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# The Evolution of Foreign Aid: 1945-1961

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OVER the 17-year span from 1945 through 1961, no single aspect of American foreign policy came under so frequent and so critical a scrutiny by Congress as did foreign aid, the subject of 92 separate enactments, or an average of five per year. Requiring in almost every instance the assent of Congress to expenditures, aid proposals gave to the legislative branch its most consistent opportunity to support or to oppose the conduct of foreign relations by the executive branch. Inevitably, aid policies and programs were modified in the process, typically through lower-than-asked appropriations.

It was notable, however, that the aid proposals advanced successively (and justified on the same basic grounds) by Presidents Truman, Eisenhower, and Kennedy were for the most part finally endorsed by Congress. (One major exception: long-term borrowing authority to finance development loans, first requested in 1957.) Moreover, the margin of majority approval, although fluctuating from year to year, remained substantial throughout the period. Thus the House voted in 1946 for the British loan, 219-155; in 1949 for a military aid program, 238-122; and in 1961 for a five-year development loan authorization, 260-132.

Much of this continuing support for foreign aid may be ascribed to the authority exercised by the President as Chief Executive, party leader, and pre-eminent spokesman on foreign policy. At the same time, it is equally apparent that by 1961 aid programs once supported in the hope that they would prove temporary had come to be accepted by a solid majority as integral and semi-permanent tools of national policy. From mid-1945 to mid-1961, their net cost to the taxpayer (after repayment of \$7.6 billion in credits) had mounted to \$84.7 billion; over the next decade, an additional \$50 billion seemed certain to be needed. But what had seemed a heavy if necessary burden at the outset no longer loomed so large on a horizon dominated by \$50-billion defense budgets and a gross national product of more than \$500 billion each year.

Summarized below is the history of aid policies from 1945 through 1961, as these were developed and modified by the President and Congress. Note is made of changes in the character, scope and direction of the aid provided, in response to changing circumstances. The role of Congress as critic and censor of aid administration is described. Following this summary is a detailed, year-by-year review of all aid legislation enacted through 1961.

## Early Post-War Policy

**Background.** Foreign aid first assumed massive proportions during World War II when the United States, having abandoned the pretense of neutrality in 1940 to

assume the role of "the great arsenal of democracy," inaugurated the lend-lease program in 1941, months before entering the war. By V-J Day, Sept. 2, 1945, net lend-lease assistance to the Allies had attained \$40 billion in value, mostly in war materiel. As early as 1943, however, it was evident that major programs of relief and rehabilitation would be needed in the wake of war-time destruction and dislocation. With the invasion of Italy in 1943, the armed forces took on responsibility for government and relief in occupied areas (GARIOA); also in 1943, the United Nations Relief and Rehabilitation Administration was established in anticipation of the immediate postwar needs of liberated areas in Europe and the Far East.

Both the GARIOA and UNRRA programs were viewed as essential yet temporary measures within the larger context of the nation's growing commitment to full participation, along with its war-time allies, in the organization of the post-war world. This commitment took concrete form in 1944 with the Bretton Woods Agreements, to create the World Bank and International Monetary Fund, and the Dumbarton Oaks Conference, followed by the San Francisco Conference of 1945, when the United Nations was established. Implicit in all three institutions was a collective responsibility for creating and maintaining the conditions for a world at peace.

**Interim Measures.** Confirmation of America's abandonment of its pre-war isolationism came in 1945 when Congress, by overwhelming majorities, approved adherence to the UN Charter, the Bank and the Fund. To meet more immediate relief needs, Congress also agreed to double the U.S. contribution to UNRRA, to continue shipments of civilian supplies on lend-lease terms, and to provide large additional credits through the Export-Import Bank. Much more controversial was President Truman's proposal, early in 1946, to lend Britain \$3.75 billion to enable her to reduce trade and exchange controls; it wasn't so much the money as the principle of aiding a Labor Government bent on nationalization that provoked a six-month debate before Congress would agree to the loan.

**Truman Doctrine.** By the end of 1946 it was becoming apparent that the United States had underestimated the magnitude and complexity of the role it would be called to play, largely because of misplaced confidence in the cooperativeness of the Soviet Union. Mounting evidence of Soviet aggressiveness and intransigence in Central Europe, Iran, and the Far East was epitomized by Winston Churchill's statement, in a speech March 5 at Fulton, Mo., that an "iron curtain (had) descended across the Continent." Soviet harassment of UNRRA operations in Eastern Europe, in particular, led President Truman early in 1947 to recommend that an additional \$350

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million destined for interim relief assistance be administered directly by the U.S.

But it was a civil war in Greece between government and Communist forces, coupled with the withdrawal of British assistance, that prompted the sharpest shift in U.S. aid policy. To bolster the sagging Greek government and that of nearby Turkey (then under direct Soviet pressure), the President urged Congress to authorize military as well as economic aid to the two countries, again on a bilateral rather than multilateral basis. Opponents argued that the Truman Doctrine undercut the United Nations and might provoke a clash with the Soviets, but a majority sided with the President. Along with the \$400 million provided for Greece and Turkey went American civilian and military advisers.

### European Recovery Program

The critical decision to assist Greece and Turkey came at a moment when the Administration was beginning to reappraise the total U.S. aid effort in the light of disturbing news from Western Europe, where a severe winter had hurt factory & farm output and the available resources were proving inadequate to the task of reconstruction. On May 8, 1947, speaking at Cleveland, Miss., Under Secretary of State Dean Acheson laid the foundation for Secretary George C. Marshall's June 5 proposal that the Europeans jointly draw up a comprehensive recovery plan for which U.S. support would be forthcoming. Soon thereafter the House dispatched a 19-Member Select Committee, headed by Rep. Christian A. Herter (R Mass.), on a fact-finding mission to Europe.

In short order, the Europeans produced a four-year self-help program for which outside assistance amounting to about 5 percent of the total effort was requested. As modified by the Truman Administration and sent to Congress Dec. 19, it called for \$17 billion in U.S. grants and loans over four years "to bridge the temporary gap between minimum European needs and war-diminished European resources." A dramatic venture in trans-Atlantic economic cooperation, the European Recovery Program, inaugurated in mid-1948, won a degree of bipartisan public support among Americans unmatched before or since.

Unlike earlier or later aid programs, ERP achieved its objectives in less time and at less cost than had been anticipated. While many factors contributed to its success, perhaps the most significant -- in the light of U.S. experience elsewhere -- was that most of the 16 participating countries had had highly developed industrial economies before the war and were therefore rich in the experience and talents required for what was basically a job of reconstruction and renovation. Some of the administrative techniques developed by the Economic Cooperation Administration -- such as reliance upon private trade channels for the transfer of commodities to Europe -- were retained in later programs, but the regional approach underlying ERP was not duplicated elsewhere. Failure to appreciate the unique setting of ERP's success was to dog appraisals of subsequent aid programs in less advantageous settings.

### NATO and Military Aid

Even as ERP got underway, the Berlin blockade of 1948-49 and other manifestations of Soviet hostility to the West and militant expansionism in many areas con-

vinced Western leaders that rearmament was unavoidable and that a defensive alliance was essential. With the U.S., Canada, and 10 countries of Europe as its members, the North Atlantic Treaty Organization was formed in mid-1949, and President Truman promptly asked Congress to authorize substantial amounts of military aid to NATO and other countries.

Except for relatively small amounts of military aid given to Nationalist China after V-J Day and to Greece and Turkey beginning in 1947, the entire thrust of post-war assistance had concerned human relief and economic recovery. Of the \$26.3 billion in net aid distributed between mid-1945 and mid-1950, less than \$1.4 billion went for military purposes. Passage of the Mutual Defense Assistance Act of 1949 marked the start of a buildup that was sharply accelerated in mid-1950 by the Korean War and reached its peak in 1953, when net military aid to America's allies surpassed \$4 billion. During the five years from mid-1950 to mid-1955, military aid accounted for almost \$14 billion of the \$26 billion in total net assistance. Much of the \$12 billion in non-military aid, moreover, went to support the purely military phases of the buildup.

The shift from reconstruction to rearmament, begun in 1949, was accompanied by other significant changes in aid policy. War in Korea, coming shortly after the retreat of Chiang Kai-shek to Formosa, served to make the adequacy of American policy in the Far East a central issue in the 1952 Presidential election. The "unleashing" of Chiang by President Eisenhower in 1953 symbolized the nation's commitment -- first in Korea, then in Formosa, and later in Indochina -- to a policy of military "containment" of Communist China, no less than of the Soviet Union. First in Europe, then in Asia, foreign aid came increasingly to be justified as a "cheap" increment to national security. Thus, in 1951, all aid authorizations were consolidated in the Mutual Security Act; the same year, Congress had connivances over a wheat loan to "neutralist" India.

### Decade of Mutual Security

Although military assistance reached its dollar peak in 1953, the military and anti-Communist orientation of the mutual security concept continued to dominate both official and public views of aid policy for the balance of the 1950s. As a practical matter, however, actual policies and programs underwent considerable modification in the wake of new developments on the world scene, rendering the Mutual Security Program an increasingly unsatisfactory framework within which to determine needs and evaluate programs. (See comments of Sen. Mansfield in 1959, p. 21) Following are the more notable developments leading up to replacement of the Mutual Security Act in 1961.

• Rising stocks of surplus farm commodities were channeled into foreign aid, beginning in 1954, through "sales" for foreign currencies, most of which were either given or loaned back to the "purchasers." By 1961, these "sales" had mounted to \$9.5 billion, of which \$6.5 billion had gone to India, Yugoslavia, Pakistan, Spain, Poland, and Brazil. Only in the case of Pakistan, an ally bordering on Central Asia, was there an ostensible military justification for this form of aid. A policy of encouraging independence of Moscow accounted for aid to Communist Yugoslavia (after Tito's break with Stalin in 1948) and to Poland, while aid to Spain (initiated under

Congressional pressure in 1950) came to be a form of ground-rent for Strategic Air Command bases built with U.S. funds.

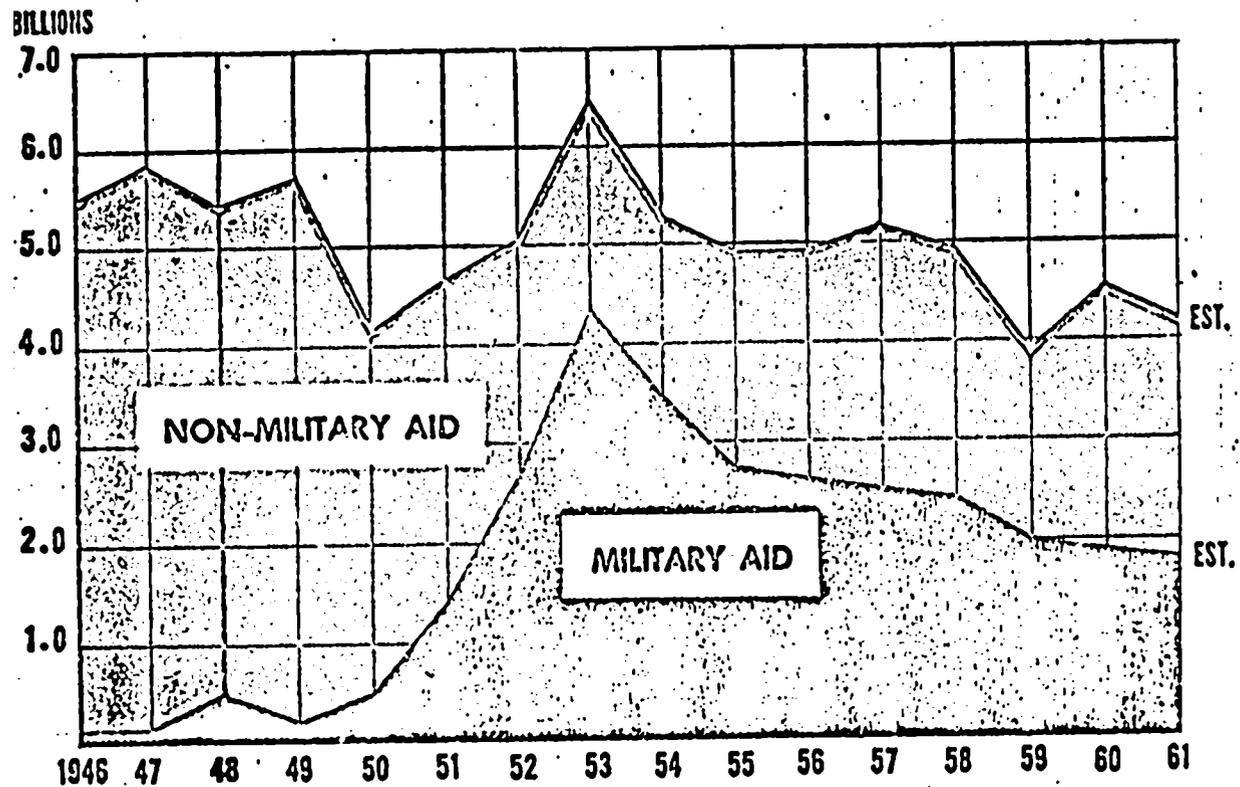
Changes in Soviet leadership and policy following the death of Stalin in 1953 were accompanied by a rising Soviet interest -- manifested by offers of credits and technical assistance -- in the underdeveloped and newly independent countries of Asia and Africa. Although the U.S. had pioneered in this field, first in Latin America and then elsewhere (through the Point Four program initiated in 1950), development assistance was consigned a minor role during the post-1949 military buildup; Soviet entry into the field helped to sharpen American interest in the politics as well as economics of the underdeveloped world. With the establishment of the

Development Loan Fund in 1957, the U.S. gave increasing attention -- and money -- to the task of aiding such uncommitted countries as India to attain a viable economy without resort to the totalitarian methods of Communism.

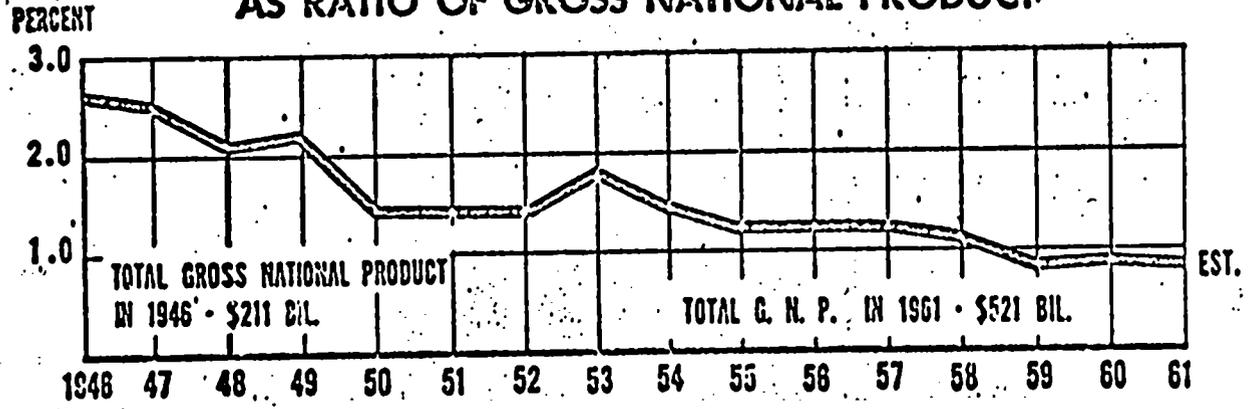
As the aid "mix" changed -- the ratio of military aid falling, that of development aid rising -- so too did the relative influence of economic, political and military considerations in the formulation of policy. Given the long-term character of the development problem, grants gave way to "soft" loans, repayable in non-convertible currencies. Then, under balance-of-payments pressure, the U.S. in 1959 began "tying" its loans to purchases of American products, and to persuade the increasingly affluent Germans, French, and British to shoulder a fair share of the development burden. This initiative led to

## TRENDS IN FOREIGN AID, 1946 - 1961

Net Grants and Credits, by Calendar Years



## AS RATIO OF GROSS NATIONAL PRODUCT.



13

the doubling of World Bank resources in 1959, establishment of the International Development Assn. in 1960, and creation of the Organization for Economic Cooperation and Development in 1961 -- all steps of a multilateral character. At the same time, the U.S. all but abandoned its earlier view that "neutralism" might disqualify a nation for American aid.

Having outlived its rationale, the Mutual Security Act was replaced by one more suited to the realities of the 1960s. At President Kennedy's urging, Congress in 1961 cut the cord binding economic to military aid, placing the former under a new Agency for International Development and relegating the latter to its logical place in the Department of Defense. The distinction, lost to public view for a decade, had gained new validity as a growing cleavage between the world's "have" and "have not" nations had cut across the prevailing two-dimensional concept of East-West conflict.

## Congress and Aid

The foregoing summary, as well as the more detailed chronology that follows, ignores many of the contributions -- positive and negative -- of Congress to the evolution of aid policy. Congressional influence varied with the issue, the party in power, and the men in positions of leadership, but at no time during this period was it insignificant in shaping, or circumscribing, policy.

Outstanding among influential Members was the late Sen. Arthur H. Vandenberg (R Mich.), chairman of the Senate Foreign Relations Committee in the Republican-controlled 80th Congress (1947-48). Vandenberg is now credited with having persuaded President Truman to gild his request for Greek-Turkish aid with his anti-Communist "doctrine," as a prelude to winning Republican support for the upcoming European Recovery Program.

