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FOREIGN ASSISTANCE FOR THE 'SEVENTIES

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

PROPOSING A TRANSFORMATION OF FOREIGN ASSISTANCE PROGRAMS

SEPTEMBER 15, 1970.—Referred to the Committee on Foreign Affairs and ordered to be printed

To the Congress of the United States:

FOREIGN ASSISTANCE FOR THE 'SEVENTIES

Today, I am proposing a major transformation in our foreign assistance programs.

For more than two decades these programs have been guided by a vision of international responsibilities conditioned by the aftermath of World War II and the emergence of new nations. But the world has been changing dramatically; by the end of the 'Sixties, there was widespread agreement that our programs for foreign assistance had not kept up with these changes and were losing their effectiveness. This sentiment has been reflected in declining foreign aid levels.

The cause of this downward drift is not that the need for aid has diminished; nor is it that our capacity to help other nations has diminished; nor has America lost her humanitarian zeal; nor have we turned inward and abandoned our pursuit of peace and freedom in the world.

The answer is not to stop foreign aid or to slash it further. The answer is to reform our foreign assistance programs and do our share to meet the needs of the 'Seventies.

A searching reexamination has clearly been in order and, as part of the new Administration's review of policy, I was determined to undertake a fresh appraisal. I have now completed that appraisal

and in this message I am proposing a set of fundamental and sweeping reforms to overhaul completely our entire foreign assistance operation to make it fit a new foreign policy.

Such a major transformation cannot be accomplished overnight. The scope and complexity of such an undertaking requires a deliberate and thoughtful approach over many months. I look forward to active discussion of these proposals with the Congress before I transmit my new assistance legislation next year.

Reform #1: I propose to create separate organizational arrangements for each component of our assistance effort: security assistance, humanitarian assistance, and development assistance. This is necessary to enable us to fix responsibility more clearly, and to assess the success of each program in achieving its specific objectives. My proposal will overcome the confusion inherent in our present approach which lumps together these separate objectives in composite programs.

Reform #2: To provide effective support for the Nixon Doctrine, I shall propose a freshly conceived International Security Assistance Program. The prime objective of this program will be to help other countries assume the responsibility of their own defense and thus help us reduce our presence abroad.

Reform #3: I propose that the foundation for our development assistance programs be a new partnership among nations in pursuit of a truly international development effort based upon a strengthened leadership role for multilateral development institutions. To further this objective,

- The U.S. should channel an increasing share of its development assistance through the multilateral institutions as rapidly as practicable.
- Our remaining bilateral assistance should be provided largely within a framework established by the international institutions.
- Depending upon the success of this approach, I expect that we shall eventually be able to channel most of our development assistance through these institutions.

Reform #4: To enable us to provide effective bilateral development assistance in the changed conditions of the 'Seventies, I shall transmit legislation to create two new and independent institutions:

- A U.S. International Development Corporation, to bring vitality and innovation to our bilateral lending activities and enable us to deal with lower income nations on a businesslike basis.
- A U.S. International Development Institute to bring the genius of U.S. science and technology to bear on the problems of development, to help build research and training competence in the lower income countries themselves, and to offer cooperation in international efforts dealing with such problems as population and employment.

Their creation will enable us to phase out the Agency for International Development and to reduce significantly the number of overseas U.S. Government personnel working on development programs.

Reform #5: To add a new dimension to the international aid effort insuring a more permanent and enduring source of funds for the low income countries, I have recently proposed that all nations enter into a treaty which would permit the utilization of the vast resources of the seabeds to promote economic development.

Reform #6: I propose that we redirect our other policies which bear on development to assure that they reinforce the new approach

outlined in this message. Our goal will be to expand and enhance the contribution to development of trade and private investment, and to increase the effectiveness of government programs in promoting the development process. A number of changes are necessary:

- I propose that we move promptly toward initiation of a system of tariff preferences for the exports of manufactured products of the lower income countries in the markets of all the industrialized countries.
- I am ordering the elimination of those tying restrictions on procurement which hinder our investment guarantee program in its support of U.S. private investment in the lower income countries.
- I propose that all donor countries take steps to end the requirement that foreign aid be used to purchase goods and services produced in the nation providing the aid. Complete untying of aid is a step that must be taken in concert with other nations; we have already begun discussions with them toward that end. As an initial step, I have directed that our own aid be immediately untied for procurement in the lower income countries themselves.

