

ASSISTANCE:

FOREIGN ASSISTANCE
PROGRAMS

INTERNATIONAL
FINANCIAL SERVICES

PUBLIC PROGRAMS
TO SHARE FOOD

SHARING OUR
KNOWLEDGE

PRIVATE FOUNDATIONS
AND ORGANIZATIONS

Foreign Assistance Programs

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SINCE THE END of the Second World War—and during it—programs of assistance have been a major component of United States relations with the rest of the world. We called them lend-lease during the war and foreign aid since then.

The help the United States gave its Allies during the war reflected a conviction that the integrity of its democratic institutions and the freedom of its people were at stake. The assistance for relief and rehabilitation just after the war largely reflected traditional American humanitarian concern for the hungry and the suffering.

The substantial and continuing assistance programs since then, however, represent a break with the traditional American peacetime policy of avoiding foreign entanglements. But today's world has broken sharply with the past. In the main, considerations of what was believed to be in the vital national interest, in the context of this new and infinitely complex world, have dictated the scope and content of postwar United States foreign aid.

Most, but not all, Americans have supported this program in principle, although opinions have differed on its magnitude, distribution, character, and immediate purpose.

From July 1, 1945—roughly the end of the war—to June 30, 1963, gross United States foreign assistance, ac-

ording to official statistics, amounted to 104 billion dollars. That is a large sum in absolute terms, but it represents only a small part of this country's total gross national product. During the immediate postwar years, that percentage ran slightly over 2; in the 5 years that ended June 30, 1963, it was slightly more than 1 percent.

Our assistance usually is divided into two major categories. One is called military assistance. The other is economic assistance.

For the 18 years to June 30, 1963, the portion called military assistance amounted to a little more than 32 billion dollars—30 percent of the total.

Economic assistance amounted to nearly 72 billion dollars, or about 70 percent. Of the latter, however, nearly 40 percent has been provided through loans so that grant economic assistance during this period amounted to 45 billion dollars—still a large amount but less than half the gross total of 104 billion dollars. Because gross foreign assistance sometimes is confused with grant economic assistance, the magnitude of the latter may be exaggerated.

Gross foreign assistance during 18 postwar years had a moderate upward trend, although there were sharp yearly variations. The low period for economic assistance was 1952-1956, when military assistance was largest.

Postwar United States foreign assistance may be divided into four periods.

DURING THE FIRST—the immediate postwar period (fiscal years 1946-1948)—United States economic assistance consisted of a variety of short-term programs designed to deal with immediate problems. Longer term problems of international economic growth and financial stability would be dealt with by new institutions whose establishment had been strongly supported by the United States—the International Bank for Reconstruction and Development and the International Monetary Fund.

Economic assistance, aside from a capital loan of 3.75 billion dollars to

Great Britain in 1947, was concentrated largely on relief and rehabilitation. Contributions to the United Nations Relief and Rehabilitation Administration were 2.8 billion dollars. Appropriations to the Department of Defense for Government and Relief in Occupied Areas, primarily Germany and Japan, accounted for another 2.5 billion dollars. The Export-Import Bank made loans of nearly 2 billion dollars, primarily to Europe, and a billion dollars' worth of surplus property was sold on credit.

During this period, United States economic assistance totaled 14 billion dollars, of which Europe received 10 billion dollars.

Economic assistance to the Far East—an area extending from Burma to Korea—amounted to 2 billion dollars, of which Japan received one-half. In the Near East and southern Asia—an area extending from Greece to India—the former was the only substantial recipient.

Assistance to Latin America was modest—the continuation of the small technical assistance program started during the war, a few surplus property credits, and less than 200 million dollars of Export-Import Bank loans.

Assistance to Africa was negligible.

Regional activities accounted for about 1 billion dollars, of which the largest single item was a contribution of more than 600 million dollars to the capital of the International Bank for Reconstruction and Development.

TWO YEARS before the start of the second period—the European recovery period (1949-1951)—it became clear that the ad hoc measures of the immediate postwar years would be inadequate to enable western Europe to overcome the effects of the war.

After substantial initial improvement, both industrial and agricultural production began to level off at 80 to 90 percent of that of the immediate prewar years, primarily because of a shortage of foreign exchange to purchase replacement parts, new equip-

ment and raw materials and fuel. Rationing was widespread. Communist influence was mounting.