Others who played influential roles: Sen. William F. Knowland (R Calif.), Senate Majority Leader in 1954 and Minority Leader from 1955 to 1959, whose vigorous support of Nationalist China helped to shape military as well as aid policy respecting Formosa; Sen. J.W. Fulbright (D Ark.), chairman of the Foreign Relations Committee beginning in 1959, who directed a special study of foreign aid in 1956 that laid the groundwork for the Development Loan Fund; and Rep. Otto E. Passman (D La.), chairman since 1955 of the House Appropriations Committee's Foreign Operations Subcommittee, who led the annual and usually successful effort to "purify" the aid program by cutting its funds.

Most of the scores of amendments written into aid legislation by Congress were of a restrictive nature, designed to strengthen legislative control or to promote unrelated policy objectives. Thus the legislative branch at one time or another, barred the use of aid funds to publicize programs in the U.S., required one-half of aid shipments to be transported by American-flag vessels, stipulated that fixed amounts of aid funds be used to finance the export of surplus commodities, barred aid to countries selling strategic goods to the Soviet Union, and made the withholding of information from Congress a criterion for cutting off funds.

Whether, on balance, such strictures added to or detracted from the effectiveness of aid programs, they unquestionably served a purpose in making an inherently distasteful expenditure somewhat more palatable for a good many "uncommitted" Members of Congress.

## Chronology Of Foreign Aid -- 1945-1961

**1945** The last year of World War II also marked the beginnings of America's commitment to aid in the economic rehabilitation of the post-war world. With minimum opposition, Congress agreed to join the World Bank and Monetary Fund, expand operations of the Export-Import Bank, double U.S. contributions to the United Nations Relief and Rehabilitation Administration (UNRRA), and extend lend-lease aid for one year. America's objective, said President Truman in his post-war policy message Sept. 6, "is to enable the peace-loving nations...to become self-supporting in a world of expanding freedom and rising standards of living."

**Lend-Lease.** HR 2013 extended for one year (to July 1, 1946) President's authority to assist allies, first authorized in 1941. Passed by House, 354-28 (D 207-1; R 145-27; Ind. 2-0), March 13. Passed by Senate by voice vote April 10, after restrictive amendment by Taft (R Ohio) was rejected, 39-39 (D 4-37; R 34-2; Ind. 1-0). Vice President Truman also voted "nay" on the amendment, then signed bill April 16 four days after death of President Roosevelt. (PL 79-31) (The Second Deficiency Appropriation Act of 1945, approved June 30, included almost \$2 billion for lend-lease.)

**World Bank, Fund.** HR 3314 authorized U.S. membership in International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF), together with U.S. subscriptions of \$3,175,000,000 for IBRD (\$635 million in cash, balance subject to call) and \$2,750,000,000 (all paid in) for IMF. Agreement concluded at 44-nation conference at Bretton Woods, N.H. in 1944, and submitted to Congress as executive agreement. Passed by House, 345-18, June 7. In Senate opposed by Taft (R Ohio) as "wasteful of our assets, will create a false and inflated export trade leading to depression, and is more likely to create ill will than good will toward the United States." Passed by Senate, 61-16 (D 41-2; R 19-14; Ind. 1-0), July 19. (PL 79-171) (For expansion of IBRD and IMF, see 1959.)

**Export-Import Bank.** HR 3771 increased capital stock of Export-Import Bank (created in 1934 to finance sale of U.S. exports) from \$175 million to \$1 billion (all held by Treasury) and raised Bank's authority to borrow from Treasury to \$2.5 billion, giving Bank total lending authority of \$3.5 billion outstanding at any one time. Passed by House, by standing vote of 102-6, July 13; passed by Senate by voice vote July 20. (PL 79-173) (For further expansion, see 1951, 1954, 1956.)

**UNRRA.** HR 4649 authorized further contribution to relief agency of \$1,350,000,000, the amount first authorized by UNRRA Participation Act of 1943 (PL 78-267), and extended expiration date one year to June 30, 1947. Passed by House, 327-39 (D 197-9; R 128-30; Ind. 2-0), Dec. 6, and by Senate by voice vote Dec. 17. (PL 79-262)

H J Res 266, appropriating last \$550 million of first UNRRA authorization, passed by House, 340-17, Nov. 1 after adding Dirksen (R Ill.)-Brown (R Ohio) amendment barring use of funds in countries restricting freedom of U.S. correspondents, by vote of 188-168 (D 32-164; R 156-2; Ind. 0-2). Amendment dropped in Senate and in conference report adopted Dec. 11 by voice votes. First \$750 million of second UNRRA authorization contained in first deficiency appropriation of 1946, approved Dec. 28 by voice votes. (For balance, see 1946)

**1946** The proposed loan to Britain, requested Jan. 30 by President Truman, set off a six-month debate that dominated public discussion of aid policy. "Britain needs this credit and she needs it now," said Truman, to meet her balance-of-payments deficits. But the "most important purpose" of the loan was to enable the British to remove emergency foreign-exchange controls and discriminatory import restrictions promptly -- an essential first step toward the U.S. goal of expanding world trade. To conservatives of both parties, however, the newly installed Labor government of Clement Attlee -- then bent on nationalizing British industry -- was anathema. Some liberals, meanwhile, were incensed over British policy in Palestine. Joining forces to oppose the loan, this coalition, although ultimately defeated, succeeded in delaying Congressional approval for months.

**British Loan.** S J Res 138 authorized a \$3,750,000,000 line of credit to Britain, to be available through 1951 when repayment of principal (over 50 years) at 2 percent interest would begin, plus a grant of \$650 million in settlement of lend-lease, in return for which Britain agreed to drop exchange restrictions within one year. Brought to Senate floor April 17, it set off a three-week debate topped by a cloture motion, rejected 41-41 (D 23-22; R 17-19; Ind. 1-0) May 7. Opponents then offered 10 amendments, winning maximum support for McFarland (D Ariz.) amendment to require Britain to cede bases leased to U.S. during war in return for loan -- rejected 40-45 (D 19-28; R 20-17; Ind. 1-0). After rejecting all other amendments, Senate passed S J Res 138, 46-34 (D 29-15; R 17-18; Ind. 0-1) May 10:

House debate, begun July 8, drew speeches from about 100 Members for or against loan. All amendments rejected, starting with Dirksen (R Ill.) move to require Britain to put up security for loan -- defeated on 112-168 teller vote. House then rejected motion to recommit with instructions to add Dirksen amendment, 155-219, and passed S J Res 138, 219-155 (D 157-32; R 61-122; Ind. 1-1), July 13. (PL 79-509)

**UNRRA Funds.** To complete funding of \$1,350,000,000 contribution to UNRRA authorized in 1945 (see above); Congress first approved transfer of \$135 million from lend-lease funds, in a supplemental appropriation signed May 27. Remaining \$465 million was provided in Third Deficiency Appropriation (HR 6885), to which House again attached Dirksen (R Ill.) amendment barring use of funds in countries restricting freedom of U.S. correspondents, by vote of 228-85 (D 78-83; R 149-1; Ind. 1-1) June 28. Aimed at Soviets and opposed by Truman Administration, amendment was watered down by Senate before action was completed July 19 on HR 6885.

**GARIOA.** For "government and relief in occupied areas," the Army in 1946 asked \$500 million as part of its fiscal 1947 appropriations. This was cut to \$350 million by the House Appropriations Committee, raised

to \$500 million by the Senate, and compromised at \$425 million before the \$7.3 billion Army appropriation measure (HR 6837) was sent to the President July 12. Under GARIOA program, Army administered first post-war foreign aid operations.

**Philippine Aid.** The Philippine Rehabilitation Act (S 1610), first passed by the Senate Dec. 5, 1945, then by the House April 10 shortly before the U.S.-sponsored Republic became an independent nation July 4, provided \$400 million for war damage claims, \$120 million for restoration of public services, and the transfer of \$100 million worth of surplus property in the Philippines. (PL 79-370)

**1947** Foreign aid took on new urgency, direction and scope under the impact of Soviet aggressiveness in Eastern Europe. The threat of an imminent Communist takeover in Greece led President Truman, addressing a joint session of the Republican-controlled 80th Congress March 12, to declare that "it must be the policy of the United States to support free peoples who are resisting subjugation by armed minorities or by outside pressures" -- the Truman Doctrine. With a strong assist from Sen. Arthur H. Vandenberg (R Mich.), new Chairman of the Senate Foreign Relations Committee and a reformed isolationist, Congress promptly authorized the \$400 million requested for military and economic aid to Greece and Turkey, in addition to another \$350 million for foreign relief. Called into special session Nov. 17, Congress was asked for another \$597 million for emergency aid to Europe and notified of the coming four-year \$17-billion request for the European Recovery Program (ERP-submitted Dec. 19) -- the ambitious joint undertaking set in train June 5 by Secretary of State George C. Marshall's offer of long-range economic aid. By adjournment Dec. 19, Congress had appropriated almost \$2.5 billion for aid in one form or another. (For action on ERP, see 1948.)

**Foreign Roll-off.** H J Res 153 authorized \$350 million for relief in Austria, Greece, Hungary, Italy, Poland, China and Trieste -- requested by the President Feb. 21 to meet "urgent relief needs for the balance of the year." Before passing measure 333-66, April 30, House voted 225-165 (R 190-36; D 35-128; Ind. 0-1) to cut authorization to \$200 million, and adopted amendment to require distribution of relief supplies by American personnel -- a substitute for Colmer (D Miss.) proposal to bar aid to Soviet-dominated Poland and Hungary. (Communists took over Hungarian Government on May 30.)

Senate restored full \$350 million and passed bill by voice vote May 14, after rejecting Kem (R Mo.) amendment to cut authorization to \$200 million. Conference version, retaining Senate figure, approved by House, 288-86, May 21 after Jonkman (R Mich.) motion to insist on \$200 million figure was rejected, 170-205 (R 136-72; D 24-132; Ind. 0-1). Senate acted by voice vote same day. (PL 80-84) (For appropriation, see below.)

**Greece & Turkey.** S 938 authorized the President to furnish military and economic aid to Greece and Turkey in the amount of \$400 million, with Vandenberg in charge and Gallup Poll showing strong support for Truman Doctrine, Senate rejected Johnson (D Colo.) amendment to delete military aid, 22-68 (R 13-38; D 9-30), then passed bill, 67-23 (R 35-16; D 32-7), April 27. House rejected 23 amendments by voice or standing votes before passing

substantially similar bill, 287-108 (R 127-94; D 160-13; Ind. 0-1), May 9. Conference report approved by voice votes May 15, nine weeks after President's request. (PL 80-75) (For appropriation, see below.) Senate confirmed nomination of former Gov. Dwight P. Griswold (R Neb.) as chief of Greek aid mission, June 10.

**Refugees.** S J Res 77 authorized U.S. participation in the International Refugee Organization, a UN agency, together with a contribution of \$73.5 million in fiscal 1948, to assist in care and resettlement of one million displaced Europeans. Requested by President Truman on Feb. 24. Passed by Senate by voice vote March 25, and by House (amended), by 124-43 standing vote, June 26. House amendments agreed to by Senate June 27. (PL 80-146) (For appropriation, see below.)

**Interim Aid.** S 1774 authorized \$597 million for emergency winter aid to Austria, China, France, and Italy. Requested by President Truman Nov. 17 to "give the peoples of Europe the strength to hold out" until the European Recovery Program could get underway. Passed by Senate Dec. 1, 83-6, after rejecting Malone (R Nev.) amendment to cut authorization to \$400 million, 30-56 (R 20-27; D 10-29). Passed by House (amended) by voice vote Dec. 11. Conference report agreed to Dec. 15 -- by House, 313-82, and by voice vote of Senate. (PL 80-389) (For appropriation, see below.)

**Funds.** Appropriations for foreign aid were enacted as follows. First Deficiency, completed May 1 -- \$300 million for GARIOA program. First Supplemental, completed July 26 -- another \$600 million for GARIOA, \$400 million for Greece and Turkey (authorized May 9), \$332 million for foreign relief (authorized May 21), and \$71 million for International Refugee Organization. Third Supplemental, completed Dec. 19 -- \$540 million for interim aid (authorized Dec. 11), and another \$230 million for GARIOA. Total appropriations: \$2,473,000,000.

**1948** Responding to Secretary Marshall's offer of June 5, 1947, 16 countries of Western Europe had formed a Committee of European Economic Cooperation to draw up a long-range plan for restoring production and trade to pre-war or higher levels and to estimate the dollar aid that would be needed. The Committee's report of Sept. 22 furnished the basis for President Truman's Dec. 19 request that Congress authorize a four-year program of assistance totaling \$17 billion and appropriate \$6.8 billion for the first 15 months starting April 1, 1948.

By the end of 1947, the U.S. had already provided more than \$15 billion for post-war relief and rehabilitation; the proposed European Recovery Program -- or Marshall Plan -- struck many as an intolerable additional burden on the American economy, then under strong inflationary pressures. But pressures from abroad proved stronger -- Communists seized the Czechoslovakian Government Feb. 25 and threatened to win a national election in Italy in April, while the Soviets clamped a blockade on Berlin April 1. With the first of the pro-aid lobbies (Committee for the Marshall Plan) in the vanguard, most national organizations endorsed ERP and Congress approved it without substantial change.

As enacted, ERP marked a new departure in foreign aid in several respects. It embodied a qualified but real commitment by the U.S. to see the job through. It committed the Europeans to a course of self-help,

cooperation and economic reform over which the U.S. was to exercise extensive control. And it spawned the first independent aid agency -- the Economic Cooperation Administration. By refusing to participate in the Marshall Plan, the Soviet bloc made permanent the post-war division of Europe; by agreeing to participate, Western Europe laid the foundation for its drive toward economic and political unification.

**European Recovery Program.** S 2202, Title I -- the Economic Cooperation Act of 1948 -- authorized first-year appropriations of \$4.3 billion, plus an increase of \$1 billion in Export-Import lending authority, to carry out purposes of ERP, subject to bilateral agreements between the U.S. and each participating country providing for joint control over recovery plans and expenditures from "counterpart funds" of local currencies generated by the sale of American-supplied commodities. Title I also established the Economic Cooperation Administration -- Independent of the State Department -- to run the program, which was to terminate June 30, 1952. (For other titles, see "Other Aid" below.)

Reported unanimously by Senate Foreign Relations Committee Feb. 26, authorizing \$5.3 billion appropriation for first 12 months (rather than \$6.8 billion requested for 15 months). During debate starting March 1, 26 amendments proposed, with all opposed by Vandenberg (R Mich.) rejected, including Taft (R Ohio) amendment to cut authorization to \$4 billion, defeated 31-56 (R 23-24; D 8-32). S 2202 then passed by Senate, 69-17 (R 31-13; D 38-4), March 13.

Reported by House Foreign Affairs Committee March 20, with amendments cutting first-year authorization to \$4.3 billion but adding \$1 billion in Export-Import Bank lending authority, and adding other titles to bill (see below). During debate starting March 23, House rejected 25 amendments, agreed to 22 others, including one to include Spain in program. S 2202 passed by House, 329-74 (R 171-61; D 158-11; Ind. 0-2), March 31. Conference report approved April 2 by House, 318-75, and by Senate by voice vote. (PL 80-472) Nomination of Paul G. Hoffman as ECA Administrator confirmed by Senate April 7.

**Other Aid.** As enacted, S 2202 also authorized an additional contribution of \$60 million in fiscal 1949 to the UN International Children's Emergency Fund (Title II); another \$275 million for the Greek-Turkish aid program authorized in 1947 (Title III); and \$463 million for aid to China, of which \$125 million was for military aid (Title IV). Titles II, III, and IV added to S 2202 by House Foreign Affairs Committee -- partly to ease passage of ERP -- in amounts of \$60 million for UNICEF, \$275 million for Greece and Turkey, and \$570 million (\$150 million in military aid) for China, and so approved by House March 31. Senate then passed separate bills, by voice votes March 23 and 30, authorizing \$275 million for Greece and Turkey and \$463 million (\$100 million for military aid) for China. Sums as finally approved included in conference report on S 2202 -- the first omnibus foreign-aid authorization bill.

**Funds.** Actual funds for ERP and other aid programs authorized by S 2202 were likewise provided by an omnibus appropriation (HR 6801), which firmly established Congressional pattern of supplying smaller amounts than previously authorized for foreign aid, while using the occasion to attach additional restrictions on their use. House Appropriations Committee cut budget estimates of

\$6.5 billion by 21 percent, and spread ERP funds over 15 months. HR 6801 passed by House by voice vote June 4 after rejecting Dirksen (R Ill.) amendment to provide same funds for 12 months, by a 113-148 standing vote. Similar amendment proposed by Senate Appropriations Committee (along with other increases) and agreed to by Senate, 64-15, before passing bill, 60-9, June 15. Conference report provided these sums: \$4 billion for ERP for 12 months, \$1.3 billion for GARIOA program, \$400 million for aid to China, \$225 million for Greece and Turkey (military aid), \$71 million for IRO, and \$35 million for UNICEF -- a little over \$6 billion in all. Agreed to June 30 by House, 318-62, and by Senate by voice vote. (PL 80-793)

**1949** To the foreign aid commitments embodied in the Truman Doctrine of 1947 and the Marshall Plan of 1948, the U.S. in 1949 added what was to become a permanent and global program of military assistance to nations allied with the U.S. in resisting encroachments of the Communist bloc. With the signing of the North Atlantic Treaty April 4, binding the U.S. and its allies in Western Europe in a mutual defense pact, President Truman called on Congress to authorize substantial military aid to the NATO partners.

