increase Europe's income and hence her ability to pay for imports, from whatever source. As underdeveloped countries increase production of raw and semi-finished materials for export, Europe will be able to import larger quantities from non-dollar sources of supply, while United States raw material shortages will also be eased. A better balance of export possibilities and sales opportunities throughout the world would reduce pressures for autarchic solutions of economic problems.

d) *Strengthening the United Nations system*, by supporting constructive international action for economic development where this will help achieve the objectives of the Point IV Program. Under the United Nations auspices underdeveloped countries may be readier to undertake necessary self-discipline and self-help measures and to adapt their development programs to world needs; countries having technological and capital resources would participate more generally in coordinated technical cooperation activities; and the cry of "imperialism" would find little response. The prestige and effectiveness of the United Nations and related agencies will grow, in turn, with the importance of the tasks successfully carried out by them.

e) *Strengthening political democracy*, by giving the peoples of underdeveloped countries hope in a better future, and quickening that hope by providing concrete evidences of progress toward better levels of living.

f) *Promoting peace*, by strengthening political democracy, strengthening the United Nations, building good will and strengthening our friends, helping Europe support itself, developing sources of needed raw materials, expanding international trade, and, finally, by showing that world development can take place peacefully and with increasing personal freedom, as the energies of the masses of the people are released into channels of constructive effort aimed at greater production, greater exchange, and greater consumption. If international tensions are eased in this way, defense expenditures should decrease, and both current living standards and further economic development would then be able to benefit from the additional resources thus made available.

SUBSTANCE OF THE PROGRAM

The possible international contribution to economic development has two aspects: sharing knowledge and skills, and fostering their utilization by encouraging investment in facilities and equipment.

Among the many ways in which knowledge and skills can be shared, the following have been extensively and successfully used: basic studies of economic problems, needs, and potential lines of development; expert advisers or missions to advise governments, private organizations or business enterprises; joint financing and administration of foreign government operations (*servicios*) in particular fields; research and experimental centers and laboratories; demonstration projects; operations of business enterprises; on-the-job training; provision and instruction in the use of sample materials and equipment; consultation and advising with foreign visitors; publication and translation of specialized reports; financial assistance to schools and universities in this country and abroad; exchange of students and teachers; conferences and seminars; United States libraries and film services; and special technical staffs attached to diplomatic establishments abroad.

To be really productive, improved techniques must be put to use. Furthermore, the introduction of new techniques can advance economic development most if capital investment is taking place at the same time. The President therefore proposed that, "in cooperation with other nations, we should foster capital investment in areas needing development". Most of the capital needed for economic development must come from domestic sources; and measures to promote domestic capital formation are needed if the Point IV Program is to be fully effective. Important means of fostering capital investment, where foreign capital is desired, would be the creation of political, social and economic conditions favoring such investment, and the establishment of mutual guarantees of fair treatment. Sources of foreign investment funds are private, intergovernmental and governmental. It is particularly important that agreements—either bilateral or multilateral—be sought that would encourage the international flow of private investment capital. It is contemplated that steps will be considered, as conditions warrant, to increase the availability of foreign investment funds.

It is important, however, that neither technical cooperation activities nor measures to foster capital investment be allowed to give an impression that the United States Government thereby becomes obligated to supply the funds needed to finance economic development. The US cannot accept the ultimate responsibility for seeing that economic development really takes place. This responsibility must continue to rest unmistakably on the nations desiring development.

Economic development means the development of productive resources, whether these be natural resources, human resources or capital resources. Improved practices and policies may be needed in both public and business administration, and might include such diverse techniques as fiscal practices and methods of handling materials. Specific areas where the widespread improvement of techniques would be expected to contribute importantly to the productivity of these resources include the following:

(a) Natural resources: soil conservation and utilization; plant and animal husbandry; forest and fisheries management; water control and use, including water supply, irrigation and reclamation, waterways and power development; mining and fuels.

(b) Human resources: health, including sanitation and nutrition; welfare, including social services and social insurance; education, particularly fundamental, rural and vocational; manpower training and utilization.

(c) Capital resources: industrial technology, facilities and equipment; organization of business and finance; housing; transportation; marketing and distribution.