General George C. Marshall, who was then Secretary of State, on June 5, 1947, in a commencement address at Harvard University outlined the critical economic situation in Europe; stressed the adverse consequences of this situation for the United States and the world generally; emphasized that it was for the Europeans themselves to take the initiative in developing a program for dealing with the crisis; and indicated that the United States was prepared to support such a program to the extent that it was practicable to do so.

Western Europe responded affirmatively to the Secretary's initiative. The Soviet Union participated in the initial European discussions but almost immediately withdrew and caused Poland and Czechoslovakia to withdraw. Thereafter, the Russians described the Marshall plan as an instrument for world domination by American imperialism.

Total United States economic assistance during the 3-year European recovery period amounted to nearly 17.5 billion dollars, of which western Europe (including Greece and Turkey) received nearly 13 billion dollars, or 75 percent.

Economic assistance to the Far East amounted to 3 billion dollars, of which Japan received more than a billion; the Philippines, about one-half billion dollars under the rehabilitation program that the United States undertook for that country; and Korea and Taiwan, about 1 billion dollars each.

Economic assistance to the Near East and southern Asia (other than Greece and Turkey) during this period amounted to about 350 million dollars, of which India received more than one-half, primarily as a 190-million-dollar wheat loan in 1951.

United States assistance to Latin America amounted to nearly 600 million dollars, consisting primarily of

Export-Import Bank loans totaling 500 million dollars.

Direct assistance to Africa continued to be negligible.

THE THIRD PERIOD—the period of military support (1952-1956)—was dominated by defense considerations. Direct military assistance accounted for more than 50 percent of all United States foreign assistance.

In the first 5 years after the war, military assistance amounted to less than a billion dollars and was provided to Turkey, Greece, and China. The victory of the Allies, it had been assumed, had assured the peace of the world for the indefinite future.

The United States and the Allies (except the Soviet Union) rapidly dismantled their war machines. But a Communist-inspired civil war persisted in Greece, and the territorial integrity of Turkey was threatened. Civil war continued in China, which the Chinese Communists took over in 1949. A blockade of Berlin by the Soviet Union began in 1948 and lasted for almost a year before the successful Allied airlift forced its discontinuance.

The Communists invaded South Korea in June 1950.

Prospects for a lasting peace faded, and emphasis began shifting from postwar economic rehabilitation and recovery to building up a defensive military strength.

Military assistance reached a peak of more than 4 billion dollars—nearly two-thirds of all foreign assistance—in the fiscal year 1953 and declined gradually thereafter. It ranged from 1.5 billion dollars to 2 billion from 1959 through 1963.

Half of all military assistance has been furnished to the European countries who were members of the North Atlantic Treaty Organization, including Greece and Turkey—most of it during the 5-year military support period.

Military assistance to the Far East also reached its peak during that period but continued at almost the

same level. For the entire postwar period through 1963, military assistance to the Far East constituted 25 percent of all military assistance.

Military assistance to Latin America was first provided in 1952, although through 1963 it had been small and directed primarily to the support of military forces needed for the purpose of internal security.

Military assistance for the first time was extended to India in 1963, when Communist Chinese forces invaded that country.

From the inception of military assistance through June 30, 1963, the United States has provided, among other things, about 7,500 military planes, 16 thousand tanks, 1,100 maritime vessels, and 25 thousand missiles under the Military Assistance Program. It has also given technical training in the United States to more than 175 thousand members of the armed forces of the countries to which military assistance had been provided.

It has been asserted that the rapidly growing NATO countries should have borne a larger share of the cost of the free world's defense burden; that United States military assistance to some countries supported larger and more costly defense establishments than their military missions required; that military forces in some countries were incapable of being welded into an effective fighting force; that some countries were using or threatening to use military equipment the United States furnished them against other free world neighbors; that military assistance was being provided solely or largely for doubtful foreign policy reasons.

But United States military assistance has contributed significantly to the defensive strength of the free world and thus served vital United States interests. In western Europe, it was accompanied by and in part induced a doubling between 1951 and 1962 of the defense expenditures of our NATO Allies. In the Far East, it was of great importance in helping maintain the

national integrity of South Korea, Taiwan, and South Vietnam.

Economic assistance during the 5-year military support period averaged about 2.5 billion dollars a year. Much of it was labeled defense support and was directed primarily to less-developed free world countries that also were supporting large defensive forces.