The President's request, coming on top of another for \$5.6 billion to finance the second year of the European Recovery Program, met with little enthusiasm among Members of the Democratic-controlled 81st Congress. To some, the military-aid proposal connoted rearmament and an inevitable drift to World War III. To others, military aid clashed with the recovery objectives of ERP. To still others, the immediate military threat lay less in Europe than in China, where Communist forces were moving rapidly to vanquish the Nationalist armies of Chiang Kai-shek.

Prodded by the President and his diplomatic and military advisers -- and the disclosure Sept. 23 that the Soviets had set off an atomic bomb, ending America's monopoly -- Congress finally approved the Mutual Defense Assistance Act, authorizing \$1.3 billion in military aid. Also approved in 1949: a 15-month extension of ERP, contributions to UNICEF and the UN relief program for Palestine refugees, and extension of the technical assistance program of the Institute of Inter-American Affairs. Congress also began, but failed to complete, action on two new aid programs: a "Little Marshall Plan" for the newly-formed Republic of Korea, and President Truman's Jan. 20 proposal for a "bold new program" of technical aid for all underdeveloped areas, known as Point IV.

**Military Aid.** HR 5895, the Mutual Defense Assistance Act, authorized a total of \$1,314,010,000 in military aid as follows: \$1 billion for members of the North Atlantic Treaty Organization requesting it; \$211,370,000 for Greece and Turkey; \$75 million in the "general area" of China; and \$27,640,000 for Iran, South Korea, and the Philippines. The President July 25 asked for a total of \$1,450,000,000 and authority to aid "any nation"; when Sen. Vandenberg and others objected to this as a "blank check," the request was revised Aug. 5 to make aid to Europe contingent on creation of a unified defense command, and the sum asked was cut to \$1.4 billion.

As reported Aug. 15 by House Foreign Affairs Committee, HR 5895 authorized full amount requested, with \$505 million of total in contract authority. House then adopted two amendments by Richards (D S.C.), deleting

## Leading Aid Recipients

Net Grants and Credits: 1945-61

(In millions)

	Military Aid	Non-Military Aid	Total Aid
<b>GRAND TOTAL</b>	<b>\$28,791</b>	<b>\$55,919</b>	<b>\$84,710</b>
1. France	4,369	5,291	9,659
2. United Kingdom	1,087	6,653	7,739
3. Italy	2,115	3,019	5,134
4. China	3,097	1,814	4,910
5. Korea	1,575	2,981	4,556
6. Japan	1,481	2,563	4,044
7. Germany	938	3,085	4,023
8. Turkey	1,974	1,054	3,028
9. Greece	1,423	1,527	2,950
10. Netherlands	1,189	922	2,111
11. Yugoslavia	719	1,386	2,106
12. India		2,001	2,001
13. Vietnam*	537	1,374	1,910
12. Belgium-Luxembourg	1,186	701	1,887
15. Philippines	397	983	1,380
16. Spain	463	803	1,266
17. Austria		1,098	1,098
18. Iran	505	564	1,068
19. Pakistan**		1,054	1,054
20. Brazil	174	800	974

\*Aid since 1954 only.

\*\*Military aid data is classified

SOURCE: DEPARTMENT OF COMMERCE

all contract authority, by a 123-73 standing vote, and trimming another \$75 million, by roll call of 209-151 (D 71-143; R 137-8; Ind. 1-0). HR 5895, authorizing total of \$819,505,000, passed by House, 238-122 (D 187-27; R 51-94; Ind. 0-1), Aug. 18.

Senate Foreign Relations and Armed Services Committees, acting jointly, agreed to sums as finally enacted, providing one-half of the \$1 billion for Europe in the form of contract authority and adding \$75 million for the "general area" of China -- an item not requested by the President but demanded by William F. Knowland (R Calif.) and others who had proposed \$175 million for the Chinese Nationalists. Senate rejected amendment by George (D Ga.) to cut \$200 million from bill, 32-46 (D 9-36; R 23-10), then passed measure, 55-24 (D 36-10; R 19-14) Sept. 22. House conferees accepted all Senate figures; conference report accepted Sept. 28 by the House, 224-109, and by voice vote of Senate: (PL 81-329) (For appropriations, see below.)

**ERP Extension.** S 1209 extended Title I of the Economic Cooperation Act of 1948, covering the European Recovery Program, for 15 months through June 30, 1950 and authorized additional appropriations totalling \$5,430,000,000 -- the full amount requested. S 1209 also authorized the Export-Import Bank to guarantee up to \$150 million in U.S. private investments in Europe, added

"the unification of Europe" to the purposes of ERP, and otherwise amended the 1948 law in many respects.

With the bulk of ERP funds being spent in the U.S. for coal, cotton, wheat, machine tools and other items shipped to Europe, Senate hearings disclosed that 109 different interests were "knocking at the door of ECA for special preference," according to Foreign Relations Committee Chairman Tom Connally (D Texas). Senate began debate on S 1209 March 24; approved 10 amendments and rejected 16, including Taft (R Ohio)-Russell (D Ga.) move to cut authorization by 10 percent; then passed bill, 70-7, April 8. House, acting on its own bill, accepted one minor amendment, rejected 15 others, and passed measure, 353-49, April 12. Conference report accepted by voice votes of both chambers April 14. (PL 81-47) For appropriations, see below.

**Other Aid.** S J Res 36, passed by Senate by voice vote Feb. 21 and by House by 160-18 standing vote March 16, authorized \$16 million contribution to UN for relief of 500,000 Arab refugees in Palestine. (PL 81-25) HR 2785, passed by voice votes of House June 7 and Senate June 30, authorized additional contribution of \$25 million to UN International Children's Emergency Fund. (PL 81-170) S 1250, passed by voice votes of Senate July 6 and House Aug. 1, authorized additional five-year appropriation of \$35 million for Institute of Inter-American Affairs for technical aid program inaugurated in 1942 by Nelson A. Rockefeller as Coordinator of Inter-American Affairs.

**Aid to Korea.** President Truman June 7 asked Congress to authorize a new ECA-administered economic aid program for the Republic of Korea, to replace aid given under Army's GARIOA program amounting to \$434 million since V-J Day. S 2319, authorizing \$150 million for a "Little ECA" program, passed by Senate, 48-13, Oct. 12. HR 5330, reported July 1 in same amount, failed to reach House floor before adjournment Oct. 19. But Congress nevertheless appropriated \$60 million for economic aid to Korea: \$30 million in Third Deficiency bill approved Oct. 6 (PL 81-343) and another \$30 million in Second Supplemental approved Oct. 19 (PL 81-430).

**Point IV.** "We must embark on a bold new program," said President Truman in his Jan. 20 inaugural address, "for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." His proposal, calling for technical assistance and capital investment in "areas needing development," was in the fourth section of his address and was promptly dubbed the Point IV program. In a further message June 24, the President asked for \$45 million to start the program, plus authority to guarantee private U.S. investments in less developed countries. Hearings were held by both Banking and Currency Committees and the House Foreign Affairs Committee; two bills were reported but failed to reach a vote. (For subsequent action, see 1950.)

**Funds.** HR 4830, enacted Oct. 6 after lengthy delay in the Senate, appropriated almost \$5.7 billion for foreign aid: \$4,712,380,000 for ECA, plus \$150 million in Export-Import Bank loan authority; \$912,500,000 for GARIOA aid in Germany, Austria, and Japan; and \$45 million for Greece and Turkey. (PL 81-327) HR 6427, the Second Supplemental enacted Oct. 28, appropriated all funds authorized by the Mutual Defense Assistance Act: \$500 million for NATO countries (plus \$500 million in contract

authority), \$211,370,000 for Greece and Turkey, \$75 million for China, and \$27,640,000 for Korea, Iran, and the Philippines -- all for military aid. (PL 81-430)

**1950** Foreign aid underwent a sharp change of emphasis in the wake of the June 25 attack on the Republic of Korea by the Communist regime of North Korea. The four-to-one ratio of economic to military assistance reflected in 1949 appropriations was all but reversed by the end of 1950. Of the \$3.5 billion in new funds provided during the year, \$5.7 billion was to help arm the nation's allies in the face of Sino-Soviet hostility.

The attack in Korea also produced a temporary truce in Congress. As the second session opened, the House, in an unprecedented action, killed the Korean aid bill passed by the Senate in 1949. Although this action was later reversed, debate on this measure and the omnibus Foreign Economic Assistance Act underscored growing dissatisfaction with the various aid programs and a retreat from the bipartisan views espoused by Vandenberg. Republicans in particular were incensed over the Truman Administration's refusal to aid Chiang Kai-shek, who had retreated to Formosa Dec. 7, 1949. Britain's decision to recognize the Chinese Communist regime Jan. 6, 1950, together with the growth of trade between the ERP countries and the Communist bloc, also served to sharpen criticism of aid policies.

With the President's decision to commit American forces to the UN "police action" in Korea, Congressional ranks closed. Military aid funds were voted without haggling. A modest start was made on the Point IV program. Congress even approved a relief program for Communist Yugoslavia, whose leader Tito broke with Moscow in 1948. But the semblance of unity produced by Korea faded rapidly; the setbacks suffered there and elsewhere in the Far East produced mounting criticism of Administration foreign policies and aid programs.

**Aid to Korea.** S 2319 authorized the President to extend \$60 million in economic aid to Republic of Korea, and to spend still-unexpended China aid funds, amounting to about \$100 million, for "assistance in certain areas of China" -- a provision known as the "Formosan amendment." Acting on HR 5330, companion bill to S 2319 passed by Senate in 1949 and authorizing \$150 million for Korea, House first cut the sum to \$60 million by voice vote, then rejected HR 5330, 191-192 (D 170-61; R 21-130; Ind. 0-1) Jan. 19. Following plea by Secretary of State Dean Acheson, Foreign Affairs Committee took up S 2319, cut the authorization for Korea to \$60 million, and added "Formosan amendment" to pick up GOP support. So amended, S 2319 was passed by House, 240-134 (D 198-42; R 42-91; Ind. 0-1) Feb. 9. Senate concurred by voice vote Feb. 10. (PL 81-447) (For appropriations, see below.)

**Omnibus Bill.** HR 7797, the Omnibus Foreign Economic Assistance Act, authorized aid as follows: \$2.7 billion (of which \$600 million was earmarked for the European Payments Union), plus \$150 million in unexpended funds, for the third year of the Marshall Plan; another \$100 million for economic aid to Korea; continued availability of unexpended funds for aid to China; another \$27,450,000 for Palestine refugees; \$35 million to start the Point IV technical assistance program; and another \$15 million for UNICEF.

As reported by House Foreign Affairs Committee March 27, HR 7797 authorized only \$1,950,000,000 for ECA -- \$1 billion less than asked -- but provided for gift of \$1 billion worth of surplus farm commodities. Other items in bill included \$45 million for Point IV. House rejected 26 amendments but agreed to 10 others, deleting surplus provision but restoring only \$750 million to the ECA authorization, and -- on motion of Herter (R Mass.) -- cutting Point IV figure to \$25 million, Smith (R Wis.) motion to recommit bill, with instructions to delete entire Point IV program, was rejected 150-220 (D 31-191; R 118-29; Ind. 1-0). HR 7797 then passed by House, 287-86, March 31.

Senate Foreign Relations Committee March 22 reported its own bill (S 3101), authorizing all sums requested. Senate rejected Taft (R Ohio) amendment to cut ECA fund by \$500 million, 40-40 (D 10-34; R 30-6), but agreed to Bridges (R N.H.) amendment cutting \$250 million, 47-33 (D 14-30; R 33-3). Also rejected: McCarran (D Nev.)-Brewster (R Maine) amendment to add Spain to Marshall Plan and authorize \$50 million loan, 35-42 (D 14-28; R 21-14). Committee amendment adding Point IV program to bill was then approved, 37-36 (D 29-11; R 8-25), and Senate passed measure, 60-8, May 5. Conference report approved by House, 248-88, May 23, and by the Senate, 47-27, May 25. (PL 81-535) (For appropriations, see below.)

**Military Aid.** S 3809 extended the Mutual Defense Assistance Program for one year, with these authorizations: \$1 billion for NATO countries; \$131.5 million for Greece, Turkey, and Iran; \$75 million for the "general area" of China; and \$16 million for Korea and the Philippines. S 3809 also reauthorized use of \$214 million unexpended, authorized transfer of \$250 million of surplus war supplies, and authorized sale of \$100 million worth of arms on credit terms.

Requested by the President June 1 and reported to the Senate without change June 21, on the eve of the attack in Korea, S 3809 was passed by a unanimous vote of 66-0 June 30. Passed by House without amendment, 362-1, July 19. The "nay": Marcantonio (ALP N.Y.). (PL 81-621) (For appropriations, see below)

**Aid to Yugoslavia.** S 4234 authorized use of \$50 million in previously appropriated ECA funds for aid to Yugoslavia, President Truman requested measure Nov. 29 for famine relief. In Senate Knowland (R Calif.) pressed amendment to bar aid to Yugoslavia until Administration sent Nationalist China one-half of \$75 million authorized for military aid to Chiang. When ruled non-germane, Knowland moved to recommit with instructions to add his amendment. Senate rejected motion, 38-42 (D 4-37; R 34-5), then passed S 4234, 60-21, Dec. 11. House version passed, 225-142 (D 182-41; R 43-100; Ind. 0-1), Dec. 13. Conference report approved by voice votes of House Dec. 18 and Senate Dec. 19. (PL 81-897)

**Investment Guarantees.** Although Congress authorized technical assistance portion of President's Point IV proposal (see "Omnibus Bill" above), it failed to complete action on his proposed incentive to private investment. HR 8083, authorizing Export-Import Bank to guarantee \$250 million in investment against expropriation, was passed by House, 195-151 (D 183-13; R 12-132; Ind. 0-1) July 12, but was not acted on by Senate.

**Funds.** HR 7786, the omnibus fiscal 1951 appropriation bill, included \$4.4 billion for foreign aid, as follows:

### Major Aid Agencies

**ECA -- Economic Cooperation Administration,** first independent foreign aid agency, established by the Economic Cooperation Act of 1948 (PL 80-472) to administer the European Recovery Program (Marshall Plan) and other programs. Abolished by the Mutual Security Act of 1951 (PL 82-165) and functions transferred to Mutual Security Agency Dec. 30, 1951.

**ICA -- Technical Cooperation Administration,** established within Department of State by the Foreign Economic Assistance Act of 1950 (PL 81-535). Transferred to Mutual Security Agency by Executive Order 10458 June 1, 1953, then to Foreign Operations Administration by Reorganization Plan No. 7 of 1953, effective Aug. 1, 1953.

**MSA -- Mutual Security Agency,** established by the Mutual Security Act of 1951 (PL 82-165). Abolished by Reorganization Plan No. 7 of 1953 and functions transferred to --

**FOA -- Foreign Operations Administration,** established Aug. 1, 1953. Abolished by Executive Order 10610 June 30, 1955, and functions transferred to --

**ICA -- International Cooperation Administration,** established by Executive Order 10610 July 1, 1955 as semi-autonomous agency within Department of State. Abolished by the Foreign Assistance Act of 1961 (PL 87-195) and functions transferred to Agency for International Development.

**DLF -- Development Loan Fund,** established by the Mutual Security Act of 1957 (PL 85-141) as lending arm of ICA. Reorganized as a government corporation by Mutual Security Act of 1958 (PL 85-477). Abolished by Foreign Assistance Act of 1961 (PL 87-195) and functions transferred to --

**AID -- Agency for International Development,** established by Executive Order 10973 Nov. 3, 1961 as semi-autonomous agency within Department of State, to continue functions of ICA and DLF.

\$2,250,000,000 for ECA, \$90 million for Korea, \$26,900,000 for Point IV, \$1,678,023,729 for military assistance, and \$342,450,000 for GARIOA program, Palestine refugees and other programs. HR 7786 also authorized a \$62.5 million loan to Spain -- final result of a Senate amendment by McCarran (D Nev.), providing \$100 million loan, agreed to 65-15 (D 34-11; R 31-4). Bill was signed Sept. 6 (PL 81-759). Other aid funds voted: \$50 million for Korea (HR 8567; PL 81-583) and transfer of another \$33 million for Korea (HR 9920; PL 81-911), and \$4 billion for military assistance, appropriated Sept. 27 (HR 9526; PL 81-843) "in the manner authorized" by the Mutual Defense Assistance Act.

**1951** Criticism of Truman Administration foreign policies reached a new peak in early 1951 as U.S. forces in Korea were rolled back by superior numbers of Chinese Communist "volunteers," who crossed the Yalu Nov. 26, 1950 and drove south of the 38th parallel before being stopped in April. For three months the nation was rocked by "the Great Debate," as Sen. Robert A. Taft (R Ohio) and other Republicans seized on the President's decision to send four Army

divisions to Europe to press home a full-fledged attack on Mr. Truman's post-war foreign policy. No sooner had the troops-to-Europe issue run its course than an even bigger storm broke over the President's dismissal April 11 of Gen. Douglas A. MacArthur as UN commander in Korea.