EMPHASIS IN THE PROGRAM

Culture patterns may affect the rate of economic development, for changes in habits of thought and methods of work do not come about quickly. Furthermore, the amounts of capital needed can only be accumulated over long periods of years. Substantial changes in applied techniques and in production in underdeveloped countries may take many years, and living standards in those countries can therefore only rise slowly, especially if a community chooses more capital investment at the cost of present sacrifices in consumption or if production does not increase faster than population. It is important to emphasize that this is a long-term program in which spectacular results cannot be expected immediately. Cooperation in such a program should be thought of as continuing for many years, and long-range projects necessary for the most beneficial development of each country's resources must be included.

On the other hand, today's needs are urgent. Without prejudice to the long-range development aspirations of other peoples, top priority should be given to requests for cooperation in connection with economic development projects that can be undertaken promptly and that will make the greatest net contribution to the national product within a reasonable time period.

Cooperation in development efforts, to be most successful, must utilize the operating techniques best adapted to existing development needs. Advisory groups are effective in some situations; in others demonstration projects are necessary; in still others a wide training program must be undertaken. To be most effective in achieving the

several objectives of the Point IV Program, operating techniques should be utilized that (1) reach as many people as possible, and (2) get those people actually doing something in a demonstration or training situation. Broad participation is by far the most successful way of getting improved techniques adopted, in most underdeveloped areas.

In considering possible directions of economic development, it is important not to overlook inter-relationships. From the standpoint of long-term development, it is not enough to help increase agricultural production in an area if that area's transportation facilities remain inadequate to carry larger crops to suitable markets. Economic development may be wasteful, in other words, if it takes place in bits and pieces. There must be close integration of development projects, both in the planning stage and in administration, and both within and among different countries.

It should be borne in mind that there are no stereotyped patterns of economic development, applicable to all or even to many countries; and that this is not a "program of economic development", which suggests planned stages and time periods, but a "program of cooperation" while economic development takes place. Different countries have different needs and different possibilities, and the stages necessary for their development may be quite dissimilar. Proposed development projects must take into account and, so far as possible, be adapted to local resources, attitudes, social and legal structures, customs and practices, and national aspirations. In general, however, in those areas where "economic life is primitive and stagnant", a basic improvement in health and education may well be prerequisite to increased production and improved standards of living. It is also likely that, among the less developed countries, now predominantly agricultural, programs should stress the improvement of techniques in agriculture, local credit facilities, food and fiber processing, rural and small scale industry and transportation, power, and mining where appropriate. Encouragement of trading and entrepreneurial activities may be important both for the economic and for the democratic development of such countries. For the somewhat further developed areas, priorities are likely to be quite different, with emphasis on governmental and industrial techniques, for example, as the situation requires.

The Point IV Program's emphasis on early and greater production in underdeveloped countries should not be understood to imply that other and sometimes competing objectives of these countries need be ignored. Increases in production should be balanced, integrated, and tailored to individual country needs and potentialities. Development activities should attempt to harmonize the basic objectives of conserving natural resources, of long-run improvement, of social welfare and current living standards, of the economic benefits of international eco-

conomic specialization, and the other mutual long-run economic interests of all cooperating nations. Finally, there should be a positive and cooperative effort to increase production of commodities that are short throughout the world, which will contribute to the flow of international trade and thus to the economic well-being of all cooperating nations.

RELATIONSHIP TO OTHER PROGRAMS

Many of the programs now conducted and the institutions supported by the United States, such as the ITO and the Reciprocal Trade Agreements Program, the ERP, WHO, FAO, ILO, The International Bank for Reconstruction and Development, and transportation agreements and conventions, have among their several objectives the fostering of economic development and the raising of standards of living. The Point IV Program must be coordinated with the economic development aspects of these programs. At the same time, many programs of educational, cultural, scientific, and informational exchange, while not focused so directly on economic development, utilize similar techniques and help achieve some of the same general objectives. Similarly, existing programs of financial aid for the relief or economic recovery of war-devastated or war-disrupted economies are in part directly related to the Point IV Program, insofar as they stress new development and improved living standards.