THE FOUNDATIONS OF REFORM

These are the most fundamental of the many far-reaching reforms I propose today. To understand the need for them now, and to place them in perspective, it is important to review here the way in which we have reexamined our policies in light of today's requirements.

Two steps were necessary to develop a coherent and constructive U.S. assistance program for the Seventies:

- As a foundation, we needed a foreign policy tailored to the 1970's to provide direction for our various programs. For that, we developed and reported to the Congress in February the New Strategy for Peace.
- Second, to assist me in responding to the Congress and to get the widest possible range of advice on how foreign assistance could be geared to that strategy, I appointed a distinguished group of private U.S. citizens to make a completely independent assessment of what we should be trying to achieve with our foreign aid programs and how we should go about it.

The Task Force on International Development, chaired by Rudolph Peterson, former President of the Bank of America, drew upon the considerable experience of its own members and sought views from Members of the Congress and from every quarter of U.S. society. In early March the Task Force presented its report to me, and shortly thereafter I released it to the public. The Task Force undertook a comprehensive assessment of the conditions affecting our foreign assistance program and proposed new and creative approaches for the years ahead. Its report provides the basis for the proposals which I am making today.

I also have taken into account the valuable insights and suggestions concerning development problems which were contained in the Rockefeller Report on our Western Hemisphere policy. Many of the ideas and measures I am proposing in this message in fact were foreshadowed by a number of policy changes and program innovations which I instituted in our assistance programs in Latin America.

THE PURPOSES OF FOREIGN ASSISTANCE

There are three interrelated purposes that the U.S. should pursue through our foreign assistance program: promoting our national security by supporting the security of other nations; providing humanitarian relief; and furthering the long-run economic and social development of the lower income countries.

The national security objectives of the U.S. cannot be pursued solely through defense of our territory. They require a successful effort by other countries around the world, including a number of lower income countries, to mobilize manpower and resources to defend themselves. They require, in some cases, military bases abroad, to give us the necessary mobility to defend ourselves and to deter aggression. They sometimes require our financial support of friendly countries in exceptional situations.

Moreover, our security assistance programs must be formulated to achieve the objectives of the Nixon Doctrine, which I set forth at Guam last year. That approach calls for any country whose security is threatened to assume the primary responsibility for providing the manpower needed for its own defense. Such reliance on local initiative encourages local assumption of responsibility and thereby serves both the needs of other countries and our own national interest. In addition, the Nixon Doctrine calls for our providing assistance to such countries to help them assume these responsibilities more quickly and more effectively. The new International Security Assistance Program will be devoted largely to these objectives. I shall set forth the details of the proposed program when I transmit the necessary implementing legislation to the Congress next year.

The humanitarian concerns of the American people have traditionally led us to provide assistance to foreign countries for relief from natural disasters, to help with child care and maternal welfare, and to respond to the needs of international refugees and migrants. Our humanitarian assistance programs, limited in size but substantial in human benefits, give meaningful expression to these concerns.

Both security and humanitarian assistance serve our basic national goal: the creation of a peaceful world. This interest is also served, in a fundamental and lasting sense, by the third purpose of our foreign assistance: the building of self-reliant and productive societies in the lower income countries. Because these countries contain two-thirds of the world's population, the direction which the development of their societies takes will profoundly affect the world in which we live.

We must respond to the needs of these countries if our own country and its values are to remain secure. We are, of course, wholly responsible for solutions to our problems at home, and we can contribute only partially to solutions abroad. But foreign aid must be seen for what it is—not a burden, but an opportunity to help others to fulfill their aspirations for justice, dignity, and a better life. No more abroad than at home can peace be achieved and maintained without vigorous efforts to meet the needs of the less fortunate.