Against this background, Congress lopped \$1 billion off the Administration's \$8.5 billion foreign aid request. That the cut was not larger was attributable, in part, to the preponderance of military aid; the shift away from economic aid, begun in 1949, went full cycle as Congress allotted \$6 billion to arms aid and only one-quarter as much to economic aid. To get even this much, the Administration lumped all of its requests into a Mutual Security Program, in which continuing economic aid to Europe was justified "primarily to support rearmament." The amalgam, concocted to appease Congress, was to dominate aid policy for the next decade.

Illustrative of the querulous mood of Congress in 1951 was a four-month dispute over India's request for 2 million tons of grain to stave off an impending famine. India had opposed the U.S.-sponsored resolution adopted Feb. 1 by the UN General Assembly, condemning Communist China as an aggressor in Korea. For this and other demonstrations of "neutrality" in the East-West conflict, critics of the Nehru Government greeted the grain request with a resistance described by Speaker Rayburn as "one of the most amazing things I have ever witnessed."

**Mutual Security.** HR 5113, the Mutual Security Act of 1951, authorized appropriations of \$7,483,400,000 as follows: \$5,028,000,000 for military aid and \$1,022,000,000 for economic aid to NATO countries; \$396,250,000 for military aid to Greece, Turkey, and Iran; \$160 million for economic aid in Africa and the Near East; \$535,250,000 for military aid in the area of China, the Philippines and Korea, and \$237,500,000 for economic aid in the China area; \$45 million for the UN Korean Reconstruction Agency; and \$38,150,000 for military aid and \$21,250,000 for technical aid to the American Republics. HR 5113 also re-authorized expenditure of \$816,700,000 in unexpended aid funds, stipulated that at least 10 percent of aid be in the form of loans, and replaced the Economic Cooperation Administration with the Mutual Security Agency, effective Dec. 30.

House Foreign Affairs Committee cut \$650 million from President's May 24 request for \$8.5 billion before reporting HR 5113 Aug. 9. House rejected 15 amendments, including two by John F. Kennedy (D Mass.) to reduce economic aid for Africa and military aid for Latin America. But Reece (R Tenn.) motion to recommit, with instructions to cut economic aid for Europe by another \$350 million, was agreed to, 186-177 (D 37-162; R 149-14; Ind. 0-1). So amended and re-reported, HR 5113 was passed by House, 260-101, Aug. 17.

As reported Aug. 24, Senate version carried little more than \$7.5 billion approved by House. Before passing bill, 61-5, Aug. 31, Senate accepted Dirksen (R Ill.) amendment cutting economic aid for Europe by an additional \$250 million, 36-34 (D 10-29; R 26-5). Conference version of HR 5113 approved by Senate, 55-21, Oct. 2 and by House, 235-98, Oct. 5. (PL 82-165) (For appropriations, see below.)

**Battle Act.** HR 4550, the Mutual Defense Assistance Control Act sponsored by Laurie C. Battle (D Ala.), provided for mandatory termination of aid to any country

found to be shipping arms or munitions to Soviet-dominated areas. Shipment of strategic goods other than arms would also entail termination of aid, unless the President found such action detrimental to national security. HR 4550 repealed somewhat similar provisions previously enacted: a ban on the re-export of strategic materials, in the Economic Cooperation Act of 1948 (PL 80-472); a ban on shipments of militarily-useful commodities, in the Supplemental Appropriation Act of 1950 (PL 81-843); and a flat ban on economic aid to countries shipping strategic materials to Communist-bloc countries, known as the Kern (R Mo.) amendment, in the Third Supplemental Appropriation Act of 1951 (PL 82-45). In signing letter bill, President Truman called for prompt repeal of Kern amendment as "seriously defective." HR 4550 was passed by House by voice vote Aug. 2 and by Senate, 55-16, Aug. 28. (PL 82-213)

**Aid to India.** S 872 authorized the President to lend India \$190 million in ECA funds to buy 2 million tons of American grain, needed to avert a famine. President Truman requested aid Feb. 12 as outright gift and House Foreign Affairs Committee so reported measure March 5. But House Rules Committee reported "clean bill" substituting loan provision, which House passed, 293-94, May 24. Meanwhile, Senate passed own bill May 16, after replacing half gift-half loan provision with straight loan provision, by vote of 52-32 (D 15-30; R 37-2). Conference report, providing for loan, adopted by House, 256-82, June 6, and by Senate by voice vote June 11. Signed by President June 15, after four months of rancorous debate, as expression of "spontaneous, heartfelt desire of the American people to help the Indian people in their hour of need." (PL 82-48)

**Export-Import Bank.** S 2006 increased Bank's lending authority from \$3.5 billion ceiling set in 1945 to \$4.5 billion, largely to finance development of strategic materials abroad. Passed by Senate by voice vote Sept. 7 and by House 259-69, Sept. 25. (PL 82-158) (For further expansion, see 1954, 1958.)

**Funds.** HR 5684 appropriated \$7,328,903,976 in new funds, plus \$816,727,306 in unexpended funds, for programs authorized by the Mutual Security Act (see above). House version, carrying almost \$7.5 billion, passed 222-99, Oct. 11. Senate version, cutting House total by 5 percent but adding \$100 million for Spain, passed 57-13, Oct. 13. Conference report, including \$100 million for Spain, approved by voice votes Oct. 20. (PL 82-249)

**1952** "Who knows the most about the military situation -- a trained soldier with a distinguished record, or some candidate for office?" asked Sen. Tom Connally (D Texas) as debate opened on extension of the Mutual Security Program. The soldier in question, as it turned out, was also a candidate: Gen. Dwight D. Eisenhower, named commander of NATO forces in 1950 by President Truman, was destined to be nominated by the Republican Party July 11 and elected President Nov. 4. Earlier, however, Eisenhower had said a \$1-billion cut by the Senate Foreign Relations Committee in Truman's \$7.9 billion foreign aid request "would be heavily and seriously felt," and warned that any greater cut would require "drastic revision of the whole program."

Eisenhower notwithstanding, Congress trimmed almost \$1.5 billion from the requested authorization and an additional \$400 million from the final appropriation, for a

## Foreign Aid By Country: July 1, 1945-June 30, 1961

Net grants and credits, (1) In millions of dollars

	Military	Economic Aid			Total		Military	Economic Aid			Total
	Grants	Grants	Credits	Other <sup>(2)</sup>	Aid		Grants	Grants	Credits	Other <sup>(2)</sup>	Aid
<b>W. EUROPE</b>	\$14,721	\$17,044	\$ 7,114	\$ 595	\$39,475	<b>FAR EAST</b>	\$ 8,592	\$10,297	\$ 852	\$ 296	\$20,036
Austria		1,041	52	5	1,098	Australia		-8	-2	*	-10
Belgium-Luxembourg	1,186	581	120	1	1,887	Burma		24	15	94	73
Denmark	527	234	40	*	801	Cambodia (4)	74	195		1	270
Finland		4	69	15	87	China-Taiwan	3,077	1,587	184	42	4,910
France	4,369	3,829	1,449	12	9,659	Hong Kong		24	*	*	24
Germany	938	2,812	243	27	4,023	Indochina (4)	727	109			836
Iceland		29	28	2	59	Indonesia		194	152	122	468
Ireland		17	122	*	140	Japan	1,481	2,262	289	12	4,044
Italy	2,115	2,715	250	54	5,134	Korea	1,575	2,924	26	31	4,556
Netherlands	1,189	796	123	2	2,111	Laos (4)	118	254	*	*	372
Norway	689	211	46	*	947	Malaya		2	1	*	3
Portugal	301	31	47	1	381	New Caledonia			1		1
Spain	463	291	242	270	1,266	New Zealand		2	8		10
Sweden		87	16	1	104	Philippines	397	878	82	23	1,380
U. Kingdom	1,087	2,715	3,896	42	7,739	Ryukyu Islands		248			248
Yugoslavia	719	944	279	163	2,105	Thailand	326	196	46	1	570
Unspecified	1,137	705	89	1	1,933	Trust Territory		59	*	*	59
						Vietnam (4)	537	1,294	50	30	1,910
						Unspecified	260	51			311
<b>E. EUROPE</b>	\$ 819	\$ 523	\$ 351	\$ 1,492		<b>W. HEMISPHERE</b>	\$ 615	\$ 902	\$ 1,752	\$ 162	\$ 3,430
Albania		20			20	Argentina	9	2	264	13	288
Czechoslovakia		106	5		191	Bolivia	1	158	36	6	202
East Germany		17			17	Brazil	174	71	653	76	974
Hungary		16	10		26	Chile	67	68	171	13	319
Poland		375	97	351	823	Colombia	45	34	117	20	217
U.S.S.R.		204	211		415	Costa Rica		44	10	*	54
						Cuba	16	4	36		56
<b>NEAR EAST &amp; SOUTH ASIA</b>	\$ 4,494	\$ 4,836	\$ 1,772	\$1,539	\$12,641	Dominican Rep.	8	3	-3		8
Afghanistan	2	72	51	4	128	Ecuador	28	24	28	2	82
Ceylon		41	8	14	63	El Salvador		11	-1	*	11
Greece	1,423	1,386	117	24	2,950	Guatemala	1	109	4	1	115
India		404	652	944	2,001	Haiti	4	53	21		78
Iran	505	341	200	14	1,068	Honduras	1	21	8	*	30
Iraq	49	20			69	Mexico		114	225	3	342
Israel		314	266	66	646	Nicaragua	2	29	4	*	35
Jordan	18	263	1		284	Panama		36	13	*	48
Lebanon	9	75	2		86	Paraguay		21	19	*	35
Nepal		30			30	Peru	61	52	147	5	266
Pakistan	(3)	640	234	185	1,054	Uruguay	27	3	20	20	70
Saudi Arabia	(3)	29	-7		22	Venezuela	1	3	15	*	19
Turkey	1,974	743	185	125	3,028	Unspecified	181	57	-38		200
United Arab Rep.		143	71	162	375	International organizations & unspecified	\$ 301	\$ 1,527	\$ 66		\$ 1,895
Yemen		11			11	<b>TOTAL</b>	\$28,791	\$35,858	\$12,157	\$2,954	\$79,761
Unspecified	520	320	-16		824	Investment in international financial institutions					\$ 4,949
						Inter-American Development Bank					80
<b>AFRICA</b>	\$ 59	\$ 417	\$ 285	\$ 11	\$ 771	International Bank for Reconstruction & Dev.					635
Algeria		4	*		4	International Development Assn.					74
Br. East Africa		7	1		8	International Finance Corp.					35
Chad		2			2	International Monetary Fund					4,125
Congo (Leopoldville)		22			22	<b>GRAND TOTAL</b>					\$84,710
Ethiopia	47	46	2	*	95						
Ghana		5	*		5						
Guinea		2		1	3						
Liberia	1	21	48		70						
Libya	4	146	6		156						
Morocco		50	120	6	183						
Nigeria		5	1	*	5						
Rhodesia & Nyasaland		*	3		18						
Somali Republic		8	*		8						
Sudan		27	7	*	34						
Tunisia		146	7	4	158						
U. of South Africa		-92	72		-20						
Unspecified	7	9	8		19						

\*Less than \$500,000.

(1) Gross assistance, less reverse grants and returns, and collections of principal.

(2) Value of farm products sold for local currencies for which payments were yet to be collected and returned to purchasing countries as grants or credits.

(3) Military aid to Pakistan and Saudi Arabia included under "unspecified" for Near East and South Asia.

(4) Figures for Indochina cover aid up to 1954; thereafter, for Cambodia, Laos, and Vietnam.

SOURCE: DEPARTMENT OF COMMERCE

(Continued from page 10)

reduction of almost 25 percent in the request. Disillusionment over the Korean war and its costs, rising antipathy to the Truman Administration, and the political exigencies of an intensely partisan election year all helped to weaken legislative support for the never-popular foreign aid program. The Administration won somewhat more support than in 1951 for economic aid to Europe, by labeling it "defense support." But military aid was cut \$1.8 billion under the 1951 sum.

**Mutual Security.** HR 7005 authorized appropriations of \$6,447,730,750 as follows: about \$3.4 billion for military aid and \$1.3 billion for defense support for Europe; \$560 million for military aid and \$181 million for economic aid for the Near East; \$565 million for military aid and \$321 million for economic aid for Asia; \$58 million for military aid and \$20 million for economic aid for Latin America; and \$54 million for UN and other programs. The bill also earmarked \$25 million for Spain, and barred use of aid funds to publicize the Mutual Security Program in the United States (Dworshak amendment).

President Truman March 6 requested \$7.9 billion. House Foreign Affairs Committee May 11 reported \$6.9 billion measure. House rejected 27 amendments but agreed to two by Vorys (R Ohio) cutting \$726 million from bill: \$615 million in economic aid for Europe, 221-137 (D 61-127; R 160-10), and \$111 million in funds for Asia, 192-165 (D 60-129; R 132-36). HR 7005 then passed by House, 246-109 (D 168-20; R 78-89), May 23.

Senate, working on own version authorizing \$6.9 billion, rejected Welker (R Idaho) amendments to cut this by \$1 billion and \$500 million, but agreed to Long (D La.) amendment reducing authorization by \$200 million, 37-34 (D 11-27; R 26-7). Also agreed to: Dworshak (R Idaho) amendment barring use of funds to publicize MSP in the U.S., 52-19 (D 18-19; R 34-0), and Kem (R Mo.) amendment barring all aid to countries exporting strategic goods to Communist bloc, 40-32 (D 7-31; R 33-1). (For background, see 1951 Battle Act.) Senate then passed bill, 64-10, May 28. Conference report, minus Kem amendment, approved by House, 230-115, June 5 and by Senate, 59-11, June 9. (PL 82-400)

**Funds.** HR 8370, carrying \$11.8 billion in supplemental appropriations for fiscal 1953, included foreign aid funds totaling \$6,031,947,750 distributed as follows: \$3,128 million for military aid and \$1,282 million for economic aid for Europe; \$499 million for military aid and \$181 million for economic aid for the Near East and Africa; \$541 million for military aid and \$271 million for economic aid for Asia; \$52 million for military aid and \$20 million for economic aid to Latin America; \$30 million for occupied areas in Germany and Austria; and \$27 million for refugee and other programs.

As reported to House June 26, HR 8370 included \$6.2 billion for aid. Before passing bill June 28, House agreed to amendments cutting this by \$200 million; Crawford (R Mich.) amendment, reducing military aid to Europe by \$145.6 million, agreed to, 173-167 (D 22-147; R 151-19; Ind. 0-1). Senate approved House aid figures without change in passing bill July 3. Third and final conference report accepted by voice votes July 7. In signing HR 8370 July 15, President Truman called aid cuts "falsest kind of economy" and blamed politics in an election year. (PL 82-547)

**1953** Pledged both to economize and to sustain the concept of collective security "so long as the present peril lasts." President Eisenhower reduced his predecessor's \$7.6-billion request for the Mutual Security Program to \$5.5 billion. This was shaved by \$1 billion, in turn, by the Republican-controlled 83rd Congress. (Actual delivery of arms ordered in prior years pushed net military aid transfers to \$4.3 billion and total aid transfers to \$6.4 billion in calendar 1953 -- post-war records in both instances.)

Despite the reduction in appropriations, MSP's anti-Communist orientation was underscored as a rising portion of aid funds was channeled to three areas bordering Communist China: Korea, where the unpopular "police action" was terminated with the signing of an armistice July 27; Formosa, where a build-up of Chinese Nationalist forces was launched; and Indochina, where the seven-year war between the French and the Communist Vietnamese was drawing to a fateful close. As for Europe, Congress demanded early implementation of the 1952 treaty to create a European Defense Community, threatening to withhold military aid in its absence.

Of longer-range significance was the emergence in 1953 of a new aid concept: the systematic use of U.S. surplus farm commodities in the aid program. Grain and cotton exports had always bulked large in foreign aid from UNRRA days on, accounting in part for farm-state support of the program. By 1953, however, Government stocks of surplus wheat, corn, cotton and other commodities acquired under price-support programs were mounting rapidly, raising pressure to finance surplus disposal with foreign aid funds. The result: Congress ordered \$100 million of MSP funds to be used for surplus disposal, authorized a million-ton gift of wheat to Pakistan, gave the President temporary authority to donate another \$100-million of surplus commodities to "friendly peoples," and began work on the permanent disposal program known as PL 480. (For action on this statute, see 1954 below.)

**Mutual Security.** HR 5710 authorized appropriations of \$5,157,232,500 as follows: about \$3.6 billion for military aid (with about \$1.1 billion for Asia); \$934 million for "mutual defense financing" (including \$400 million for Indochina); \$100 million for "special weapons planning"; \$140 million for technical assistance; and \$394 million for aid to refugees, UN programs, and other purposes. The bill also reauthorized use of \$2.2 billion in unexpended funds, required that one-half of the military aid allotted to Europe in fiscal 1954 go to the European Defense Community, and stipulated that not less than \$100 million be used to finance the sale of farm commodities for foreign currencies, the proceeds to be used locally for aid purposes.