During the period, economic assistance to western Europe (other than for Spain and Yugoslavia) declined from its early dominant position to relative insignificance. The emphasis shifted to the Far East, where, because of war and threats of war, more than one-third of all United States economic assistance went.

Economic assistance to the Near East and southern Asia (particularly India and Pakistan) accounted for 13 percent of all United States bilateral assistance. Assistance to Latin America also increased—to 10 percent of the total, primarily because of expansion in the volume of loans made by the Export-Import Bank.

DURING THE FOURTH PERIOD—the 7 years after 1956—yearly economic assistance more than doubled, amounting in all to about 28 billion dollars. The relative importance of military assistance declined.

Economic assistance, which was only half again as large as military assistance in 1957, was three times as large in 1963. The geographic distribution of the assistance spread farther, and the geographic emphasis again shifted.

By the end of the period, the Near East and southern Asia were receiving more than one-third of all economic assistance, and Latin America was receiving 20 percent. Assistance to Africa increased from 1 percent in fiscal 1957 to 10 percent in 1963. The increase in Latin America reflected the emphasis given in the Alliance for Progress program initiated in 1961. The increase in Africa reflected the rapid pace of the independence movement from the midfifties on.

By 1963, 87 political units (that is, independent countries or dependent territories), 33 of them in Africa, were receiving some bilateral economic assistance from the United States.

Major changes also occurred in the relative importance of the various legislative authorities from which foreign economic assistance flowed. In the immediate postwar years, a series of legislative actions were taken. Beginning with the European Recovery Program and through the military support period, foreign assistance flowed largely from successive enactments on European Recovery and subsequently Mutual Security.

From 1957 onward, funds under the Mutual Security Act (and its successor, the Foreign Assistance Act) have constituted only about one-half of all United States bilateral economic assistance. The other half has been contributed in part by sharply expanded activities of the Export-Import Bank in making development loans, which averaged 600 million dollars a year from 1957 through 1963, and from economic assistance in the form of agricultural commodities provided under the authority of the Agricultural Trade Development and Assistance Act.

During the 7 years after 1957, assistance provided in the form of agricultural commodities had a market value of more than a billion dollars a year.

THE AGRICULTURAL TRADE Development and Assistance Act of 1954 became law on July 10, 1954. It has been extended by amendment several times, most recently to December 21, 1964.

Public Law 480, as the act generally is called, originally contained three titles.

The first authorized the sale of surplus agricultural commodities for the local currencies of foreign (buying) countries.

The second authorized grants of surplus agricultural commodities for famine relief and other emergencies.

The third continued the authority of the Agricultural Adjustment Act of

1949 for the Department of Agriculture to donate surplus agricultural commodities to nonprofit voluntary agencies for use in the assistance of needy persons overseas and authorized it to barter surplus agricultural commodities for strategic materials and materials, goods, or equipment required in connection with programs of economic and military assistance.

A fourth title, subsequently added, authorized the Department of Agriculture to sell surplus agricultural commodities with payment in dollars over a period not to exceed 20 years.

The legislation at the time it was enacted was conceived primarily as a means of alleviating the increasing agricultural surpluses in the hands of the Commodity Credit Corporation.

It was argued that exports of agricultural products could be increased substantially if they were sold for local currency and that the proceeds from such sales could be used generally in lieu of dollars to develop new markets for United States agricultural commodities; purchase strategic materials and secure military equipment, materials, and facilities; finance the purchases of goods and services for other friendly countries; and pay United States obligations abroad.

All such uses of the sales proceeds were authorized in the original act.

The act also authorized grants and loans of these local currency receipts to promote multilateral trade and economic development. Through June 30, 1963, about 6 billion dollars' worth of local currency sales proceeds have been earmarked for economic development, one-third in the form of grants and the rest in the form of loans.

Another development during this period was the increasing proportion of all economic assistance provided on some sort of a repayment rather than a grant basis. Ever since the beginning of the Foreign Assistance Program after the close of the war, some portion of all assistance has been on a loan basis.

More than half of the immediate

postwar assistance and about 15 percent of the assistance during the period of European recovery were in the form of loans.

The proportion of assistance in the form of loans began to increase again with the passage of Public Law 480 and was further accelerated by the establishment in fiscal 1958 of a development loan fund as a semiautonomous component of United States foreign assistance activities.

All in all, some 27 billion dollars, more than one-third of all United States bilateral economic assistance of the United States since the end of the war, have been on a loan basis, of which just under 25 percent is repayable in local currency and the balance in dollars. Interest payments, principal repayments, and prepayments on these loans probably exceeded 10 billion dollars by June 30, 1963.