Furthermore, economic development requires much more than governmental action. It would be very limited without the cooperation of private institutions and other organizations, of business, finance, agriculture, labor, scientific, educational and other groups and individuals both at home and abroad, in improving the effectiveness of governmental methods of helping get new techniques adopted and encouraging capital investment, and in expanding their own many private activities that will complement and reinforce the governmental program.

COOPERATIVE NATURE OF THE PROGRAM

The United States will work with those nations who want its cooperation. This program is not unilateral. Thus, cooperation in spreading better techniques and in encouraging international capital investment is available in response to the requests of other countries, under mutually acceptable conditions. As the President said, "The old imperialism—exploitation for foreign profit—has no place in our plan. What we envisage is a program of development based on the concepts of democratic fair dealing". "New economic developments must be devised and controlled to benefit the peoples of the areas in which they are established". Of course, international capital investment should not be expected to flow without assurances both to the investor and to the recipient. "Guarantees to the investor must be

balanced by guarantees in the interest of the people whose resources and whose labor go into these developments."

This is a program of working with other people who are trying to make the most of their own resources. This is not doing something *for* others. Outside participation makes it possible for underdeveloped countries to do more for *themselves*. It is a "self-help" program, in which the peoples wishing economic advancement must expect to provide the principal effort.

The cooperation is invited of other nations who are willing to pool their technological resources or who have capital to invest abroad. The United States has no monopoly of either technology or exportable capital, and welcomes participation by other nations in this joint effort. It is anticipated that this cooperative endeavor will bring important direct benefits to all participants, including the United States.

It is a special objective to work together with other nations through the United Nations and its specialized agencies, in close coordination with the Organization of American States and its specialized agencies, wherever this will contribute to the success of the Program. This does not preclude working through other international organizations having objectives in common with those of the United Nations nor does it mean abandoning successful bilateral projects or refusing to initiate new ones. It does, however, mean planning and carrying out technical cooperation activities through international organizations in preference to bilateral arrangements, wherever the latter do not have special advantages, and it means planning bilateral, regional and more broadly international programs so that, insofar as possible, they complement and mutually support each other.

CONCLUSION

The Point IV Program, besides recognizing the desirability of economic development aimed at higher levels of living as an end in itself, grows out of a recognition that the instruments being used to accomplish the objectives of national policy prior to the President's inaugural address were incomplete. The Program does not imply a redefinition of United States policy objectives. Rather it means that cooperation in economic development is now raised to a major role among the instruments for the accomplishment of existing objectives.

Of even broader significance is Point IV's new emphasis on the close relation between popular aspirations and the will to freedom. This new emphasis must be brought to bear on existing programs as well as new programs, to ensure they are conceived and administered with full awareness of this relation and in the light of the President's statement that "Democracy alone can supply the vitalizing force to stir the peoples of the world. . . ."

NAC Files, Lot 60D137

*Minutes of Meeting (No. 123) of the National Advisory Council,
Washington, April 14, 1949*

CONFIDENTIAL

[Here follow list of persons present (15) and discussion of a prior agenda item.]

2. *Financial Aspects of Point IV.*

Mr. Glendinning¹ referred to the fact that the Department of State had requested the Council to make recommendations concerning the financial aspects of the Point Four Program and particularly with respect to encouraging the flow of private capital into foreign investment. Somewhat earlier the Export-Import Bank had requested Council consideration of a proposal that authority be given to the Bank to guarantee the convertibility of foreign currencies resulting from equity or loan investments by United States interests in productive enterprises abroad. He said that a special working group of the Staff Committee had been giving extensive study to these problems over the past six weeks. The working group had in general concentrated its attention on three fields: (1) tax incentives and deterrents to foreign investment; (2) investment treaties; and (3) guaranties. On the question of tax incentives to foster private investment, there was general agreement on the recommendations to the Council. In the main, the changes proposed were not major ones in the tax structure. In reviewing the question of investment treaties there was general agreement that negotiation of meaningful investment treaties would be an appropriate step to facilitate the flow of private investment. There was, however, a substantial amount of additional work to be done on the content of such treaties. In the field of guaranties there was a substantial range of views which were reflected in the rather lengthy recommendations coming up from the Staff. The two main aspects of guaranties explored were: (1) the extent of coverage of risks; (2) additional funds which might be requested in connection with the guaranty program (NAC Document No. 811).²

The Chairman³ indicated that he thought it would be advisable for the Council to devote consideration to some of the broad aspects of the problem prior to detailed examination of the recommendations from the Staff.