The approaches I am outlining today provide a coherent structure for foreign assistance—with a logical framework for separate but interdependent programs. With the cooperation of Congress, we must seek to identify as clearly as possible which of our purposes—security, humanitarianism, or long-term development of the lower income countries—to pursue through particular U.S. programs. This is neces-

sary to enable us to determine how much of our resources we wish to put into each, and to assess the progress of each program toward achieving its objectives.

There is one point, however, that I cannot over-emphasize. Each program is a part of the whole, and each must be sustained in order to pursue our national purpose in the world of the Seventies. It is incumbent upon us to support all component elements—or the total structure will be unworkable.

EFFECTIVE DEVELOPMENT ASSISTANCE—THE CHANGED CONDITIONS

The conditions that surround and influence development assistance to lower income countries have dramatically changed since the present programs were established. At that time the United States directly provided the major portion of the world's development assistance. This situation led to a large and ambitious U.S. involvement in the policies and activities of the developing countries and required extensive overseas missions to advise governments and monitor programs. Since then the international assistance environment has changed:

First, the lower income countries have made impressive progress, as highlighted by the Commission on International Development chaired by Lester Pearson, the former Prime Minister of Canada. They have been helped by us and by others, but their achievements have come largely through their own efforts. Many have scored agricultural breakthroughs which have dramatically turned the fear of famine into the hope of harvest. They have made vast gains in educating their children and improving their standards of health. The magnitude of their achievement is indicated by the fact that the lower income countries taken together exceeded the economic growth targets of the First United Nations Development Decade. These achievements have brought a new confidence and self-reliance to people in communities throughout the world.

With the experience that the lower income countries have gained in mobilizing their resources and setting their own development priorities, they now can stand at the center of the international development process—as they should, since the security and development which is sought is theirs. They clearly want to do so. Any assistance effort that fails to recognize these realities cannot succeed.

Second, other industrialized nations can now afford to provide major assistance to the lower income countries, and most are already doing so in steadily rising amounts.

While the United States remains the largest single contributor to international development, the other industrialized nations combined now more than match our efforts. Cooperation among the industrialized nations is essential to successful support for the aspirations of the lower income countries. New initiatives in such areas as trade liberalization and untying of aid must be carried out together by all such countries.

Third, international development institutions—the World Bank group, the Inter-American Development Bank and other regional development organizations, the United Nations Development Program, and other international agencies—now possess a capability to blend the initiatives of the lower income countries and the responses of the industrialized nations. They have made effective use of the

resources which we and others have provided. A truly international donor community is emerging, with accepted rules and procedures for responding to the initiatives of the lower income countries. The international institutions are now in a position to accelerate further a truly international development effort.

Fourth, the progress made by lower income countries has brought them a new capability to sell abroad, to borrow from private sources, and to utilize private investment efficiently. As a result, a fully effective development effort should encompass much more than government assistance programs if it is to make its full potential contribution to the well-being of the people of the developing nations. We have come to value the constructive role that the private sector can play in channeling productive investments that will stimulate growth. We now understand the critical importance of enlightened trade policies that take account of the special needs of the developing countries in providing access for their exports to the industrialized nations.

EFFECTIVE DEVELOPMENT ASSISTANCE—THE PROGRAM FOR REFORM

To meet these changed international conditions, I propose a program for reform in three key areas: to support an expanded role for the international assistance institutions; to reshape our bilateral programs; and to harness all assistance-related policies to improve the effectiveness of our total development effort.

My program for reform is a reaffirmation of the commitment of the United States to support the international development process, and I urge the Congress to join me in fulfilling that commitment. We want to help other countries raise their standards of living. We want to use our aid where it can make a difference. To achieve these goals we will respond positively to sound proposals which effectively support the programs of the lower income countries to develop their material and human resources and institutions to enable their citizens to share more fully in the benefits of worldwide technological and economic advance.

1. Expanding the Role of International Institutions

International institutions can and should play a major creative role both in the funding of development assistance and in providing a policy framework through which aid is provided.