The portion of the United States bilateral assistance provided in the form of loans has been highest in Latin America (nearly 75 percent) and lowest in the Far East (about 15 percent).

Loans in the other regions have ranged from 36 to 45 percent of all assistance. Somewhat less than half the loans made in the Near East and southern Asia are repayable in dollars; 92 percent of the loans to European countries are thus repayable.

Although the proportion of United States economic assistance provided as loans increased from about 5 percent in 1954 to about 55 percent in 1963, this should not be taken as indication of a dramatic improvement in the repayment capacity of the borrowers. Per capita income for many of the less-developed regions has averaged less than 125 dollars a year—as compared to about 2,500 dollars for the United States.

Moreover, incomes in most of the less-developed regions have been growing relatively slowly. The growth of population, level of literacy, experience of the leadership, traditions, and natural resources all have a bearing on the rate of economic and social progress.

Thus the reasonableness of repayment prospects—and, in some instances, even the desirability of repayment—must be suspect.

As I NOTED, United States economic assistance in 1957–1963 was directed primarily to the less-developed areas and increased about 75 percent during the period.

American assistance to those countries constituted about 55 percent to 50 percent of the help they got from all external sources. The other major sources were Western Europe and Japan, which contributed about 40 percent; international agencies, which contributed some 4 to 6 percent; and the Sino-Soviet countries, whose contribution increased from practically nothing at the beginning of the period to about 5 percent in 1963.

Net economic assistance to the less-developed countries from all sources totaled about 4 billion dollars in 1957 and amounted to about 7 billion dollars in 1963.

The number of sources and the variety of terms often are confusing to recipient countries and are not without problems of competition and duplication among the donors. Some useful progress has been made in coordinating assistance through the Development Assistance Committee of the Organization for Economic Cooperation and Development.

THE ACTUAL PROVISION of economic assistance has ranged from the assignment of an expert for a few weeks to the construction and initial operation of a large modern industrial facility; from the delivery of a United States Treasury check to arranging for the flow and financing of hundreds of commodities.

Three general types may be noted.

The first, nonproject assistance, the provision of commodities and services, is effective and economical in situations in which the receiving country can convert a large proportion of available goods into new additions to

productive facilities and in which high priority is given to meeting the internal market demand growing out of inadequate domestic production.

By far the largest part of all United States bilateral economic assistance since the war has been nonproject assistance, although the proportion has been declining. Initial emphasis in nonproject assistance is on real resources and their transfer. Nonproject assistance typically excludes designated capital projects, although all the components—cement, structural steel, machinery, and equipment—could be obtained as nonproject assistance.

Expenditures for nonproject assistance under authority of the European Recovery Act and its successor acts totaled about 21 billion dollars through June 30, 1963. About 40 percent consisted of raw materials and semifinished products—nonferrous metals, steel products, chemicals, pulp and paper, lumber, cotton, tobacco. Some of the products went into capital facilities, but most of them were processed into capital goods or consumption goods. Another 13 percent of all nonproject expenditures has been for fuel, used mostly to turn the wheels of industry.

Food—23 percent—ranked next to raw materials in magnitude of nonproject assistance.

Expenditures for machinery and vehicles—capital goods—were third but have become more important.

Most nonproject assistance enters into the commercial trade of the receiving country. The mechanics are simple. An agreement is reached between the United States and the receiving country regarding the approximate kind and amount of the individual commodities to be imported and paid for by American aid.

The United States issues a series of authorizations to the country confirming the dollar funds it is earmarking to pay for each such commodity or group of commodities and setting forth any special conditions pertaining to the purchase.

The receiving country then authorizes its importers, through the issuance of import licenses or otherwise, to place orders with the suppliers. The supplier ships the commodities ordered to the buyer in the importing country, but sends the bill of lading and other required documentation to a designated United States bank with which the importer has established a letter of credit. The bank pays the supplier and is in turn reimbursed by the United States aid agency.

Transactions thus financed are subject to selective audit by the aid agency and to other regulations designated to protect United States funds from improper disbursement.

All assistance under Public Law 480 is nonproject, and comparable mechanics are used for all of these transactions.