Mr. Thorp⁴ said that inasmuch as the State Department was responsible for bringing this problem before the Council he thought it might be of value if he outlined the developments to date with respect to the Point IV program. He said that the primary emphasis

¹ C. Dillon Glendinning, Acting Secretary of the NAC.

² Not printed.

³ John W. Snyder, Secretary of the Treasury.

⁴ Willard L. Thorp, Assistant Secretary of State for Economic Affairs.

of the program was upon technical assistance and that the Department of State had attempted to draw together and coordinate the views of some twenty-five agencies which were now engaged in activities in connection with this field. He indicated that in connection with the technical assistance program this Government would want to use the UN facilities as far as possible. The Department was about ready to go to the Bureau of the Budget on this phase of the program and the request would probably not exceed \$40 million.

With respect to the financial aspects of the program, he said that the President had laid great stress on the importance of private investment and that his directive to the State Department had referred in a general way to guaranties for investors. However, the President had not indicated any definite ideas as to what he expected to be developed in this field.

Mr. Thorp said that the Staff after rather intensive work had blocked out a program which was before the Council for consideration. He thought it was very important that the Council give intensive consideration to the proposals and therefore suggested that the Council not attempt to take final action at this meeting. He also suggested that as we had no clear idea what the President's reaction might be to some of the proposals, the program might properly be discussed with him before an attempt was made to finalize it.

Mr. Thorp also discussed at some length the importance of establishing a favorable climate for private investment and the significance of investment treaties to this end. He said that the Department had encountered considerable reluctance on the part of governments to enter into reasonable commitments for giving assurance to private investment. He thought that investment treaties were essential to provide the background for any guaranty program which might be undertaken. Relative to guaranties, he said that no one could tell precisely how effective a guaranty program would be or how much private capital it would induce to flow but that the only thing we could do in this field was to start out on a broad basis and experiment.

Secretary Sawyer asked whether the treaties to which Mr. Thorp was referring was those of friendship, commerce and navigation or special treaties.⁵ Mr. Thorp said that he was referring to the broad types of commitments which we would like to obtain whether they were included in the treaties of friendship, commerce and navigation or in separate investment treaties. Mr. Thorp indicated that he did not feel that we should hold up the program pending conclusion of treaties but that it should be made clear that we should expect any countries receiving guaranties to enter into such treaties with us.

The Chairman indicated that he felt that the Council should study this question very carefully and agreed with Mr. Thorp that action

⁵ For documentation concerning the FCN treaty program, see pp. 631 ff. Charles Sawyer was Secretary of Commerce.

should not be taken at this meeting. He also concurred in Mr. Thorp's statement that the President had not indicated definite ideas as to how the program should be worked out.

[Here follows further discussion, after which it was agreed that NAC members would give further study to the questions raised in the meeting and that further discussion would be undertaken by the Council when appropriate.⁹]

⁹ Final and definitive action was taken by the National Advisory Council in two meetings on June 7 and June 8 (meetings 128 and 129), at which time a number of decisions were made concerning a broad gauge foreign investment program which would include the negotiation of investment treaties, the preparation of a background more conducive to foreign investments through a guaranty program, and the correlation of the technical assistance program with the guaranty program (NAC Action No. 332, June 8, 1949). Specifically, regarding the Point IV program the Council's formal recommendation to the President was that: "In order to encourage the flow of United States private capital into investments abroad as a coordinated part of the Point IV Program, the Export-Import Bank, in consultation with the National Advisory Council, may offer guaranties to United States private capital newly invested in enterprises contributing to economic development in foreign countries." (For NAC discussion and decisions regarding other aspects of the larger program, see pp. 729 ff.)

