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EVALUATION REPORT

MARCH 24, 1953



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE DIRECTOR FOR MUTUAL SECURITY
WASHINGTON 25, D. C.

24 March 1953

Honorable Harold E. Stassen
Director for Mutual Security
Washington, D. C.

Dear Mr. Stassen:

In accordance with your request, groups of business executives were organized for the purpose of evaluating Mutual Security programs and personnel in England, France, Germany, Italy, Greece, Turkey, Holland, Belgium, Denmark, Indochina, Formosa and the Philippines. A list of the participants is attached.

Before proceeding with our report, we must record with sincerest regret the death of Frederick Morris Sayre, who died in Turkey while acting in the service of his country. In the short time that he was there, he gained the respect and indeed the affection of the Turkish Government and by his actions contributed greatly to our friendly relations with that country. We would like also to pay our respects to the other members of the team who were associates and close personal friends of Mr. Sayre, and who carried on so well and completed his assignment.

The reports of the teams covering the respective countries

are submitted herewith. These will fully disclose the methods pursued and conclusions reached. We commend each report for careful study and action.

The substance of the findings of the survey is to be found in the individual reports. This report summarizes the major consolidated opinions and the recommendations of the group, and sets forth certain general conclusions in which all concur.

Without exception we were graciously received and were given help where requested. To the best of our knowledge records were opened without reservation for our inspection. We are indebted to all of those with whom we came in contact for their consideration.

There follows a number of conclusions about the content, organization and conduct of the program with specific suggestions for consideration.

As in any new great development such as the Mutual Security Program involving large numbers of people with the need of quick selection and quick organization, mistakes have been made, but to no greater extent in this instance than might have been reasonably expected. Progress toward the goal is a credit to the many who have contributed to its success. Generally speaking, the participants have been sincere, industrious Americans. Among them are to be found many men and women of outstanding ability.

Broadly speaking, each country has improved economically, has significantly strengthened its military establishment, has a more hopeful view of the future and a new-found will to progress and survive. From the standpoint of economic aid, this has been accomplished within original estimates of cost.

Because of the improved situation, further financial aid for economic purposes should be reduced substantially for the next year and generally discontinued by June 1954. There are some specific and important exceptions to the above general statement such as exist in the Far East. The situation affecting each country should be considered separately on its individual merits. Some countries must have further economic aid if current military and other objectives are to prevail.

The time has come to apply practical action to the realization that friendship cannot be bought but must be earned. The "rich uncle-poor nephew" concept describes a relationship which has become objectionable to many of our friends. A growing sense of independence may well be construed as further evidence of a return to economic strength. No self-respecting country likes to depend on gifts.

The time has come for us to stop trying to operate the economies of other countries--meddling, as it is so often called, in

their internal operations.

The determination of military expenditures is a question on which we do not feel competent to express judgment.

It must be obvious that the most important decision confronting us and all of our allies is the determination between capability and intention of the enemy.

Generally speaking the views of our military people and public opinion in the European countries we visited are widely divided on this point. Understandably, the military inherently wants to be prepared for any emergency at any time, at any place, and just as inherently they never feel fully prepared. The civilians interpreting intention do not expect total war in the foreseeable future.

This viewpoint must be considered in a proper appraisal of recommendations by the military authorities.

The speed and concentration with which we prepare for common defense affects not only our own but the economy of our allies.

We believe that offshore procurement should be primarily for military purposes and should be mainly the responsibility of the Secretary of Defense under a policy of developing a defense base

in Europe and other appropriate regions to reduce to a minimum end items required from the United States.

Local procurement for troop support and equipment maintenance should be expanded to the maximum within Europe at competitive cost.

In some countries it seems quite evident that offshore procurement would not be enough to provide sufficient dollars, in which case other dollar producing measures might be considered.

The report of the United Kingdom team, however, concludes that a country like the United Kingdom should be allocated an assured minimum of offshore procurement to aid in covering its expected dollar deficiency and whatever economic aid may be required.

We also recommend that we cooperate with those countries needing capital in their efforts to create an atmosphere that will attract private investment funds from other countries including the United States.

We should at all times be ready and willing to give advice and technical assistance where it is sought.

With the decline in need of economic aid and increased emphasis on the military program, the time has come for a major revision in organization.

We believe that the operating functions of the Director for Mutual Security (DMS), now lodged in the Mutual Security Agency (MSA), should be separated from the coordinating functions and transferred to the Department of State. This would mean:

The liquidation of the Mutual Security Agency (MSA) as such including the Special Economic Missions abroad, and the transfer of their newly determined reduced functions to the Department of State.

The liquidation of all of the functions of the Special Representative in Europe (SRE) except those that pertain to representation of the United States in and to international organizations.

The creation of the Office of Under Secretary of State for Economic Affairs or, if you will, Deputy Secretary of State. The State Department should be reorganized so that the functions of Economic Affairs have equal status with political affairs.