Nonproject assistance almost invariably generates local currency with a value approximately equivalent to the dollar cost, since the commodities obtained thereunder generally move through commercial channels. The importer is required to pay to his government the local currency equivalent of the dollar cost. A small part of this local currency is reserved for use by the United States, but most is used by the country concerned, upon approval by the United States, for a wide range of internal purposes.

These local currencies, it should be noted, do not represent an additional resource available to the country—the commodities that generated them represented the additional resource—but rather a potential claim on the resources available within the country.

As such, they may be important in influencing the utilization of such resources. Depending on the priorities, the local currencies may be used to cause a larger proportion of the country's available resources to flow into defensive strength or economic development or social progress and into public education, transportation, irrigation, agricultural expansion, industrial growth, or electric power.

From the beginning of the European Recovery Program through June 30, 1963, local currencies generated or to be generated from United States economic assistance programs totaled the equivalent of some 24 billion dollars, of which about 22 billion has been or will be used by the countries in which they were generated.

The balance of 2 billion dollars has been used or is available for use by the United States in lieu of or in addition to dollar expenditures. To the extent that the United States uses them in lieu of dollar expenditures, this represents a reduction in net United States assistance.

The largest single use, 6 billion dollars, has been for support of military establishments. About 10 percent each has been used in agriculture, including drainage and irrigation, in industry, and also in transportation and communications.

THE SECOND GENERAL TYPE of assistance — project assistance — includes capital projects and technical assistance projects.

The capital project form typically is used for large and expensive physical facilities, such as major roads, steel mills, and powerplants.

Usually the United States assistance covers all the foreign exchange costs and sometimes all or part of the local currency cost of the project and is approved only after a complete analysis is made of its technical and economic soundness. Generally the use of American supervising engineers and construction contractors is required.

Most development loan funds and most Export-Import Bank funds financing long-term development (that is, loans for 5 years and longer) are made available as project financing.

Both, however, from time to time make funds available for nonproject purposes.

Throughout the postwar period, the proportion of all assistance provided in project form has been increasing. The proportion, less than 5 percent in 1949,

increased to nearly 20 percent in 1955 and to about 50 percent in 1963.

TECHNICAL ASSISTANCE projects are also known as point 4 projects, from the fourth point in President Truman's inaugural address of 1949.

Capital projects are concerned primarily with physical resources. Technical assistance projects are concerned primarily with human resources.

Technical assistance is designed to help overcome the single most important factor limiting the growth of less-developed countries—the lack of adequately trained manpower.

The provision of organized technical assistance by the United States started during the war. The Institute of Inter-American Affairs was established in 1942 to work with Latin American Republics on technical programs in education, health, and agriculture. The activities were expanded after the war, first by the Institute as an autonomous body and later as a part of the Technical Cooperation Administration, which was established in 1950 to administer the provisions of the Act for International Development, which the Congress enacted in response to President Truman's fourth point.

Some technical assistance was carried out in the European Recovery Program, but it was relatively minor. In most of the countries participating in the European Recovery Program, inadequately trained human resources were not the limiting factor in economic recovery and growth that it is in developing countries.

The Technical Cooperation Administration, including the Institute for Inter-American Affairs and the Mutual Security Agency, were consolidated into the Foreign Operations Administration in 1954.

TECHNICAL ASSISTANCE has a number of facets.

American (or other) experts are assigned to work and help countries to increase the technical competence of their nationals in almost all fields of

specialization and to improve the local institutions operating in these fields.

Additional training in the United States (or in other countries) is provided for nationals of the countries. Some demonstration equipment and supplies are furnished for training.

In the Foreign Assistance Act passed the first year of the Kennedy administration, technical assistance (point 4) activities were provided for under development grants, which also could be used to finance capital facilities needed to expand national programs of education and training.

Nearly 4,500 American citizens employed by the Agency for International Development (AID) in 1962 were point 4 technicians and experts. Most of them were stationed overseas. The entire American staff of AID numbered fewer than 7,500. AID also employed about 5 thousand foreign nationals, primarily in custodial and clerical positions.

Besides the technicians hired directly by the foreign assistance agency were 1,500 Americans who worked overseas for private organizations and firms that had contracts with the Agency for International Development.

Some were employees of firms that were building capital facilities financed by foreign assistance. Others were professors in the 65 American universities that had 107 contracts with AID to help universities in 37 countries. Technical assistance through such contracts increased during 1953-1963.