Such a multilateral approach will engage the entire international community in the development effort, assuring that each country does its share and that the efforts of each become part of a systematic and effective total effort. I have full confidence that these international institutions have the capability to carry out their expanding responsibilities.

—I propose that the United States channel an increasing share of its development assistance through multilateral institutions as rapidly as practicable.

We have already taken the first steps in this direction. The Congress is currently considering my proposals for a \$1.8 billion multi-year U.S. contribution to the Inter-American Development Bank and a \$100 million contribution over three years to the Asian Development Bank. These two requests together with authorizations for increases

in our subscriptions to the World Bank and International Monetary Fund are critical to our new assistance approach.

Moreover, I am pleased to note the recent statement by the World Bank that there is widespread agreement among donor countries to replenish the funds of the International Development Association at an annual rate of \$800 million for the next three years, beginning in fiscal year 1972. I shall propose that the Congress, at its next session, authorize the \$320 million annual U.S. share which such a replenishment would require.

—In order to promote the eventual development of a truly international system of assistance, I propose that our remaining bilateral development assistance be coordinated wherever feasible with the bilateral assistance of other donor countries, through consortia and consultative groups under the leadership of these international institutions. These institutions and groups like the CIAP in Latin America will provide leadership in the development process and work out programs and performance standards with the lower income countries themselves.

Moving in this direction holds the promise of building better relations between borrowing and lending countries by reducing the political frictions that arise from reliance on bilateral contacts in the most sensitive affairs of nation-states. It will enhance the effectiveness of the world development effort by providing for a pooling of resources, knowledge, and expertise for solving development problems which no single country can muster.

2. Reshaping our Bilateral Programs

If these worldwide initiatives are to be fully effective, we must also refashion and revitalize our own institutions to assure that they are making their maximum contribution within a truly international development system. This will be neither an easy nor quickly accomplished task; it calls for thorough preparation, and an orderly transition. It is essential to undertake this task if our programs are to reflect the conditions of the 'Seventies.

The administration of bilateral assistance programs is complex and demanding. New institutions are needed so that we can directly focus on our particular objectives more effectively.

U.S. INTERNATIONAL DEVELOPMENT INSTITUTE

—I shall propose establishment of a U.S. International Development Institute, which will bring U.S. science and technology to bear on the problems of development.

The Institute will fill a major gap in the international development network. It will match our vast talents in science and technology with institutions and problems abroad. Research has created the basis for the Green Revolution—the major breakthrough in agricultural production—but continued progress in the 1970's will require the lower income countries to deal with more, and more complex, problems. The Institute will concentrate on selected areas and focus U.S. technology on critical problems. This requires flexibility, imagination and a minimum of red tape. If we can provide this Institute with the operational flexibility enjoyed by our private foundations, we can make a major contribution to the lower income countries at modest expense.

An institute, so organized, could

- Concentrate U.S. scientific and technological talent on the problems of development.
- Help to develop research competence in the lower income countries themselves.
- Help develop institutional competence of governments to plan and manage their own development programs.
- Support expanded research programs in population.
- Help finance the programs of U.S.-sponsored schools, hospitals and other institutions abroad.
- Carry out a cooperative program of technical exchange and reimbursable technical services with those developing countries that do not require financial assistance.
- Cooperate in social development and training programs.
- Administer our technical assistance programs.
- Permit greater reliance on private organizations and researchers.

Given the long-term nature of the research operation and the need to attract top people on a career basis, the Institute should be established as a permanent Federal agency. To provide the necessary financial continuity, I propose that Congress provide it with a multi-year appropriation authorization.

U.S. INTERNATIONAL DEVELOPMENT CORPORATION

- I shall propose establishment of a U.S. International Development Corporation to administer our bilateral lending program. It will enable us to deal with the developing nations on a mature and businesslike basis.

This Development Corporation will examine projects and programs in terms of their effectiveness in contributing to the international development process. It will rely strongly on the international institutions to provide the framework in which to consider individual loans and will participate in the growing number of international consortia and consultative groups which channel assistance to individual lower income countries. It should have financial stability through a multi-year appropriation authorization and authority to provide loans with differing maturities and differing interest rates, tailored to the requirements of individual borrowers. The Corporation would also have limited authority to provide grant financed technical assistance for projects closely related to its lending operations.