President Eisenhower May 5 asked for \$5.8 billion for MSP, then reduced the estimate May 27 by \$354 million. House Foreign Affairs Committee reported HR 5710 June 16, authorizing \$5 billion. House rejected all amendments proposing further reductions, by voice or standing votes, but agreed to Fulton (R Pa.) amendment requiring use of surplus commodities wherever possible, then passed bill, 280-108 (R 119-81; D 160-27; Ind. 1-0), June 19. Senate version, authorizing \$5.3 billion, passed by voice vote July 1, after rejecting Long (D La.) amendment to substitute House figure, 38-42 (R 22-17; D 16-24; Ind. 0-1). Conference report approved July 13 by House 222-109, and by Senate by voice vote. (PL 83-118) (For appropriations, see below.)

**Surplus Disposal.** S 2112, authorizing the gift of one million tons of surplus wheat to Pakistan to avert a famine, was passed by the Senate by voice vote June 16 and by the House, 310-75, June 23. (PL 83-77) S 2249, authorizing the President to give \$100 million worth of surplus commodities to "friendly but needy populations" for famine relief through March 15, 1954, was passed by voice votes of the Senate July 27 and the House July 29. (PL 83-216) S 2475, authorizing sale of \$500 million worth of surplus commodities for foreign currencies, was passed by the Senate by voice vote July 28. (For final action, see 1954.)

**Funds.** HR 6371 appropriated \$4,531,507,000 in new funds and re-appropriated \$2,120,915,930 in unexpended funds for the Mutual Security Program. Included in the new funds were \$3,180 million for military aid, \$874 million for "mutual defense financing," \$107 million for technical assistance, \$222 million for special economic aid, and \$79 million for UN and other programs. House version, carrying \$4,438 million in new funds and \$1,758 million in reappropriations, passed, 289-115, July 22. Senate version, carrying \$4,563 million and \$2,183 million respectively, passed, 69-10, July 29. On consideration of conference report, House rejected Passman (D-La.) motion to insist on lower House figure for military aid to Europe, 192-200 (R 97-101; D 95-98; Ind. 0-1), then approved report, 237-156 (R 115-84; D 121-72; Ind. 1-0), July 31. Senate concurred by voice vote Aug. 3. (PL 83-218)

**Other Action.** HR 6200, the first Supplemental Appropriation for fiscal 1954, carried \$43 million for occupation programs and authorized transfer of \$200 million from defense funds for relief and rehabilitation in Korea. (PL 83-207) Reorganization Plan No. 7, submitted June 1 and effective Aug. 1 in the absence of Congressional disapproval, transferred the functions of the Mutual Security Agency, the Technical Cooperation Administration, and the Institute of Inter-American Affairs to a new Foreign Operations Administration.

**1954** Striving to drive federal expenditures down to the \$60-billion level, President Eisenhower reduced his mutual security request for fiscal 1955 to \$3.5 billion; Congress, in turn, appropriated only \$2.8 billion in new funds. One reason for the economy wave: the large backlog of previously appropriated but still unexpended money. Of the almost \$10 billion in the aid "pipeline," about \$7 billion had been "obligated" or earmarked for as-yet-undelivered military assistance.

Debate on the Administration's aid proposals (which included about \$1.2 billion for economic and military aid to Indochina) coincided with a 19-nation conference in Geneva on Far Eastern affairs, at which agreement was reached July 21 on an armistice calling for French withdrawal from Indochina, the partition of Vietnam, and neutral status for Laos and Cambodia. The U.S. refused to sign the agreement; Congress declared its "sense" that none of the aid funds for Indochina "shall be used on behalf of governments which are committed by treaty to maintain Communist rule over any defined territory of Asia." But the provision proved meaningless; while the Communist Vietminh retained full control over North Vietnam, the U.S. continued to furnish massive aid to Laos, Cambodia, and the Republic of Vietnam.

Unlike the Mutual Security Act of 1951, which contained a three-year termination clause, the 1954 Act made

## Major Sources of Credit

**IBRD** -- International Bank for Reconstruction and Development (World Bank), established pursuant to 44-nation Agreement signed at Bretton Woods (N.H.) in 1944. Capitalized at \$9.1 billion, of which U.S. subscription was \$3,175,000,000; all subscriptions doubled in 1959, raising capitalization to \$20,093,100,000 on June 30, 1961, of which about \$18 billion (90 percent) remained subject to call, constituting guarantee for Bank borrowings from private investors amounting to more than \$2.2 billion. As of June 30, 1961, Bank had authorized a cumulative total of \$5.8 billion in loans, of which about \$121 million had been cancelled, \$438 million repaid, and \$993 million sold to other investors, leaving \$4 billion in effective loans held by Bank after 15 years of operation.

**IMF** -- International Monetary Fund, established pursuant to 1944 Bretton Woods Agreement. Designed to stabilize world exchange by providing short-term credit to nations with temporary balance-of-payment difficulties. Capitalized at \$8.8 billion, of which U.S. subscription was \$2,750,000,000; subscriptions increased by 50 percent in 1959, reaching \$15.2 billion by Aug. 31, 1961. As of that date, cumulative drawings by Fund members totaled about \$6 billion.

**IFC** -- International Finance Corporation, established in 1955 as affiliate of World Bank to stimulate industrial growth in underdeveloped areas by selective investments in local enterprises. Capitalized at \$100 million, of which U.S. subscription was \$35,168,000. As of June 30, 1961, IFC had made 40 investment commitments totaling \$44,387,705, of which 28 totaling \$34 million were in Latin America.

**IDA** -- International Development Assn., established in 1960 as affiliate of World Bank to supply development capital on easier terms than are required by Bank. Capitalized at \$1 billion, of which U.S. subscription (payable in five annual instalments) was \$320,290,000. As of June 30, 1961, IDA had extended credits (each for 50 years at no interest) totaling \$101 million in four countries -- Honduras (\$9 million), Sudan (\$13 million), Chile (\$19 million), and India (\$60 million).

**IADB** -- Inter-American Development Bank, established in 1959. Capitalized at \$1 billion, of which U.S. subscription was \$450 million. As of Dec. 31, 1961, Bank had extended loans totaling \$178 million from its ordinary and special funds, as well as \$116 million from its social program fund created in 1961.

**Ex-Im** -- Export-Import Bank, established in 1934 as U.S. Government agency to promote American exports. Capitalization raised to \$1 billion in 1945, with all stock held by U.S. Treasury; additionally, Bank may borrow up to \$6 billion from the Treasury at any one time -- a ceiling last raised in 1958. As of June 30, 1961, Bank had arranged a cumulative total of more than \$12 billion in credits; active credits totaled \$3.1 billion, of which \$3.4 billion was outstanding.

**DLF** -- Development Loan Fund, established in 1957 as U.S. Government agency to supply development capital on easy terms. As of June 30, 1961, DLF had received \$2 billion in appropriations and approved 212 loans totaling \$2 billion. On Nov. 3, 1961, DLF was absorbed by the Agency for International Development. (See p. 9)

no general provision for ending foreign aid. But in rewriting the earlier law, Congress stipulated that economic aid, however, would end in 1955 -- a provision destined to be repealed the next year. The legislators also directed that 30 percent of a new category of "development assistance" funds be distributed as loans, and raised the sum set aside in 1953 to finance disposal of surplus farm commodities to \$350 million. This was in addition to the three-year \$1 billion disposal program authorized by the Agricultural Trade Development and Assistance Act of 1954.

**Mutual Security.** HR 9678 authorized appropriations of \$3,252,868,000 as follows: \$1,591,000,000 for military assistance (of which \$198 million would not require funds in fiscal 1955); \$795 million for "direct forces support," largely to Indochina; \$407,550,810 for "defense support," a euphemism for economic aid to military allies; \$199 million for development assistance; \$136 million for technical assistance; and \$124 million for UN and other programs. HR 9678 also earmarked \$350 million for surplus disposal, required that 30 percent of development assistance and \$200 million of the total authorization be made available as loans, and authorized the President to guarantee up to \$200 million in private investments abroad against confiscation.

House approved cuts totaling \$102 million before passing \$3,368,000,000 version, 260-126, June 30. Senate rejected Long (D La.) amendment reducing authorization by one-third, 38-48 (R 20-24; D 18-23; Ind. 0-1), but agreed to second Long amendment reducing total by \$500 million, 45-41 (R 19-25; D 26-15; Ind. 0-1), then passed \$2.7 billion version of HR 9678, 67-19, Aug. 3. Conference report approved by House by 202-55 standing vote Aug. 9 and by Senate by voice vote Aug. 12. (PL 83-665) (For appropriations, see below.)

**Surplus Disposal.** S 2475, the Agricultural Trade Development and Assistance Act of 1954, authorized the sale of \$700 million worth of surplus farm commodities to friendly nations for foreign currencies, and the gift of \$300 million worth of such stocks for famine or relief purposes abroad, over a three-year period. Currencies acquired under the sales program were to be used for a variety of purposes, including economic development loans to the countries concerned.

As passed by the Senate in 1953, S 2475 authorized a \$500-million sales program (see above). President Eisenhower proposed a \$1-billion program Jan. 21, 1954. House version, authorizing \$1 billion in sales and \$300 million in donations, passed by voice vote June 16. Conference report, authorizing \$700 million and \$300 million respectively, approved by voice votes June 30. Signing the Act July 10, the President said it would "lay the basis for a permanent expansion of our exports of agricultural products, with lasting benefits to ourselves and peoples in other lands." (PL 83-480)

**Export-Import Bank.** S 3589 increased the Bank's lending authority from \$4.5 billion (the ceiling established in 1951) to \$5 billion, and reversed the President's reorganization of the Bank in 1953, which had placed it under Treasury control and resulted in a sharp drop in new long-term development loans. S 3589 was passed by voice votes of Senate July 8 and House July 28. (PL 83-570) (For further expansion, see 1958.)

**Funds.** HR 10051 appropriated \$2,781,499,816 in new funds and re-appropriated \$2,462,075,979 in unobligated

funds for the Mutual Security Program. Of the new funds, about \$1.2 billion was for military assistance, \$795 million for direct forces support, \$431 million for defense support, \$184 million for development assistance, \$116 million for technical cooperation, and \$62 million for other programs. All but \$40 million of the carryover funds was for military assistance.

House version, carrying \$2.9 billion and \$2.3 billion in new and old funds, passed without amendment, 266-123, July 28. Senate, acting on its own version appropriating \$2.8 billion and \$2.6 billion respectively, agreed to Maybank (D S.C.) amendment reducing new military assistance funds by \$200 million, 41-34 (R 12-26; D 29-7; Ind. 0-1), then passed HR 10051 by voice vote Aug. 14. Conference report accepted by the House, 133-77, and by the Senate by voice vote Aug. 19. (PL 83-778)

**1955** President Eisenhower's Jan. 24 request to the Democratic-controlled 84th Congress to authorize the use of U.S. armed forces to defend Formosa and "related" areas heralded a year of significant foreign policy developments. American commitments to "free Asia" were expanded with ratification of a defense pact with Nationalist China and the Southeast Asia Collective Defense Treaty (SEATO), both negotiated late in 1954. In Europe, East-West lines hardened as the German Federal Republic joined NATO and the Soviets tightened their hold on the East European satellites via the Warsaw Pact. But a four-power agreement to restore Austria's sovereignty, signed May 15, ushered in a brief thaw in the Cold War culminating in a "summit" conference at Geneva July 18-23, the first such meeting of heads of state since Potsdam in 1945. Participants were: Eisenhower for the U.S., Eden for Britain, Faure for France, Bulganin for the Soviet Union. The "spirit of Geneva" failed to bear fruit, however, at the ensuing foreign ministers' meeting Oct. 27-Nov. 16.

It was against this background that the President asked Congress April 20 to extend the Mutual Security Program. Most of the \$3.5 billion requested would be used, he said, to shore up anti-Communist forces in "the vast arc of free Asia." Only \$2.7 billion was forthcoming three months later, however, largely because of Congressional pique over the Administration's action in "reserving" \$614 million of unobligated funds on June 30 (last day of the fiscal year) to prevent return of the money to the Treasury. Apart from this reduction, no substantial change was made in the basic military orientation of the program. But Congress put the U.S. allies in Europe on notice that "those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance."

**Mutual Security.** S 2090 authorized appropriations of \$3,285,800,000 as follows: \$1,133,000,000 for military assistance; \$317,200,000 for direct forces support; \$1,022,300,000 for defense support; \$182 million for development assistance; \$172 million for technical cooperation; \$200 million for the President's Fund for Asian Development; and \$259,300,000 for UN and other programs. S 2090 also earmarked \$300 million to finance the sale of surplus farm commodities, and limited to \$200 million the unobligated balances that could be carried over to fiscal 1956.

As reported by Senate Foreign Relations Committee May 22, S 2090 authorized a total of \$3,408,000,000.

Senate agreed to Smathers (D Fla.) amendment adding \$17 million for development aid to Latin America but rejected a dozen other amendments, most of them calling for reductions, before passing bill, 59-18, June 2. House version, authorizing \$3,285,800,000, reported June 24 and passed without change in amount, 273-128, June 30. Conference, "shocked" at the "rush" with which unobligated funds were "reserved" in the last hours of the fiscal year, agreed to the smaller House figure; their report was approved July 7 by the House, 262-120, and by the Senate by voice vote. (PL 84-136) For appropriations, see below.)

PL 480. S 2253 increased the authorization for the sale of surplus commodities for foreign currencies, under Title I of the Agricultural Trade Development and Assistance Act of 1954 (PL 480), from \$700 million to \$1.5 billion. Passed by Senate July 20 and by House July 30. (PL 84-367)

International Finance Corp. S 1894 authorized U.S. participation in the International Finance Corporation, an affiliate of the World Bank, and a U.S. subscription of \$35,168,000 payable by the Treasury without appropriation. Proposed by the U.S. in 1954, IFC capitalized at \$100 million, was designed to stimulate the flow of private risk capital to less developed countries. S 1894 was passed by voice votes of the Senate June 21 and the House Aug. 1. (PL 84-350)

Inter-American Highway. HR 5923 authorized appropriation of \$74,980,000 to complete construction of the Inter-American Highway from the Mexican border to the Panama Canal. This was two-thirds of the amount required to complete a project started in 1934, for which Congress had previously appropriated almost \$54 million. HR 5923 was passed by the House, 353-13, June 8 and by the Senate by voice vote June 17. (PL 84-129)

Funds. HR 7224 appropriated \$2,703,341,750 for the Mutual Security Program as follows: \$705 million for military assistance, \$317,200,000 for direct forces support; \$999,200,000 for defense support, \$162 million for development assistance, \$153 million for technical cooperation, \$100 million for the President's Fund for Asian Development, and \$267 million for other programs. Biggest cut under the amount previously authorized was \$428 million in military assistance -- the direct result of the Administration's last-minute maneuver to keep previously appropriated but unobligated funds. Effect of the cut was partially offset, however, by a provision authorizing the Air Force to spend \$302 million in previously appropriated aid funds (diverted to U.S. use during the Korean war) for military assistance in fiscal 1956.

As reported by House Appropriations Committee July 8, HR 7224 carried a little more than \$2.6 billion. House passed bill without amendment, 251-123, July 11. Senate Appropriations Committee recommended \$3.2 billion, and Senate agreed to amendment adding \$420 million to House military assistance figure, 50-38 (D 21-23; R 29-15), then passed bill, 62-22, July 22. Conference report, retaining House military assistance figure but inserting Air Force re-appropriation, approved by voice votes July 28. (PL 84-208)

Congress also appropriated a total of \$62,980,000 for the Inter-American Highway in the Commerce Department and First Supplemental bills (PL 84-121 and 219).

## Policy Milestones

**Truman Doctrine.** Addressing Congress on March 12, 1947, President Truman justified his request for aid to Greece and Turkey as follows: "I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."

**Marshall Plan.** Speaking at Harvard on June 5, 1947, Secretary of State George C. Marshall laid the basis for the European Recovery Program when he said: "It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all, European nations."

**Point IV.** In his inaugural address of Jan. 20, 1949, President Truman said that American foreign policy would emphasize "four major courses of action," the last of which he described as follows: "Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.... I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development."

**Eisenhower Doctrine.** Following the Suez crisis of 1956, President Eisenhower on Jan. 5, 1957, told Congress: "It is now essential that the United States should manifest through joint action of the President and the Congress our determination to assist those nations of the Mideast area which may desire that assistance.... The proposed legislation is primarily designed to deal with the possibility of Communist aggression, direct and indirect. There is imperative need that any lack of power in the area should be made good, not by external or alien force, but by the increased vigor and security of the independent nations of the area."

**Alliance for Progress.** On March 13, 1961, President Kennedy spelled out a 10-point program of Inter-American cooperation: "I propose that the American Republics begin on a vast new Ten Year Plan for the Americas -- a plan to transform the 1960s into an historic decade of democratic progress.... If the countries of Latin America are ready to do their part -- and I am sure they are -- then I believe the United States, for its part, should help provide resources of a scope and magnitude sufficient to make this bold development plan a success."