During that decade, about 72 thousand foreign nationals have been given training outside their home countries under United States economic assistance programs. Of these, some 58 thousand received at least some training in the United States. The rest received training in other countries, primarily western Europe and Japan. Of those receiving at least some training in the United States, about 2,500 were sponsored and supervised by the universities that had contracts with AID.

Training ranges all the way from

brief inspection tours of a few weeks to several years of academic study. About half the participants have taken formal courses of instruction in American educational institutions, frequently with some on-the-job training. The others had some on-the-job training in Government and industry or observation tours, plus special instruction courses or lectures.

Many of the participants had attended or graduated from institutes of higher learning in their home countries, but many had only a high school education. In the United States they studied or observed industry and mining, food and agriculture, education, labor, public administration, transportation, health, public safety, community development, and housing.

About a third of the participants came from the Far East, notably Japan. Participants from Latin American countries were about 25 percent of all arrivals in the United States. The Near East and Europe accounted for about 30 percent. The number of participants from Europe has been declining; the number from the Near East and southern Asia doubled during the decade. The number from Africa increased more than tenfold.

While technical assistance activities engaged most of the agency's employees and were responsible for a major part of its work, they absorbed only a small proportion of all foreign assistance costs. Less than 5 percent of all foreign assistance in the early fifties was attributable to point 4 activities; in 1961 it was about 7.5 percent. The proportion went up to nearly 15 percent in 1962-1963.

Like any new activity in an uncharted, expanding field, technical assistance has had its problems and failures, and there is room for improvement, but its aggregate contributions have been significant.

THE THIRD GENERAL TYPE of assistance consists in the provision of cash.

A country is tendered a check in dollars. In some instances, there are

no specific provisions or limitations as to its subsequent use.

In others, a deposit in a special account of local currency having an equivalent value is required.

A third type of cash transaction involves agreement by the aid-receiving country to spend the dollars thus received in the United States (or alternatively not in certain countries). It may or may not require the deposit of an equivalent amount of local currency in the special account. It may or may not require detailed United States approval of expenditures from such special account.

While for some purposes the differences in the various types of cash transactions are significant, the central fact is that in this type of assistance the first link in the chain is a financial transfer and not, initially, a transfer of resources, as is the case with project and nonproject assistance.

Assistance in the form of cash has represented a minor but slowly increasing component of United States economic assistance. In 1962 it amounted to nearly 500 million dollars, nearly 20 percent of all economic assistance that year.

Assistance in the form of cash almost always has been undertaken as an emergency measure, usually to buttress a government or in return for some concession, such as rights to a military base.

The emergency may have been a shortage of local currency in the hands of the government with which to maintain normal government services. Assistance for this purpose has come to be known as budget support.

Generally, cash grants are made only for a short period until the emergency that required them had been ameliorated or longer term arrangements made.

FUNDS for foreign economic assistance undertaken by the United States can be provided only by the Congress directly by appropriations and indirectly by congressional authoriza-

tion to borrow from the Federal Treasury or to reuse specified interest receipts and principal repayments.

The preparation and submission by the executive branch of requests to the Congress for authority and funds, consideration of the requests by the Congress, and subsequent actions by the executive branch to allocate and obligate the funds actually made available usually we call programing.

For various reasons, including the custom of the Congress to appropriate funds for obligation only in a single year, this process is an annual one.

Each programing cycle begins about 15 months before the fiscal year itself and sometimes is not completed until several years after the end of such fiscal year. Thus at any given moment, different stages of several annual programs will be active.

The programing is complicated by the requirements of the various legislative authorities under which foreign aid may be provided.

The Congress has always kept a tight reign on direct authorizations and appropriations for foreign assistance.

During the immediate postwar and early recovery years, the authorizations and appropriations for various emergency assistance programs and proposals were separately authorized and appropriated.

Beginning with the passage of the Mutual Security Act in 1952, authorizations and appropriations for the basic foreign assistance program were consolidated, originally with separate subappropriations for military and economic assistance by geographic regions, although there was authority to transfer limited amounts of funds from one subappropriation to another.

Beginning in 1955, authorizations and appropriations were reorganized, and global appropriations were made for various categories of assistance (that is, military assistance, defense support, technical cooperation, and so on).

Beginning with 1958, further flexibility was afforded the executive

branch by virtue of the establishment of a contingency fund within the general foreign assistance legislation. The fund could be used without regard to almost all the other requirements of the legislation or could be shifted to any one of the other appropriation accounts at the discretion of the President.