Such functions should be administered by a person of recognized stature, charged with the responsibility and given commensurate authority to cope with the economic problems of the day. It should be emphasized that people of adequate caliber can only be attracted provided they have commensurate rank and status with political officers.

Regardless of the original necessity of establishing separate organizations, we believe that activities having to do with our foreign

relationships are a responsibility of the Department of State and should now be operated by it.

The Ambassador in each country should be the chief representative of the United States and all other United States representatives should report to him.

If the Department of State has not in the past been equipped with either the proper personnel or the recognized capacity to carry on these functions, we believe that the time has come now for it to assume its proper responsibilities. Basic political decisions require a knowledge of economics, finance and military, together with organizational correlation adequate to carry them out effectively. These functions should be as closely coordinated as possible.

We believe the program needs a new approach.

We saw ample evidence of too many people doing too many things and too many of them of a very minor nature. It indicates lack of overall planning and a proper evaluation of the various projects. In one relatively small country there were 465 individual projects in the agricultural field alone. The time has come to confine our attention to major issues.

In any reorganization care should be taken to reduce or eliminate duplication of functions and minor programs.

We were impressed with the fact that most foreign problems are immediately accepted by our people abroad as the problems of the American taxpayer. If there is a job to be done, the U.S. staffs to do it rather than give advice and aid to the nationals so that they may do their own job. We think the time has come to change emphasis.

We recommend that aid, where granted, should be furnished pursuant to a suitable written agreement emanating from a single set of negotiations covering all forms of aid.

This would:

- (a) Maximize the influence which the United States could bring to bear on preparedness programs;
- (b) Make more definite and certain the undertakings assumed by each partner in the joint effort;
- (c) Provide measure for achievement;
- (d) Help get the United States out of the day-by-day participation and meddling in the affairs of other governments.

In our opinion the present counterpart system should be abolished with respect to future aid. In the first place we do not think the present system yields very effective results since a foreign government can make any expenditures we would not approve out of the rest of its budget while charging expenditures meeting with United

States approval to the counterpart account. Secondly, the need for United States approval of a large part of the funds available to another government involves minor United States officials too deeply and too continuously in the daily affairs of another government without adequate review. We believe we should substitute for the counterpart approval a practice under which aid is only furnished pursuant to a single set of negotiations covering all forms of aid and under a written agreement setting forth aid to be furnished by us and the undertakings accepted by the recipient government, as recommended immediately above.

Even if the counterpart system is retained, we believe the practice of setting aside 10% for United States administrative and other operating expenses should be discontinued. The attitude on the part of our officials towards these counterpart funds, even though they are to be appropriated hereafter by Congress -- that they are not in same class with American dollars -- is all too prevalent. They are a temptation for careless spending. This practice is unsound, and is psychologically incorrect.

The use of foreign aid funds should be limited to direct military aid, and economic aid given only where it can be directly related to defense and given in the form of loans instead of grants.

We further recommend that reimbursement for military end items be required from the recipient country where economically feasible.

Any aid for relief purposes, emergency needs or goodwill programs should be separate from and not grouped with security aid.

Legislation with regard to Mutual Security should be simplified, regrouped in one Act, and limited to security aid.

We further submit the following observations and opinions:

Administrative costs seem excessive. We believe that substantial reductions in personnel and cost can and should be made and that this can be done without weakening major operations.

We believe that a careful study of the necessity for so many United States agencies abroad should be undertaken. In Paris there are 49 different agencies, mostly military, employing a total of 4749 people -- 2213 of whom are Americans. Parisians refer to this as the Great American Invasion. Another very large agency is now planning on moving to the Paris area.

Multiple ambassadors in any foreign country compound confusion. In Paris calling on one French official on the same subject at one time were five United States Ambassadors, four of whom were permanently located in Paris.

All Governmental information services should be studied with a view to consolidation and curtailment. There is evidence of too many organizations with too many people doing too many things in an uncoordinated fashion.

We were impressed with the number of requests for reports coming from many quarters here and abroad. We recommend careful review because it seemed evident that staffs which should be directing their energies elsewhere were engaged in making out reports.

The productivity and technical assistance programs have praiseworthy purposes. One of the basic problems of the free world is to raise industrial and agricultural productivity. But we believe many are marginal programs and the efforts and activities put into them are frequently out of all proportion to results obtained. Vigorous insistence on forcing our methods upon others is objectionable.

We found considerable evidence of a lack of adequate delegation to the Missions in the field. The requirements for references to, and instructions from Washington and Paris seemed far too numerous and too detailed. As is to be expected, this condition resulted in delays and weakening of morale. Numerous examples can be provided, but in one instance, it was 521 days from the time the project was started until goods were obtained to initiate the program.