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**1956** In a year of anomaly abroad, the Kremlin raised hopes everywhere with its "destalinization" policy, unveiled at the 20th party congress Feb. 14-25, then shocked the world by its brutal suppression of the Hungarian revolt Oct. 23-Nov. 4. The U.S., disturbed by Egypt's arms deals with the Soviet bloc, withdrew its offer to help finance the Aswan Dam July 20, prompting President Nasser to seize the Suez Canal July 26. When Israel invaded the Sinai peninsula Oct. 28 and British and French forces moved into the Suez area Nov. 5, the U.S. condemned the attack by its allies and pressed for a cease-fire, agreed to Nov. 7.

The President's foreign aid proposals, submitted March 19, were not without contradiction either. While welcoming a "reprieve from the Soviet policy of threat and violence," he asked for \$3 billion for military assistance -- almost three times the amount Congress had granted in 1955 -- to fill up a "pipeline" depleted by successive reductions both in requests and appropriations. But the Soviet challenge to "competitive co-existence" did not go unnoticed; "aggression through force appears to have been put aside, at least temporarily, and the Communists are now making trade approaches to many nations of the free world," said the President. His response: to ask authority "to make commitments up to 10 years in length to assist less developed countries in long term projects important to their development."

Congress refused the request, even though it called for no more than \$100 million a year, with the funds to be appropriated annually. As for military aid, the legislators voted less than \$2 billion. Total appropriations of \$3.8 billion, while more than \$1 billion higher than approved in 1955, were \$1.1 billion less than the President had sought. The impending election was partly responsible; so was the fact, cited by Senate Foreign Relations Committee Chairman Walter F. George (D Ga.), that the Soviet "switch from a military emphasis to an economic emphasis in its attack on freedom has had a tendency to induce us to lower our guard."

**Mutual Security.** HR 11356 authorized appropriations of \$3,928,575,000 as follows: \$2,225 million for military aid and direct forces support; \$1,175 million for defense support; \$193 million for development assistance, and \$335 million for technical aid, UN and other programs. HR 11356 also earmarked \$250 million to finance the sale of surplus farm commodities; stipulated that 80 percent of development aid funds be in the form of loans; and said aid to Yugoslavia (which had just re-established relations with Moscow) should be suspended unless the President decided that Tito remained free of Soviet control.

As reported May 25 by the House Foreign Affairs Committee, the bill authorized less than \$3.6 billion of the \$4.9 billion requested. Military aid was cut to \$1,925 million, while long-term authority to commit development funds was denied. Ignoring the President's appeal, the House rejected a move to restore \$600 million for military aid, by a 112-192 teller vote, then passed the committee bill, 275-122, June 11. The Senate Foreign Relations Committee raised the total authorizations to \$4.3 billion before reporting HR 11356 June 19. The Senate rejected several moves to reduce sums in the Committee bill and refused, 41-45, to establish a Hoover-type commission to review foreign aid, then passed bill, 54-25, June 29. Conference version approved by voice votes July 9. (PL 84-726) For appropriations see below.

PL 480. S 3903 increased authorization for sales of surplus commodities for foreign currencies, under Title I of Agricultural Trade Development and Assistance Act (PL 480), from \$1.5 billion to \$3 billion. As passed by Senate July 3, S 3903 also authorized barter transactions with Communist satellite nations, but House deleted provision, by 92-62 teller vote, before passing bill July 13. Conference report, without barter provision, approved by voice votes July 25. (PL 84-962) HR 10875, the Agricultural Act of 1956, also amended PL 480, raising authorization for donations of surplus commodities for foreign relief, under Title II, from \$300 million to \$500 million. (PL 84-540)

**Funds.** HR 12130 appropriated \$3,766,570,000 for the Mutual Security Program (some of which had been authorized in 1955) as follows: \$1,950 million for military aid, \$1,152 million for defense support, \$250 million for development aid, and about \$400 million for other programs. The bill also authorized carryover of \$241 million in unobligated balances, barred further military aid to Yugoslavia, and earmarked \$50 million for Spain.

As reported to House July 6, HR 12130 carried \$3.4 billion in new funds. After rejecting Bentley (R Mich.) amendment to bar aid to Yugoslavia, by 65-117 teller vote, House passed bill, 284-120 (D 160-50; R 124-70), July 11. Senate version, carrying \$4.1 billion, reported July 14. Senate passed bill, 60-30, July 23, after rejecting four Ellender (D La.) attempts to cut funds but agreeing to Knowland (R Calif.) amendment barring military aid (except for spare parts) to Yugoslavia, by vote of 50-42 (D 24-33; R 26-19). Conference report, splitting the difference between Senate and House versions and including the Knowland amendment, approved by voice votes July 26 and 27. (PL 84-853)

**1957** Faced with a "power vacuum" in the Middle East in the wake of the Suez crisis, President Eisenhower Jan. 5 asked the Democratic-controlled 85th Congress to sanction the use of economic and military aid -- and American troops if necessary -- to meet "Communist aggression, direct or indirect," in the area. Debated for two months, the "Eisenhower Doctrine" stirred up much criticism and little enthusiasm. Although the requested resolution was finally approved March 7, the controversy -- coming at the outset of a session strongly influenced by a bipartisan "economy" campaign -- added to the President's difficulties in winning support for his later proposals to revise the Mutual Security Program.

Submitted May 21, Mr. Eisenhower's recommendations reflected the conclusions of several studies launched in 1956 after Congress had refused to approve a joint review by a Hoover-type commission. Authorized by the Senate to make "exhaustive studies" of foreign aid as an instrument of national policy, the Foreign Relations Committee commissioned and published a score of such studies by independent experts before making its own final report May 13. The President himself named a group of Citizen Advisers, headed by Benjamin F. Fairless, whose report he received March 6. While these and other studies differed on some aspects of aid policy, they were substantially agreed on one point: the need to channel substantial amounts of development capital into the newly independent, non-industrial countries of Asia and Africa in the form of long-term loans.

"Their moderate leaders," said the President May 21, "must be able to obtain sufficient help from the free

(Continued on p. 18)

## Foreign Aid As Seen By Leaders and Legislators

"The United States contributed \$341,000,000,000 toward winning World War II. This is an investment in world freedom and world peace. The assistance I am recommending for Greece and Turkey amounts to little more than 1 tenth of 1 percent of this investment. It is only common sense that we should safeguard this investment and make sure that it was not in vain."

- President Truman, March 12, 1947

"We want to do our part in restoring a battered world, but it will do no good if in helping others we bring about a financial collapse in our own country. Therefore, we must put under the microscope the ever growing demands of foreign governments."

- Speaker Joseph W. Martin Jr. (R. Mass.), Dec. 19, 1947

The European Recovery Program "involves the clear self-interest of the United States. It can be the turning point in history for 100 years to come. If it fails, we have done our final best. If it succeeds, our children and our children's children will call us blessed."

- Sen. Arthur H. Vandenberg (R. Mich.), March 1, 1948

"Brethren, this is it. For years, we have thundered against the piecemeal, stopgap foreign policy of the New Deal.... We will vote either for a definite, written (European Recovery) plan and policy, or for a policy of annual emergencies."

- Rep. John M. Vorys (R. Ohio), March 31, 1948

"Do not fool yourselves. This (Mutual Defense Assistance Act) is not a one-or-two-year program. You are embarking upon a long-time program; it may last five years or 10 years or 15 years, and it may cost this nation many additional billions of dollars."

- Rep. James P. Richards (D. S.C.), Aug. 17, 1949

Sen. John Foster Dulles (R. N.Y.): "Of course it would be foolish for us to send arms to the continent (of Europe) if Russia were about to invade it."

Sen. Robert A. Taft (R. Ohio): "Well, it would certainly seem foolish to me for us to send arms if Russia is not about to invade it."

- Sept. 19, 1949

"This (aid to Korea) is just the first of the ratholes we will have to start pouring money into all around China if we don't plug up the basic rathole in China itself."

- Rep. Walter H. Judd (R. Minn.), June 23, 1949

"We are regarded generally as a milk cow with everybody invited to bring their bucket and help themselves."

- Rep. Charles A. Eaton (R. N.J.), Feb. 13, 1951

"Unless we call a halt to this crazy spending and these give-away programs, this international WPA, we will revert to the Dark Ages here at home."

- Sen. Herman Welker (R. Idaho), May 26, 1952

"Unless there is a big change in the world, this Congress is through with foreign aid."

- Sen. Robert A. Taft (R. Ohio), July 4, 1953

"We must strengthen the hand of the President and Secretary Dulles at these (Big Four) meetings."

The best way to do it is to pass this (Mutual Security) bill intact."

- Rep. Robert B. Chipperfield (R. Ill.), June 28, 1953

"I believe the term 'foreign aid' is a very unhappy one. It implies and connotes a give-away or welfare program.... This is the most selfish program I know of. We are not undertaking it out of the charity of our hearts.... We are doing it for our own skins.... I remember the day when I used to attack this program. I did it with a great deal of verve and vigor. I take it back. Publicly and privately, I take it back."

- Sen. Everett McKinley Dirksen (R. Ill.), July 22, 1953

"We cannot live either happily or safely as an oasis of prosperity in a desert of misery."

- Secretary of State John Foster Dulles, April 30, 1956

"The only alternative to misdirection of aid... is to vote for deep and heavy cuts to try to bring about an agonizing reappraisal."

- Sen. A.S. Mike Monroney (D. Okla.), June 29, 1956

"It would make very good sense if the Administration would come to Congress and attempt to have adopted a program which had some ultimate end to it, some final conclusion, or which held out some hope that eventually the program would be concluded."

- Sen. Russell B. Long (D. La.), June 14, 1957

"I do not like to spend money...but it is a lot cheaper for us to provide the funds necessary to maintain Mideast and Far East Armies than it is to put troops into the field."

- Rep. John Taber (R. N.Y.), July 1, 1958

"This is no 'give-away'... We cannot afford to have one of our most essential security programs shot down with a slogan."

- President Eisenhower, Jan. 9, 1959

"We could be the wealthiest and the most mighty nation and still lose the battle of the world if we do not help our world neighbors protect their freedom and advance their social and economic progress. It is not the goal of the American people that the United States should be the richest nation in the graveyard of history."

- President Eisenhower, March 13, 1959

"In foreign aid, as in foreign policy generally, we have one central overriding objective: the creation and maintenance all over the non-Communist world of free societies dedicated to providing growing opportunities for their own people to make their own decisions in determining their own future."

- Rep. Chester Bowles (D. Conn.), April 20, 1960

"To those peoples in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them to help themselves, for whatever period is required -- not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich."

- President Kennedy, Jan. 20, 1961

*(Continued from page 16)*

world, to offer convincing hope of progress. Otherwise their peoples will surely turn elsewhere." To meet the need, he asked Congress to establish a Development Loan Fund with an initial appropriation of \$500 million and authority to borrow another \$750 million in fiscal 1959 and again in fiscal 1960. The President also asked for a permanent authorization for military aid, which he proposed transferring to the defense budget. All told, he asked for \$3,865,000,000 for fiscal 1958. But Congress refused to cooperate, giving the DLF only \$300 million for one year, refusing the military aid request, and cutting the total appropriation by \$1.1 billion.

**Mutual Security.** S 2130 authorized appropriations of \$3,367,083,000 as follows: military aid, \$1.6 billion; defense support, \$750 million; Development Loan Fund, \$500 million; technical aid, \$169 million; and other programs, \$348 million. The bill also authorized an appropriation of \$625 million for the DLF in fiscal 1959, stipulated that \$150 million be used to finance sale of surplus farm goods, and revised the 1956 provision on aid to Yugoslavia to require the President to keep Congress "constantly informed" on the subject.

The Senate Foreign Relations Committee June 7 reported \$3.6 billion measure, including three-year DLF authorization as requested and a two-year authorization for military aid and defense support. Senate rejected all efforts to modify these provisions, including Morse (D Ore.) amendment to delete DLF borrowing authority for fiscal 1959 and 1960, which was defeated 32-54 (D 21-24; R 11-30). S 2130 then passed, 57-25, June 14. The House Foreign Affairs Committee July 9 reported a \$3.3 billion version; the House, however, cut this by \$125 million and by voice vote deleted the fiscal 1959-60 borrowing authorization for DLF. But a motion to recommit with instructions to delete the Fund entirely was rejected, 161-227 (D 103-110; R 78-117), before the House passed the bill, 254-154, July 19. Conference report agreed to by Senate by voice vote Aug. 13 and by House, 226-163, Aug. 14. (PL 85-141) For appropriations, see below.

**British Loan.** S J Res 72 authorized Britain to postpone any seven annual payments of \$138.4 million on its 1946 loan from the U.S. until the end of the original 50-year repayment period. Requested by the President March 6 to ease the strain on sterling resulting from the Suez crisis, S J Res 72 was passed by the Senate by voice vote March 25 and by the House, 218-167 (D 133-68; R 85-99), April 10. (PL 85-21)

PL 480. S 1314 extended for one year Agricultural Trade Development and Assistance Act of 1954 (PL 480), scheduled to expire June 30, 1957; increased Title I authorization for sales of surplus commodities for foreign currencies from \$3 billion to \$4 billion; increased Title II authorization for foreign relief donations from \$500 million to \$600 million; and amended 1954 law to permit Title III barter transactions with East European satellite nations -- a change requested but refused in 1956.

Debate centered on barter provision and on Administration's decision that "Independent Communist" Polish regime of Wladyslaw Gomulka, installed Oct. 21, 1956, qualified as "friendly" nation for purposes of Title I sales negotiations. S 1314 passed by Senate by voice vote April 1, after Knowland (R Calif.) amendment to delete barter provision was rejected, 23-54 (D 2-35; R 21-19). House version, minus barter provision, passed 345-7, June 24. Conference report, including modified barter

amendment, approved by voice vote of House July 9 and Senate Aug. 5. (PL 85-128)

**Funds.** HR 9302 appropriated \$2,768,760,000 for the Mutual Security Program for fiscal 1958, as follows: military aid, \$1,340 million; defense support, \$689 million; Development Loan Fund, \$300 million; technical aid, \$130 million; and other programs, \$310 million. HR 9302 also approved use of \$657 million in previously appropriated but unobligated funds, and earmarked \$40 million in aid for Spain and \$10 million for Guatemala.

House passed \$2.5 billion version of bill, 252-130, Aug. 15, after rejecting Judd (R Minn.) motion to recommit with instructions to add \$715 million, 129-254 (D 43-171; R 86-83). Senate approved increases totaling \$500 million, including addition of \$225 million for military aid, then passed \$3 billion measure, 62-25, Aug. 27. Conference report, appropriating \$1.1 billion less than requested, agreed to by Senate, 59-19, Aug. 29, and by House, 194-122, Aug. 30. (PL 85-279)

1958 "Competitive coexistence" took on a new dimension when the Soviets launched the first manmade earth satellite Oct. 4, 1957, dealing a sharp blow to American composure and prestige. Setbacks continued, as Vice President Nixon, touring South America, ran into violent anti-U.S. demonstrations in Peru and Venezuela, barely escaping injury May 13 in Caracas. A military coup in Algeria the same day raised the spectre of civil war in France -- a disaster averted by the return of Gen. Charles de Gaulle as Premier June 1. The volcanic Middle East erupted when Iraq's King Faisal II was murdered and his pro-Western government overthrown July 14; President Eisenhower immediately ordered U.S. Marines into nearby Lebanon, whose President Chamoun feared a similar fate. Then on Nov. 10 Soviet Premier Khrushchev launched a frontal attack on Berlin, demanding demilitarization of the Western zones within six months.

Looking at the State of the Union Jan. 9, the President warned that the Soviets were "waging total cold war," citing in particular "the massive economic offensive that has been mounted by the Communist imperialists against free nations." But the bulk of his proposals dealt with stepped-up military preparedness, reorganization of the Defense Department, extension of the reciprocal trade program, and increased training of scientists. For mutual security, he again asked for about \$3.9 billion, but he did not revive his 1956 and 1957 pleas for long-term authority to make development loans.

Congress, despite preoccupation with a recession at home and a space race with the Soviets, cut only \$600 million -- substantially less than in 1957 -- from the foreign aid request. In addition, the legislators extended the PL 460 surplus disposal program, expanded the resources of the Export-Import Bank, and authorized aid to the European Atomic Energy Community (Euratom). Acting on its own, the Senate called on the Administration to study promptly a proposal to create, as an adjunct of the World Bank, an International Development Assn., destined to come into being in 1960.

**Mutual Security.** HR 12181 authorized appropriations of \$3,031,400,000 for fiscal 1959 as follows: military aid, \$1.6 billion; defense support, \$810 million; technical aid, \$171.5 million; special assistance and other programs, \$290 million; and contingencies, \$153 million. (An additional \$644 million, including \$625 million for the

Development Loan Fund, had been authorized in 1957.) HR 12181 also converted the DLF into a government corporation, created the position of Under Secretary of State for Economic Affairs, and retained the proviso added in 1957 concerning aid to Yugoslavia.

House Foreign Affairs Committee cut \$339 million from President's request before reporting bill May 7; passed by House without change in amount, 259-134, May 14. Senate Foreign Relations Committee added \$110 million to House sum and approved amendment to 1951 Battle Act, requested by President and sponsored by Kennedy (D Mass.), modifying prohibition against aid to East European satellites. Senate rejected all attempts to cut authorization, but agreed to Knowland (R Calif.) move to delete Kennedy amendment to Battle Act, 43-42 (D 17-27; R 26-15), then passed bill, 51-17, June 6. Conference version approved by voice votes June 27. (PL 85-477) For appropriations, see below.