The Foreign Assistance Act of 1961, which succeeded the Mutual Security Act of the previous administration, continued global appropriations by functional activities, such as military assistance, development grants (previously technical assistance), supporting assistance (a combination of the previous defense support and special assistance), development loan fund, and some minor accounts.

IN CONTRAST TO mutual security (now foreign assistance) legislation, that under which the Export-Import Bank operates is much more general. The Bank, an independent agency established by an act of Congress in 1934 and administered by a board of directors, of which the Secretary of State is a member, is authorized to borrow funds from the Federal Treasury and obtains almost all of its funds from this source. Its aggregate lending authority was 7 billion dollars in 1964.

Funds of the Export-Import Bank generally are not programed in any formal sense and are made available to any applicant whose requests otherwise meet the requirements of the basic legislation and of the Export-Import Bank. From time to time, the Ex-Im Bank has made loans that meet the basic requirements of the basic legislation and also contribute directly to the accomplishment of some foreign policy objective.

Foreign assistance provided under the authority of the Agricultural Trade Development and Assistance Act is financed in the first instance by the Commodity Credit Corporation from funds it borrows from Treasury. Subsequently, the Congress appropriates funds to reimburse the Commodity

Credit Corporation for any losses incurred in such activities.

Foreign assistance provided in the form of surplus commodities under the authority of Public Law 480 also is not formally programed. Occasionally, when the existing monetary ceiling (which has been raised periodically since the act was first passed in 1954) was being approached, some priorities had to be established, but generally the other criteria of the legislation—those requiring precautions to safeguard usual marketings of the United States and insure that sales under this act would not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade—were controlling.

Thus systematic programing has been undertaken primarily for foreign assistance authorized by the Foreign Assistance Act of 1961 and preceding legislation. At each stage in the process, however, assumptions were made as to the possible magnitude and character of foreign assistance available from the Export Bank and under Public Law 480 and allowed for in programing aid under the basic aid legislation.

Many considerations must be taken into account in developing programs of assistance. Even for the most underdeveloped country, foreign assistance constitutes only a small fraction—perhaps 5 percent or even less—of the annual national income of the country. It rarely exceeds 25 percent of the annual investment in the country and frequently is considerably less.

Thus effective management of a country's own resources is of crucial importance. This is not an easy task under the best of circumstances and often requires the making of decisions and the taking of actions which will be unpopular and therefore difficult for an unsophisticated and perhaps insecure government to take.

Effective mobilization of internal resources requires that the government obtain sufficient revenue adequately to carry forward the activities and investments that can be undertaken only

by the government—provisions for law and order, education, health services, transportation, and communications.

It requires also that the government encourage, induce, or, if necessary, require constructive use of other resources. Moreover, such mobilization needs to be undertaken with reasonable regard to human equities and social justice: Are taxes assessed with reasonable regard to capacity to pay and are they collected with reasonable efficiency and impartiality? Is the governmental fiscal and monetary management such as to build up confidence in the integrity of the currency, thus (among other things) encouraging saving and investment?

Efficient utilization of resources requires at least the establishment and periodic revision of broad but measurable key targets or goals, some means of setting priorities and of allocating resources to them, and some means of measuring progress.

Here, too, the cold rationale of economic priorities must be tempered by the warmth of social justice. The benefits of economic growth should not inure to the privileged few but be broadly spread among all classes.

Country programing and programing of United States assistance are intimately related but are not identical. The programing of assistance in the interests of economic development is facilitated if a country has begun its own economic and social planning.

The absence of a country program may be due to a variety of causes, but almost invariably one major reason is the lack of trained personnel. The United States and most other countries that provide substantial assistance to less-developed countries are prepared to respond favorably to requests for technical assistance in this field.

In the absence of a country program (and a mere shopping list of the things a country would like to have is not a program), the United States has found it useful to develop at least a broad outline of one as a guide in programing its assistance.

UNITED STATES AGRICULTURE benefits from and contributes to United States foreign assistance programs.

American farmers, along with all other Americans, benefit from the increasing number of countries that have been able to maintain or achieve political and economic independence and standards of individual freedom and justice, which are compatible with, and frequently parallel to, those of the United States.

American farmers and other Americans benefit from the increased economic strength of the free world and particularly from the economic growth of countries that have been helped along the road by United States foreign assistance. This growth has expanded the market for exports, including agricultural goods.