Both the Institute and the Corporation will be subject to normal executive and legislative review, relating their performance directly to their objectives.

Both these new institutions involve a fundamental change from our existing programs. As I have emphasized, the detailed plans and the complete transition will take time. In the interim, I am directing the administrators of our present development programs to take steps to conform these programs, as much as possible, to the new concepts and approaches I have outlined. For example, our program planning for consortia will be based more on analysis and general guidance developed in country studies prepared by the World Bank and other international institutions. Greater utilization of international institutions will permit us to reduce the number of government personnel attached to our assistance programs particularly overseas and make major changes in our present method of operation.

OVERSEAS PRIVATE INVESTMENT CORPORATION

—I am submitting to the Senate my nominations for the members of the Board of the Overseas Private Investment Corporation, which I proposed a year ago to promote the role of the private sector in development and which the Congress approved.

I expect this institution to be an important component of our new bilateral assistance program. The most important efforts of this new agency will be operation of the investment insurance and guaranty program and a strengthened program for assisting U.S. firms to undertake constructive investment in developing countries.

INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE

—A few weeks ago I submitted to the Senate my nominations for the members of the Board of Directors of the Inter-American Social Development Institute, which was authorized by the Congress in the Foreign Assistance Act of 1969.

This Institute will provide grant support for innovative social development programs in Latin America undertaken primarily by private non-profit organizations, and will be aimed at bringing the dynamism of U.S. and Latin American private groups to bear on development problems and at broadening the participation of individuals in the development process.

The keynote of the new approach to our bilateral programs will be effectiveness: We will ask whether a program or individual loan will work before we decide to pursue it—and we will expect the international institutions through which we channel funds to do so as well. We will concentrate our activities in sectors in which we can make a significant contribution and in areas where long-term development is of special interest to the United States.

This Administration has been undertaking for some time a full review of all of our foreign economic policies. Those policies, including our new foreign aid policy and programs, must be closely related and mutually supporting. Therefore, I intend shortly to establish a new mechanism which will plan and coordinate all of our foreign economic policies, including our various foreign assistance programs, to assure that they are all effectively related.

3. Promoting Effective Development Through Improved Economic Policies

In addition to a new emphasis on the role of international institutions and a new shape to our bilateral programs, I propose initiatives that will enhance the public and private sector contribution to the development process.

—To open further the benefits of trade to the lower income countries, I have proposed that the international community initiate a system of tariff preferences for the exports of manufactured and selected primary products of the lower income countries in the markets of all of the industrialized countries.

The lower income countries must expand their exports to be able to afford the imports needed to promote their development efforts, and to lessen their need for concessional foreign assistance.

Market growth for most of the primary commodities which have traditionally been their major sources of export earnings is insufficient

to enable them to meet these needs. I will submit legislation to the Congress recommending that we eliminate duties on a wide range of manufactured products purchased from the lower income countries. We will move ahead with this approach as soon as we achieve agreement with the other industrialized countries to join us with comparable efforts.

—I propose steps to expand the constructive role of private investment in the development process.

In order to eliminate the present tying restrictions on procurement which hinder our investment guarantee program, I am now directing that coverage under the extended risk guarantee program be extended to funds used in purchasing goods and services abroad. This will enhance our support of U.S. private investment in the lower income countries. In addition, we support early inauguration of an International Investment Insurance Agency, under the auspices of the World Bank, to provide multilateral—and thereby more effective—guarantees against expropriations and other political risks for foreign investments. We also support an increase in the scope of operations and resources of the International Finance Corporation, to further promote the role of the private sector—particularly within the lower income countries themselves—in the international development process.

—I propose that all donor countries end the requirement that foreign aid be used to purchase goods and services produced in the nation providing the aid.

Because recipients are not free to choose among competing nations, the value of the aid they receive is reduced significantly. These strings to our aid lower its purchasing power, and weaken our own objectives of promoting development. Aid with such strings can create needless political friction.