PL 400. S 3420 extended for 18 months (until Dec. 31, 1959) Agricultural Trade Development and Assistance Act of 1954 (PL 480); increased Title I authorization for sale of surplus commodities for foreign currencies from \$4 billion to \$6.25 billion; and revised criteria for barter transactions under Title III, which had all but ceased as the result of new administrative regulations in 1957 designed to prevent barter deals from replacing normal dollar sales. Senate passed two-year version by voice vote March 20, after voting 44-39 to delete provision requiring barter of \$500 million of surplus commodities annually. One-year version, including mandatory barter provision deleted in Senate, passed by House by 195-52 standing vote July 23. Conference report, calling for barter "to the maximum extent practicable," approved by voice votes Aug. 2. (PL 85-931)

Export-Import Bank. S 3149 increased Bank's lending authority from \$5 billion (the ceiling established in 1954) to \$7 billion. Requested by President Eisenhower, S 3149 was passed by standing vote of Senate March 20 and voice vote of House May 8. (PL 85-424)

Euratom. S Con Res 116, adopted by voice votes of Senate Aug. 18 and House Aug. 20, approved cooperative agreement between U.S. and European Atomic Energy Community. S 4273, passed at the same time, pledged aid to Euratom totaling an estimated \$135 million for the construction of nuclear power reactors, authorized \$3 million for a joint research program, and authorized sale or lease to Euratom of 30,000 kilograms of nuclear fuel. (PL 85-846)

New Loan Agency. S Res 264 requested a prompt study by the Administration of a proposal to establish an International Development Assn., as an affiliate of the World Bank, to make long-term, low-interest loans that would be repayable, in whole or in part, in local currencies. Conceived by Sen. A.S. Mike Monroney (D Okla.) as an instrument for using large amounts of cost currencies accumulating under the PL 480 disposal program, the idea was endorsed by the State and Treasury Departments and approved by the Senate, 62-25, July 23.

Funds. HR 13192 appropriated \$3,293,092,500 for the Mutual Security Program as follows: military aid, \$1,515 million; defense support, \$750 million; technical aid, \$171.5 million; special assistance, \$200 million; contingencies, \$155 million; other programs, \$106 million. The bill also appropriated \$400 million for the Development

## Surplus as Aid

The Agricultural Trade Development and Assistance Act of 1954 (PL 480) had the two-fold purpose of reducing the accumulation of surplus commodities under farm price-support programs, while opening new ways of assisting friendly nations in keeping with U.S. foreign policy objectives. Total value of PL 480 programs over seven years reached \$14 billion on June 30, 1961; of \$28.5 billion in actual exports of U.S. farm products during this period. PL 480 programs accounted for \$7.6 billion, or 26 percent. Extended and/or expanded each year (except 1950) since 1954, PL 480 was extended in 1961 until Dec. 31, 1964. Details of the several PL 480 programs follow.

Title I -- Foreign Currency Sales. This authorizes the sale of farm goods to friendly countries for their own currencies, with the U.S. Government financing the dollar cost of the commodities and the shipping required. Since the currencies so acquired are "soft" or non-convertible, the "sales" do not result in any immediate monetary return to the U.S.

As of June 30, 1961, Congress had authorized a cumulative total of \$11.25 billion under Title I; sales agreements or supplements to agreements, numbering 246 and representing a total Commodity Credit Corp. cost of \$9,479,500,000, had been signed with 39 countries. India alone accounted for \$3.7 billion; the next five countries -- Yugoslavia, Pakistan, Spain, Poland, and Brazil -- together accounted for \$2.8 billion. Major commodities covered by all sales agreements included nearly 2 billion bushels of wheat, nearly 6 million bales of cotton, more than 4 billion pounds of fats and oils, more than 300 million bushels of feed grains.

Foreign currencies generated by all sales agreements as of June 30, 1961 amounted (in dollar equivalents) to \$6.6 billion, representing the market value of commodities (rather than CCC cost) plus shipping cost. By law, these currencies may be used for a score of purposes. Of the \$6.6 billion, loans to the governments involved accounted for \$2.9 billion (44 percent); development grants, \$1.1 billion (17 percent); defense grants, \$400 million (6 percent); loans to private enterprises, \$400 million (6 percent); and all U.S. uses, \$1.7 billion (26 percent).

Title II -- Foreign Donations. As of June 30, 1961, Congress had authorized a total of \$1.4 billion (at CCC cost) for grants of surplus commodities for famine relief and other aid; transfer authorizations totaling \$937 million had been issued, of which \$452 million was for disaster relief.

Title III -- Other Donations. As of June 30, 1961, surplus foods valued at \$2.2 billion had been given away -- \$1.6 billion to needy persons abroad, through voluntary and intergovernmental relief agencies, and \$580 million to school children and needy persons in the U.S. Another \$1.3 billion worth of commodities had been exported, since 1954, under the barter provision of Title III, in exchange for strategic and other materials for stockpile and other purposes.

Title IV -- Long-term Supply Contracts. Added in 1959, Title IV was designed to assist friendly nations by providing credits of up to 20 years for dollar purchases of surplus commodities. No agreements had been signed as of June 30, 1961.

Loan Fund (for which \$625 million had been authorized in 1957).

House Appropriations Committee reported \$3.1 billion version June 27. House rejected all attempts to increase amount, including motion to recommit with instructions to add \$75 million for defense support, defeated 166-214 (D 60-140; R 106-74). House then passed HR 13192, 252-127, July 2. Senate version, carrying \$3.5 billion, passed by voice vote without amendment Aug. 23. Conference report, splitting the difference, approved by voice votes by House Aug. 23 and by Senate Aug. 24, moments before adjournment. (PL 85-853)

**1959** The Soviet campaign to undermine the Western position in Berlin, launched the previous November, ushered in a year of intense diplomatic activity, highlighted by several exchanges of top-level visits. Soviet Deputy Premiers Anastas I. Mikoyan and Frol R. Kozlov toured the U.S. Jan. 4-20 and June 28-July 13 respectively; British Prime Minister Harold Macmillan toured the U.S.S.R. Feb. 21-March 3, as did Vice President Richard M. Nixon July 23-Aug. 2. Then on Sept. 15, a few hours after the Democratic-controlled 86th Congress had adjourned, Premier Khrushchev arrived for a 13-day tour of the U.S. (during which he warned the West that "we will bury you"), capped by talks at Camp David with President Eisenhower. Neither these exchanges nor concurrent negotiations at the foreign minister level produced "solutions" to Berlin and other outstanding issues, but tensions were eased and the way was paved for a summit conference in 1960.

Meanwhile, the President had asked Congress March 13 to extend the Mutual Security Program without change. The request encountered sharp criticism among Democrats, one group charging that it failed to reflect a need to deemphasize military aid and to increase development assistance, another (and more numerous) group urging substantial cuts in reaction to the President's own attack on Democratic-sponsored domestic welfare proposals. Efforts of the first group to redirect MSP were stymied for lack of Administration support; the second group, however, helped to cut \$700 million from the President's request for \$3,930,000,000 for fiscal 1960.

Despite this show of opposition to MSP, Congress approved three other major foreign aid measures in 1959. These provided for the first increase since 1945 in the resources of the World Bank and International Monetary Fund, for establishment of a \$1-billion Inter-American Development Bank, and for a two-year extension of the PL 480 surplus disposal program. The long-disputed amendment of the 1951 Battie Act, to permit aid to be given to the East European satellites, was passed by the Senate, as was a resolution urging a multilateral mission to review development plans and needs in India.

**Mutual Security.** HR 7500 authorized appropriations of \$3,556,200,000 for fiscal 1960 as follows: military aid, \$1.4 billion; defense support, \$751 million; Development Loan Fund, \$700 million; technical cooperation, \$211 million; special assistance and other programs, \$339.2 million; contingencies, \$155 million. HR 7500 also authorized an additional \$1.1 billion for DLF in fiscal 1961 and "such funds as may be necessary" for military aid in fiscal 1961 and 1962. The bill also increased from \$500 million to \$1 billion the authority to guarantee private U.S. investments abroad against confiscation but limited new guarantees to investments in underdeveloped

countries; created a new office of Inspector General and Comptroller to audit MSP programs; and directed the President to submit a detailed plan in 1960 for progressive reduction of all bilateral grant aid "wherever practicable."

House Foreign Affairs Committee raised \$700 million request for DLF to \$800 million but cut total request by \$267 million before reporting HR 7500 June 5. House agreed to 10 amendments, including one deleting \$100 million increase in DLF authorization, but rejected 24 other amendments before passing \$3.5 billion measure, 271-142, June 18.

Earlier, Senate Foreign Relations Committee Chairman J.W. Fulbright (D Ark.), backed by Sens. Hubert H. Humphrey (D Minn.) and John F. Kennedy (D Mass.), scored military emphasis of MSP and proposed giving Development Loan Fund \$1.5 billion a year for five years. President Eisenhower wrote Fulbright June 4, opposing the increase and the plan to authorize DLF to borrow its funds from the Treasury, but the Committee June 22 reported a \$4.2 billion measure that included \$1 billion in borrowing authority for DLF in fiscal 1960 and each of the next four years, saying that "in the absence of Administration initiative" it was "compelled to proceed unilaterally" to write a bill "adequate to the task."

When bill reached Senate floor June 30, Case (S S.D.) made point of order against DLF provision on grounds it was an appropriation in a legislative act. Overruled by chair, Case appealed; motion to table the appeal was then rejected, 42-43 (D 32-24; R 7-24). Unwilling to see Case point of order upheld (with potential repercussions on other programs financed by Treasury borrowing), Senate Leaders Johnson (D Texas) and Dirksen (R Ill.) proposed compromise authorizing DLF appropriations of \$750 million in fiscal 1960 and \$1,250 million in 1961, quickly approved by voice vote.

Senate then agreed to amendments by Ellender (D La.) reducing military aid from \$1.6 billion to \$1.3 billion, approved 52-41 (D 40-19; R 12-22), and by Church (D Idaho) reducing defense support from \$835 million to \$751.5 million, accepted 49-43 (D 41-18; R 8-25), before passing \$3.4 billion measure, 65-26, July 8. Conference version approved July 22 by House, 258-153, and by Senate by voice vote. (PL 86-108) For appropriations, see below.

**World Bank, Fund.** S 1094 amended the Bretton Woods Agreement Act of 1945 (PL 79-171) to authorize a 50-percent increase in the U.S. subscription to the International Monetary Fund, amounting to \$1,375,000,000, and a 100 percent increase in the U.S. subscription to the International Bank for Reconstruction and Development, amounting to \$3,175,000,000. Only controversy over the measure, requested by the President Feb. 12, concerned Administration proposal to charge entire IMF contribution to fiscal 1959 budget, already \$12 billion in deficit as result of 1957-58 recession. Senate voted 58-25 (D 53-0; R 5-25) to charge item to 1960 budget, then passed S 1094, 73-10, March 19. House version, allocating charge to 1959 budget as requested, passed, 315-57, March 25. Conference report, incorporating House provision, approved by voice votes June 5. (PL 86-48) No appropriation required as IMF contribution was made a public debt transaction, while Bank subscription constituted a guarantee.

**Inter-American Bank.** S 1928 authorized U.S. membership in the Inter-American Development Bank, together with a subscription of \$450 million -- \$350 million

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## MANSFIELD EXPLAINS CONGRESSIONAL MISGIVINGS ON AID

The doubts and misgivings of Congress concerning the Mutual Security Program were described May 15, 1959 by Sen. Mike Mansfield (D Mont.) in these terms:

"Mr. President, it is the time of another foreign aid bill. Those of us who have been in Congress long enough have seen more than a decade of continuous organized programs of assistance. We have lived with four principal postwar aid agencies in succession -- the ECA, the MSA, the FOA, and now the ICA. (Economic Cooperation Administration, Mutual Security Agency, Foreign Operations Administration and International Cooperation Administration.) We have witnessed the annual level of appropriations go up, and we have witnessed it come down. We have watched the emphasis in these programs shift from economic aid during the days of the Marshall Plan, to military aid in subsequent years. If my perceptions are accurate, we are now at the beginning of a shift back to an era of economic emphasis.

"We have also observed a change in the principal focus of these programs, from Western Europe to the Far East and then the Middle East. Again, if my perceptions are accurate, the focus may now be shifting toward Africa and Latin America.

"It is common practice to say that we have put \$60 billion or \$70 billion into foreign aid since the close of World War II. I, myself, have used a round figure of that kind at times. In all honesty, however, I have used it as have others, as the roughest of measures. The fact is that the figure tells us very little, because it is a composite figure. Unless it is recognized as such, it is misleading.

"The \$70 billion includes appropriations for many disparate undertakings. It includes outright grants and gifts, as well as loans on which we fully expect repayment with a good rate of interest.... Similarly, we list indiscriminately as foreign aid the cost of a squadron of fighter planes given to an unsteady government somewhere, and the cost of assigning a public health expert to a nation with a malaria problem. The effect of these actions on us and on others may be as different as night and day. The only thing they may really have in common is that they both cost us something.

"Having lumped these and a dozen other dissimilar undertakings together as the foreign aid program, we try to measure total effect in terms of success or failure. It cannot be done. It is like counting eggs and weighing sugar, adding them together, and stating the results in quarts.

"The simple fact is that some parts of foreign aid in certain circumstances have been beneficial to this Nation and helpful to other nations. The same parts in different circumstances, or other parts in the same circumstances, have not been helpful to others and have not been beneficial to us. But we shall never really know which is which, and what is what, so long as all the parts are hopelessly intermingled, as is now the case.

"For the total national effort which we label the 'foreign aid program,' or, more euphemistically, the Mutual Security Program, all that we can say is that we go on, year after year, doing a number of things abroad which we think have some connection, at least, with

maintaining a decent image of the United States in the world, with safeguarding the Nation's security, and with advancing its interests. I use the phrase 'we think' because the only certainty in this entire business is that what we are doing requires money -- billions of dollars. Specifically, for the next fiscal year, the Administration asks \$3.9 billion.

"Barring the unusual, I suspect that we shall act in this matter as we have acted in the past. We shall assume that the Administration has asked for too much money, as experience indicates that it invariably does; and this applies to both kinds of administration, Republican and Democratic. Therefore, we shall cut the amount requested, perhaps more deeply this year than in past years. The Administration will protest the size of the cut, however large or small it may be. One or the other house may be persuaded by the protest, and we shall restore a part of it. That is the pattern. That is what has been done year after year.

"Will the Senate really know whether the final amount appropriated is too much or too little or just right? Will the House? Indeed, will the Administration know? The fact is that no one will know because we do not have specific objectives, specific yardsticks against which to measure cost in any rational fashion. We have only generalizations....

"As I have already said, I have no doubt that foreign aid has done some good. Similarly, I have no doubt that it has done some harm. Whatever its impact, the fact is that there is hardly a Member of this body who is satisfied with this program as it now operates. Contrast the present general doubt and dissatisfaction with the broad acceptance and approval of the Marshall Plan a few years ago and the Point Four program of technical aid.

"Despite the doubt and dissatisfaction, we shall probably go along with foreign aid for another year. We shall do so because we are not prepared to dispute as nonessential what the President has labeled as essential to the Nation.

"But in all seriousness, Mr. President, I must ask, how much longer can we go on this way? The uneasiness with the foreign aid program which is evident in Congress is not a whim out of the blue. It is not political. It is not inexplicable. It is a reflection of a current of sentiment which is beginning to run very strongly through the Nation. The uneasiness is not over the concept of helping others. Nor do I believe that it represents a retreat from international realities and responsibilities. The uneasiness is over the way the concept of helping others and fulfilling our international responsibilities is being translated into action. It is an uneasiness over the administrative decadence with which foreign aid is now surrounded.

"I may be wrong, Mr. President, but I am persuaded that time is running out on foreign aid. We shall either begin to come to grips with the problems of this program during this session, or the next session may well see a tide of public reaction so strong that it will swamp the entire undertaking. It may well inundate both the good and the bad in foreign aid, the essential and the nonessential."

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for capital stock and \$100 million for the Bank's Fund for Special Operations -- to be appropriated. Long sought by the countries of Latin America, establishment of the Bank was agreed to by the Eisenhower Administration in 1958 and negotiated early in 1959; the President's request went to Congress May 11. S 1928 was passed by the Senate 89-3, July 15, and by the House, 233-87, July 27. (PL 86-147) For appropriations, see below.

PL 480. HR 8609 extended for two years Agricultural Trade Development and Assistance Act of 1954; increased Title I authorization for sales of surplus commodities for foreign currencies from \$6.25 billion to \$9.25 billion (at the rate of \$1.5 billion each year); and increased Title II authorization for foreign relief donations from \$800 million to \$1.4 billion (at the rate of \$300 million each year). HR 8609 also added a new Title IV authorizing sale of surplus commodities for dollars on long-term credit, permitting repayment over 20 years, to assist the economic development of friendly nations.