We found evidence of men whose past experience indicates lack of qualification for their specific jobs. More care should be exercised in the selection, and training in the language and institutions of the country should be given before a man is dispatched to a particular country.

We found wide variations between the compensation, especially allowances and housing facilities, furnished to employees of various departments abroad. They cause discontent. We believe these should be put on a uniform basis.

We found lush living by U. S. representatives to be the rare exception rather than the rule. While it is true that some people may be living better than they might live here, the rank and file of the people were living under circumstances that in some respects are not equal to American standards.

The building program as carried out in Germany can be considered an exception. The quarters provided and the recreation facilities supplied are unnecessarily elaborate. The clubhouse which has been erected at Bonn far exceeds any legitimate needs.

Chauffeur driven autos also seemed excessive and might be considered "lush".

Consideration should be given to centralizing offshore

purchasing representatives of all services in one office in Washington, with supporting offices at country level as required.

We believe that the United States laws should be amended to permit longer delivery periods on offshore procurement contracts than are at present allowable. Longer term planning should be provided for and progress payments made possible.

We were disturbed by reports of failure of the military to receive end items as scheduled and by evidence of excessive delays in negotiating and placing contracts for them. Therefore we recommend the advisability of a re-evaluation of the whole procurement techniques here and abroad.

We believe that the so-called Benton and Moody Amendments encourage unnecessary spending on the part of U.S. agencies charged with carrying out the provisions of those amendments and that they should be repealed.

A study of the compliance with these amendments by the various missions visited showed a wide difference both in practice and of opinion. In all cases, however, there was little understanding or appreciation by the countries involved of the purpose to be served and in many places we found a resentment of what was considered interference with long established customs and national business practices.

In one instance an official of a country, when queried as to

why he wanted money for a productivity campaign when he so patently needed capital for development purposes stated, "Well, that is difficult to answer. I suppose I should say we did not ask for it; you asked us to take it."

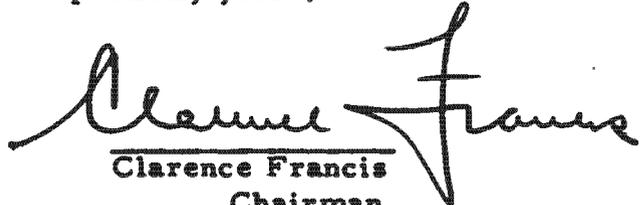
While we approve the aims of these amendments, we do not feel that they are serving or can accomplish the purposes for which they were intended. We believe it will require a long period of education to change business practices and national policies in many countries and that such a program should be divorced from economic aid for defense purposes or from defense assistance.

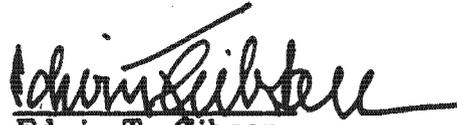
As the individual reports for the Far Eastern countries indicate, many of the observations in this Summary report do not fully apply to the Far East, where the problems are quite different from those of Europe. The Far Eastern countries are relatively under-developed. Greater assistance must be given their governments in administering economic and military programs and more emphasis must be placed on technical assistance. The individual reports on these countries should, therefore, be given separate consideration.

It has been a privilege to serve in this evaluation endeavor.

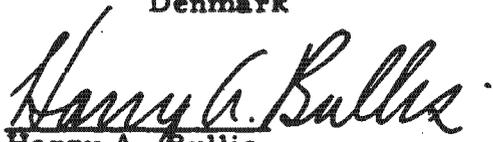
We trust that we will have made a contribution to this important operation.

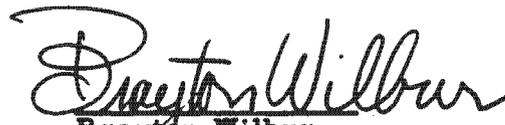
Respectfully yours,

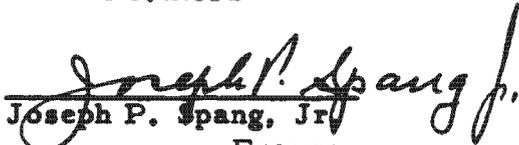

Clarence Francis
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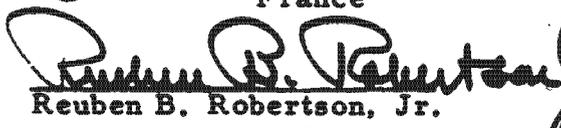

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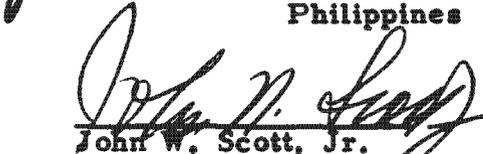

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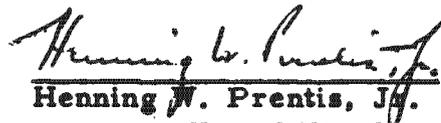

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