Complete untying of aid is a step that must be taken in concert with other nations and we have begun talks to that end with the other members of the Development Assistance Committee of the Organization for Economic Cooperation and Development. In the expectation that negotiations will soon be completed successfully, I have decided to permit procurement now in the lower income countries under the U.S. bilateral lending program—an expansion of the initial step I took with our Latin American neighbors. In addition to improving the quality of our assistance, this should expand trade among the lower income countries, an important objective in its own right.

—I propose that the United States place strong emphasis on what the Peterson Task Force called “the special problem of population.”

The initiative in this area rests with each individual country, and ultimately with each family. But the time has come for the international community to come to grips with the world population problem with a sense of urgency. I am gratified at the progress being made by the new United Nations Fund for Population Activities and propose that it undertake a study of world needs and possible steps to deal with them. In order to cooperate fully in support of this international effort, the proposed U.S. International Development Institute should focus the energy and expertise of this country on

new and more effective measures for dealing with the problem of population.

—I also believe that the United States should work with others to deal effectively with the debt service problem.

The successful growth of the past has been financed in part through external borrowings, from private as well as government sources which the borrowers are obligated to repay. Furthermore, a portion of their borrowed resources have gone to build roads, schools and hospitals which are essential requirements of a developing nation but which do not directly generate foreign exchange. The debt incurred has heavily mortgaged the future export earnings of a number of lower income countries, restricting their ability to pay for further development.

This problem calls for responsibility on the part of the lower income countries, cooperation on the part of the lenders, and leadership by the international institutions which must take responsibility for analyzing debt problems and working closely with the creditors in arranging and carrying through measures to meet them. The United States will play its role in such a cooperative effort.

THE FUNDING OF DEVELOPMENT ASSISTANCE

International development is a long-term process. Our institutions—like the multilateral lending institutions—should have an assured source of long-term funding. Foreign assistance involves the activities of many nations and the sustained support of many programs. Sudden and drastic disruptions in the flow of aid are harmful both to our long-term development goals and to the effective administration of our programs.

In the past this country has shown its willingness and determination to provide its share. I confirm that determination and ask the Congress and the American people to assume those responsibilities which flow from our commitment to support the development process.

I agree with the conclusion of the Peterson Task Force that the downward trend of U.S. contributions to the development process should be reversed. I also agree with the Peterson Report that the level of foreign assistance "is only one side of the coin. The other side is a convincing determination that these resources can and will be used effectively."

A determination of the appropriate level of U.S. assistance in any one year will depend on a continuing assessment of the needs and performance of individual developing countries, as well as our own funding ability. It must also be influenced by a further definition of the proposals which I am outlining in this message, the responses of other donors and the performance of the international institutions.

As a long-run contribution to the funding of development, the U.S. will seek the utilization of revenues derived from the economic resources of the seabed for development assistance to lower income countries. I have recently proposed that all nations enter into a treaty to establish an international regime for the exploitation of these vast resources, and that royalties derived therefrom be utilized principally for providing economic assistance to developing countries participating in the treaty.

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Foreign assistance has not been the specific interest of one party or the particular concern of a single Administration. Each President, since the end of World War II, has recognized the great challenges and opportunities in participating with other nations to build a better world from which we all can benefit. Members of both political parties in the Congress and individuals throughout the nation have provided their support.

The U.S. role in international development assistance reflects the vision we have of ourselves as a society and our hope for a peaceful world. Our interest in long-term development must be viewed in the context of its contribution to our own security. Economic development will not by itself guarantee the political stability which all countries seek, certainly not in the short run, but political stability is unlikely to occur without sound economic development.

The reforms that I propose today would turn our assistance programs into a far more successful investment in the future of mankind—an investment made with the combination of realism and idealism that marks the character of the American people. It will enable us to enter the 'Seventies with programs that can cope with the realities of the present and are flexible enough to respond to the needs of tomorrow. I ask the Congress and the American people to join me in making this investment.

RICHARD NIXON.

THE WHITE HOUSE, *September 15, 1970.*