Secretary's Memoranda, ¹ Lot 53D444

Memorandum of Conversation, by the Acting Secretary of State

CONFIDENTIAL

[WASHINGTON,] June 13, 1949

MEETING WITH PRESIDENT, MONDAY, JUNE 13, 1949

HEARINGS ON POINT IV

I informed the President that we were having discussions with the leaders of the Senate Foreign Relations Committee with the thought of programming hearings on Point IV legislation while the Labor Bill is being debated. I indicated that if this were not done we would have little opportunity to get the legislation through in this session. The President indicated his approval of this timing. He does have Point IV related to the Military Assistance Program in his mind and specifically said that he thought it was helpful to have the Point IV program go a little ahead of the Military Assistance Program since one is for peace and one is for war.²

JAMES E. WEBB

¹ Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversations, and memoranda of conversations with the President for the years 1947-1953, as maintained by the Executive Secretariat of the Department of State.

² On June 24 a Presidential Message was sent to the Congress recommending the enactment of legislation to authorize an expanded program of technical assistance "to assist the peoples of economically underdeveloped areas to raise their standards of living. . . ." For text, see Department of State *Bulletin*, July 4, 1949, pp. 862 ff.

Editorial Note

Draft legislation was sent to the Congress by the Secretary of State on July 1 and was introduced in the Congress in two parts: an expanded technical assistance program and a loan guaranty program. A bill to provide for international technical cooperation (H.R. 5615) and an amendment to the Export-Import Bank Act of 1945 to provide legislative authority for government guarantees of United States private investments abroad against certain non-business risks (H.R. 5594 and S. 2197) were introduced in both the House of Representatives and in the Senate, but no action was taken in the Senate to introduce legislation on the former. The loan guaranty legislation moved fairly rapidly through the hearings stage in both Houses and was reported out favorably by the Banking and Currency Committees before the end of September. The House of Representatives Foreign Affairs Committee held hearings on the technical cooperation act in September; in a circular to the field later in the year the Department described Senate inaction in regard to technical assistance as "owing to prior commitments in the legislative program" (Circular Instruction, October 4, 1949, 800.50 TA/10-449). Regarding the relevant Congressional documentation, the President's message and the draft legislation presented by the Executive and the initial House of Representatives draft legislation are printed in 81st Congress, 1st Session, *House Document No. 240*. For the House hearings on the technical cooperation legislation, see 81st Cong., 1st sess., *Hearings on H.R. 5615, Sept. 27-Oct. 7, 1949*; no bill was reported out in 1949. Regarding loan authority legislation in the House of Representatives, see 81st Cong., 1st sess., *Hearings on H.R. 5594, Aug. 17-Aug. 24, 1949*; and 81st Cong., 1st sess., *House Report 1384, Oct 6, 1949 (to accompany H.R. 5594)*. On the Senate side, see 81st Cong., 1st sess., *Hearings on S. 2197, Foreign Investment Guaranties, Aug. 9 and 10*; and 81st Cong., 1st sess., *Senate Report 1101, Foreign Investment Guaranties. Report from [Banking and Currency] Committee to Accompany S. 2197, Sept. 22, 1949*.

From the time President Truman enunciated the Point IV concept in his Inaugural Address of January 20, 1949, the Department of State had mounted an unflagging effort of large proportions to translate the concept into action; this is attested by the copious documentation on Point IV found in the Department of State Committee Files (Lot 122) and the lot file containing the files of the Deputy Under Secretary of State for Administration, 1949-1952 (Lot 54D291). The Department's effort to evolve a Point IV program did not lessen with the delay occasioned by vicissitudes of the Congressional calendar, and its attitude

may be illustrated by the following passage, which occurred in the October 4 instruction mentioned above:

“It is possible that legislation may be passed at this session of Congress authorizing the Export-Import Bank to initiate a program of guarantees. It should be realized, however, that passage of basic technical cooperation legislation is not likely to be accomplished in the current session owing to prior commitments on the legislative program. This consideration should be made clear in your conversations with local officials and other interested persons who may be working under a misconception in this regard. At the same time, you should also point out that uncertainty as to the timing of such legislation need not delay local governments in performing the necessary preliminary steps of drawing up and submitting concrete proposals for technical assistance and development and that appropriate agencies of the United States Government are themselves making extensive studies of economic development problems pending the passage of enabling and appropriation legislation.”