United States farmers have benefited from exports of their products financed directly from foreign assistance funds. Since the end of the war, foreign assistance programs have financed the export of some 20 billion dollars' worth of United States agricultural commodities.

Agricultural exports constituted as much as 50 percent of all foreign assistance during the immediate postwar years, including the first year. These exports went largely to help feed the people of western Europe and Japan. As production recovered from war and as other more normal sources of food supply became available, food exports from the United States financed by foreign assistance funds declined, while exports of industrial raw materials, machinery, and equipment increased.

At least half of the assistance provided under Public Law 480 appears likely to have resulted in higher levels of consumption than would otherwise have been the case, and somewhat less than half was translated into increased capital investment and development.

In most countries that have received bilateral assistance from the United States, and certainly all the developing countries, the major proportion of its annual production is from agriculture,

and an even larger proportion of the population lives on the land.

As a consequence, economic growth is possible only if there is growth in the agricultural sector; growth to help feed an expanding population; growth to help feed an even more rapidly expanding community of nonagricultural consumers; growth to help provide a market for the production of the rest of the economy.

THE CONTRIBUTION OF AGRICULTURE to this growth has been a major component of United States foreign assistance programs. Since the end of the war, hundreds of American agricultural technicians have worked overseas to help improve the productive efficiency of agriculture. They have been specialists in agricultural production, extension, research, marketing, and agricultural credit.

Similarly, all elements of the United States agricultural community—the Department of Agriculture, the land-grant colleges, the extension services, agricultural industries, the farmers themselves—have helped to provide training to thousands of agriculturalists from other countries.

The policy has been to concentrate assistance in agricultural enterprises whose output went largely, if not exclusively, to improving domestic consumption levels and to avoid direct support of enterprises in which world production was already in excess of world demand.

THERE IS A TENDENCY, I believe, to assume that the immediate purpose of all United States economic and technical assistance is to stimulate and help support economic and social development on the assumption that economic development in itself will result in the emergence of a community of free, peace-loving nations, democratically oriented, with interests and attitudes compatible with ours.

The assumption is not necessarily valid. History shows a number of instances in which economic growth is

associated with strong international aggressiveness. What can surely be said, however, is that economic growth is a necessary precondition or concomitant to such emergence, and in its absence probabilities are enormously increased that there will be, sooner or later, a violent swing to the radical right or radical left that would be incompatible with our interests.

Also rather widespread is the assumption that foreign economic assistance and economic development are synonymous—that all economic assistance is provided for the purpose of stimulating (and should result in) an economic development.

In fact, the immediate purpose of economic assistance frequently has not been economic development per se.

In some instances, it has been made available for the immediate purpose of helping to support military establishments larger than the country could support with its own resources.

In others, the immediate purpose was to deal with what has come to be called short-term foreign political exigencies—providing budget support for a friendly faltering government or to meet a balance-of-payment crisis, or even as a concrete manifestation of our support for a friendly country which was being subjected to pressure from countries whose international policies and attitudes were considered inimicable to the United States.

Historians a generation from now will be able to make a much more accurate appraisal of the real contributions of the United States postwar foreign assistance. Nevertheless, it seems clear that such assistance has contributed mightily to the ultimate objective, United States security.

The ad hoc measures of the immediate postwar years dealt effectively with certain pressing problems of the day—the hunger and disease that followed in the wake of the war, the millions of refugees, the urgent need for food and raw materials. The overwhelming consensus is that the European Recovery Program was an out-

standing success—witness the booming economies of western Europe.

The evidence for the military support period seems nearly as convincing. For example, it seemed certain that a number of countries, including Greece, South Korea, and Taiwan, could not possibly have maintained their national independence without United States military and economic assistance.

The evidence of the years during which United States foreign assistance has been directed largely to the less-developed countries is not yet in. Economic and social and political development being a slow process at best, even a decade of experience affords a wholly inadequate basis for final judgment, but even here the preliminary evidence, on the whole, is affirmative.

Economic growth in a substantial number of countries has been accelerated. A few of them have reached the point where their future growth can be based on their own resources plus recourse to normal sources of external capital—the international lending agencies and the international capital markets of the world.

Day-to-day administration of foreign assistance programs has been adequate at least and, in many instances, outstanding. There is, however, always room for improvement. Immediate objectives need to be more clearly defined, and, in my opinion, ultimate interests will be better promoted if foreign economic assistance is concentrated more on long-time economic development and less on short-time political exigencies.

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