As passed by House, 305-53, Aug. 20, HR 8609 provided for one-year extension of PL 480, as requested by President Eisenhower. Working on its own one-year extension bill (S 1748), Senate agreed to committee amendment providing for three-year extension, 47-38 (D 30-23; R 15-15). But another committee amendment, requested by President, to permit grants of surplus commodities under Title I to help underdeveloped nations establish national food reserves was rejected, 42-46 (D 30-25, R 12-21), before amended version of HR 8609 was passed, 68-14, Sept. 7. Conference version, providing for two-year extension, approved by voice votes Sept. 11. In signing bill Sept. 21, President criticized Title IV provision for long-term supply contracts as implying "that our agricultural surpluses will be with us for many years to come." (PL 86-341)

Barile Act. When the Senate rejected an amendment to the Mutual Security Act in 1958, amending the 1951 Mutual Defense Assistance Control Act (Barile Act) to permit aid to be given to the East European satellites when in the national interest, the Administration drafted separate legislation to the same end, introduced April 15, 1959 as S 1697 by Sens. Kennedy (D Mass.) and Aiken (R Vt.). Senate passed S 1697 by voice vote Sept. 10; on reconsideration demanded by Bridges (R N.H.), the bill was passed again Sept. 12, 49-40 (D 33-23; R 16-17). House took no action.

Funds. HR 8385 appropriated \$3,225,613,000 for the Mutual Security Program in fiscal 1960 as follows: military aid, \$1.3 billion; defense support, \$695 million; Development Loan Fund, \$550 million; special assistance, \$245 million; technical aid, \$181.2 million; contingencies, \$155 million; other programs, \$100 million. HR 8385 also earmarked \$45 million in defense support funds for Spain.

House Appropriations Committee reported \$3.2 billion version July 24; House passed bill unchanged in amount, 279-136, July 29, after deleting provision earmarking \$50 million for Spain by 88-38 standing vote. Senate agreed to Bridges (R N.H.) amendment restoring Spanish provision, 49-38 (D 21-36; R 28-2), then passed \$3.3 billion version, 64-25, Sept. 14. Conference version approved by Senate by voice vote and by House 194-109, Sept. 15. (PL 86-363)

Congress took no action on the President's July 24 request that it also appropriate \$500 million of the

\$1.1 billion authorized earlier for the Development Loan Fund in fiscal 1961. Earlier in 1959, however, the President had asked for \$225 million for DLF for the balance of fiscal 1959 -- the difference between the amount authorized and appropriated in 1958. House and Senate compromised on \$150 million, included in a supplemental appropriation (HR 5916) approved May 14. (PL 86-30) Congress also appropriated a first instalment of \$280 million for the newly authorized Inter-American Development Bank, in the first 1960 supplemental bill (HR 7978) approved Aug. 19. (PL 86-213)

1960 President Eisenhower's final year in office opened auspiciously with agreement Dec. 30, 1959 to meet Premier Khrushchev, Prime Minister Macmillan, and President de Gaulle at the "summit" in Paris on May 16, hopefully to settle the Berlin problem. But on May 1 the Soviets shot down an American U-2 reconnaissance plane 1,200 miles inland, setting off a chain reaction that destroyed the conference before it could begin. Khrushchev cancelled his invitation to the President to visit Russia and announced his intention to await the election of a new President before reopening East-West talks. At home, the U-2 disaster, followed by cancellation of the President's visit to Japan in the wake of riots there over a new security treaty with the U.S., added fuel to the partisan fires of an election year in which Democrats assailed the Eisenhower record, foreign and domestic.

When the shouting was over, however, Congress had appropriated substantially more money for the Mutual Security Program than in 1959, when a smaller request had been cut by \$700 million. For fiscal 1961, the President Feb. 16 asked for \$4,175,000,000, of which \$2 billion was for military aid. Following the UN Security Council decision July 14 to send troops to the newly independent Belgian Congo, terrorized by a mutinous army, the President Aug. 8 asked for another \$100 million "to keep America poised" for other such contingencies. By adjournment Sept. 1, Congress had appropriated \$3,781,350,000 for MSP. Rising international tensions also helped to spur legislative authorization in 1960 for U.S. participation in a \$1-billion International Development Assn. and for a new \$500-million program to "strengthen the social and economic structure" of the nations of Latin America, plus \$100 million to rehabilitate earthquake-torn Chile.

Mutual Security. HR 11510 authorized appropriations of \$1,366,200,000 for fiscal 1961 as follows: defense support, \$675 million; technical cooperation, \$206.5 million; special assistance, \$256 million; contingencies, \$150 million; other programs, \$78.7 million. (No further authorization was needed for the Development Loan Fund or military assistance, for which Congress in 1959 had authorized \$1.1 billion and "such funds as may be necessary," respectively, in fiscal 1961.) HR 11510 also authorized grants of surplus commodities under PL 480 to promote economic development programs, directed the President to study the advisability of establishing a Point Four Youth Corps, and made numerous other changes in the Mutual Security Act.

House Foreign Affairs Committee April 7 reported \$1.3 billion version of HR 11510, which was passed by House without change in amount, 243-131, April 21. Senate Foreign Relations Committee raised House figure by \$107 million before reporting HR 11510 April 22.

Senate accepted 12 amendments and rejected 13 others, requiring 20 roll calls, before passing amended bill, 60-25, May 2. Senate agreed to Long (D La.) amendment reducing contingency fund authorization from \$175 million to \$155 million, 48-40 (D 43-14; R 5-26), but rejected T. Jenner (D La.) amendment to limit use of fund to situations entirely unforeseen, 43-43 (D 37-18; R 6-25). Senate also agreed to Douglas (D Ill.) amendment urging the President, in effect, to cut off aid to the United Arab Republic until it opened Suez Canal to Israeli shipping, 45-25 (D 35-10; R 10-15). Conference version, including provision aimed at UAR, approved by House, 240-138, and by Senate by voice vote May 12. (PL 86-472). For appropriation, see below.

IDA. HR 11001 authorized U.S. membership in the International Development Assn., together with a subscription of \$320,290,000 to be paid over five years. Outgrowth of a 1958 Senate resolution (see above), IDA was endorsed by the Eisenhower Administration in 1959. Articles of agreement, drawn up by the U.S. and other members of the World Bank, called for total subscriptions of \$1 billion, of which \$763 million would be provided by 17 hard currency countries (including the U.S.) and the remainder by 51 soft currency countries. To be operated as an affiliate of the World Bank, IDA was designed to supply development loans on easier terms than those required by the Bank.

Senate, acting on its own bill (S 3074), approved Williams (R Del.) amendment to bar U.S. from making "gifts" to IDA of Treasury-owned foreign currencies without Congressional authorization, 39-33, then passed bill by voice vote June 2. House passed HR 11001, 249-158 (D 164-96; R 85-62), June 29 and Senate agreed to House version by voice vote the same day. (PL 86-565) For appropriation, see below.

Latin Aid. HR 13021 authorized appropriation of \$500 million for development aid to Latin America and \$100 million for reconstruction in Chile. President Eisenhower first proposed the new program July 11, following a tour of South America Feb. 23-March 3, and requested Congressional authorization Aug. 8. Although he gave Congress no details, he asked for final action before Sept. 5 when the Economic Conference of the American Republics was scheduled to start in Bogota. Like establishment of the Inter-American Development Bank in 1959, the President's proposal represented an effort to buttress a sagging U.S. position in the area. Senate passed its own version, 54-19, Aug. 19; House passed HR 13021 by voice vote Aug. 31 and Senate agreed to House bill by voice vote the same day. (PL 86-735) For appropriations, see 1961.

Funds. HR 12619 appropriated \$3,716,350,000 for the Mutual Security Program for fiscal 1961 as follows: military aid, \$1.8 billion; defense support, \$610 million; Development Loan Fund, \$550 million; technical aid, \$184.3 million; special assistance, \$231.5 million; contingencies, \$250 million; other programs, \$90.5 million. HR 12619 also earmarked \$35 million in defense support for Spain, and prohibited use of funds for various activities -- such as payment of more than 40 percent of UN programs in Africa.

House Appropriations Committee June 13 reported \$3.4 billion version -- \$790 million under President's request. Pressed by Administration to restore funds, House agreed to Taber (R N.Y.) amendment raising mili-

tary aid from \$1.6 to \$1.8 billion, 212-173 (D 105-139; R 107-34), then passed \$3.6 billion bill, 259-124, June 17. Senate Appropriations Committee reported \$4 billion version Aug. 19, passed without change in amount by Senate, 67-26, Aug. 24. Conference version, carrying \$3.7 billion, approved Aug. 26 by House by voice vote and by Senate, 57-24, despite President's plea that it be rejected and another effort be made to increase the total appropriation. (PL 86-704)

An additional \$65 million for defense support was included in the second supplemental appropriation bill (HR 13161). Senate agreed to amendments adding \$190 million for MSP, 56-31, Aug. 29. House, acting on separate amendments, agreed to add \$65 million for defense support, 203-193 (D 111-143; R 92-50), but rejected amendment adding \$26 million for special assistance, 175-216 (D 98-152; R 77-64) Aug. 31; only \$65 million was retained in final bill. (PL 86-722) In addition, Congress appropriated \$73,666,700, as the first installment on the U.S. payment to the International Development Assn., in the first supplemental (HR 12740) approved July 2. (PL 86-651)

**1961** Pledged to help America "move ahead" at home and abroad, President John F. Kennedy quickly discovered the hazards of leadership in a divided and disordered world. An American-sponsored "invasion" of Cuba April 17, designed to overthrow Communist-oriented Fidel Castro, was crushed with heavy loss to both rebels and U.S. prestige. East-West tensions mounted as Premier Khrushchev, meeting the President in Vienna June 3-4, brought the long-simmering Berlin "issue" to a boil. Mr. Kennedy responded by asking Congress July 25 for a quick buildup of U.S. ground forces, but neither he nor Congress was able to prevent the Soviets from sealing off East Berlin, beginning Aug. 13, or breaking a three-year moratorium on nuclear testing Sept. 1. By year's end, the U.S. was confronting additional crises in the Congo, where UN operations against secessionist Katanga had split allied ranks, and in South Vietnam, where Communist Vietminh forces threatened to engulf the U.S.-backed regime of President Ngo Dinh Diem.

Meanwhile, the President had asked Congress March 22 to replace the 10-year-old Mutual Security Act with a new legislative mandate separating military from non-military aid programs, and to undertake a major commitment. Said he: "There exists, in the 1960's, an historic opportunity for a major economic assistance effort by the free industrialized nations to move more than half the people of the less-developed nations into self-sustained economic growth." As America's share of that effort, he proposed essentially the same step that he and Sen. Fulbright had championed unsuccessfully in 1959: a five-year authorization for development loans, totaling \$8.8 billion, of which \$7.3 billion was to be financed directly by the Treasury as a public debt transaction, rather than by annual appropriations requiring Congressional approval each year.

The Democratic-controlled 87th Congress refused, however, to surrender its prerogative; although authorizing \$7.2 billion for development loans over five years, the legislators insisted that the funds be appropriated each year. Of the \$4.8 billion requested by the President for fiscal 1962, only \$3.9 billion was forthcoming six months later. But this included almost twice the \$600 million voted for development loans in fiscal 1961. In

addition, Congress appropriated the full \$600 million authorized in 1960 for Latin America, as well as further installments for the Inter-American Development Bank and the International Development Assn. Congress also authorized establishment of a Peace Corps as a new aid mechanism, and extended the PL 480 surplus disposal program for three years.

**Foreign Aid.** S 1983, the Foreign Assistance Act of 1961, authorized fiscal 1962 appropriations as follows: development loans, \$1.2 billion; development grants, \$380 million; supporting assistance (formerly defense support), \$465 million; international organizations, \$153.5 million; investment surveys, \$5 million; military assistance, \$1.7 billion; contingencies, \$300 million; and administration, \$50 million. In addition to these amounts, totaling \$4,253,500,000, the bill authorized appropriations of \$1.7 billion for military assistance in fiscal 1963, and of \$1.5 billion for development loans in each of the years 1963 through 1966. S 1983 also authorized the President to enter into agreements to commit loan funds in advance of appropriations, and to use up to \$300 million of Defense Department supplies for military aid if needed, subject to later appropriation.

Senate Foreign Relations Committee reported \$4.3 billion version of S 1983 July 24, authorizing five-year loan program of \$8.8 billion financed by Treasury borrowing. Senate agreed to amendments by Ellender (D La.) cutting military assistance authorizations for fiscal 1962 and 1963 by \$250 million, 57-37, and reducing development loan authorizations from \$1.9 billion to \$1.7 billion from 1963 through 1966, 51-43. But Senate rejected Byrd (D Va.) amendment to require annual appropriation of loan funds, 39-56 (D 16-46; R 23-10), then approved Dirksen (R Ill.) amendment authorizing Congress to veto any loan of \$5 million or more, 52-44 (D 40-22; R 12-22), before passing amended bill, 66-24, Aug. 18.

House Foreign Affairs Committee reported own bill (HR 8400) Aug. 4, authorizing fiscal 1962 program of \$4.4 billion and five-year loan program as requested. But House, by 197-185 teller vote, agreed to Saund (D Calif.) amendment deleting five-year program and substituting authorization for \$1.2 billion for loans in fiscal 1962 to be appropriated, then passed amended version of S 1983, 287-140, Aug. 18. Conference report, called "wholly satisfactory" by President, approved Aug. 31 by Senate, 69-24, and by House, 260-132. By executive order Nov. 3, President abolished International Cooperation Administration and Development Loan Fund, turning over their functions to new Agency for International Development within State Department; Fowler Hamilton confirmed as AID Administrator Sept. 23. (PL 87-195) For appropriations, see below.

PL 460. President Kennedy, in a March 16 farm message, asked Congress to increase the fiscal 1961 authorization for PL 480 sales for foreign currencies by \$2 billion, and to extend the entire act (due to expire Dec. 31) for five years. S 1027, passed by voice votes of Senate April 24 and House April 26, increased Title I authorization for fiscal 1961 sales of surplus commodities for foreign currencies from \$9.25 billion to \$11.25 billion. (PL 87-28) S 1643, an omnibus farm bill sent to the President Aug. 3, extended for three years (until Dec. 31, 1964) the Agricultural Trade Development and Assistance Act of 1954 (PL 480); raised the Title I authorization by \$1.5 billion a year, from \$11.25 billion to

\$15.75 billion; raised Title II authorization for foreign relief and economic development donations by \$500 million a year, from \$1.4 billion to \$2.3 billion; and authorized sale of accumulated foreign currencies to American tourists for dollars. (PL 87-128)

**Peace Corps.** President Kennedy established a Peace Corps by executive order March 1, when he also asked for permanent legislative authorization. HR 7500 gave Corps permanent status and authorized appropriation of \$40 million for fiscal 1962. Senate passed own version (S 2000) by voice vote Aug. 25, after rejecting Hickenlooper (R Iowa) amendment to cut authorization to \$25 million, 32-59 (D 8-51; R 24-8); House passed HR 7500, 288-97 (D 206-29; R 82-68), Sept. 14. Conference report approved Sept. 21 by House, 253-79, and by Senate by voice vote. (PL 87-293) For appropriation, see below.

**Battle Act.** As in 1959, Senate passed bill at the President's request amending Mutual Defense Assistance Control Act of 1951 (Battle Act) to permit grant aid to Poland and other East European satellites, but the House failed to act. S 1215 was passed 43-36 (D 36-16; R 7-18) May 11.

**Funds.** HR 9033 appropriated \$3,914,600,000 for the foreign aid program as follows: development loans, \$1,112,500,000; development grants, \$293.5 million; supporting assistance, \$425 million; international organizations, \$153.5 million; military aid, \$1.6 billion; contingencies, \$275 million; administration and other programs, \$52.1 million. HR 9033 also appropriated \$110 million for the Inter-American Development Bank, \$61,656,000 for the International Development Assn., and \$30 million for the newly authorized Peace Corps.

As reported by House Appropriations Committee Sept. 1, HR 9033 carried less than \$3.4 billion for foreign aid, or about \$900 million less than had been authorized. House agreed to Ford (R Mich.) amendment, adding \$300 million to \$1.3 billion for military aid, 243-151 (D 170-69; R 73-82), then passed bill, 270-123, Sept. 5. Senate Appropriations Committee reported \$4.2 billion version Sept. 13, and Senate passed bill without changing amounts, 62-17, Sept. 15. Conference report, appropriating \$3.9 billion for foreign aid as well as other sums, agreed to Sept. 26 by House, 192-61, and by Senate by voice vote. (PL 87-329)

Earlier, Congress appropriated an additional \$50 million for the Development Loan Fund for fiscal 1961. President Kennedy had asked for \$150 million, the balance of the \$700 million authorized for DLF in 1960 but not appropriated. House refused to include funds in supplemental bill (HR 5186) passed by voice vote March 7, but Senate added full \$150 million before passing bill by voice vote March 27. Conference report, approved March 30, included \$50 million for DLF. (PL 87-14)

Congress also appropriated \$600 million authorized in 1960 for aid to Latin America. HR 6518, requested by President Kennedy March 14 as part of his "Alliance for Progress" program, appropriated \$394 million to the Inter-American Development Bank for "soft" loans, \$5 million to the Organization of American States for planning grants, \$100 million to ICA for grants, and \$100 million for reconstruction loans to Chile. House passed HR 6518, 330-62, April 25; Senate passed amended version by voice vote May 9. Conference report agreed to May 25. (PL 87-41)